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INTUG Position

The economic and social benefits of providing
business users with a single market for
telecommunications

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How important is ICT for our economy?

“The fact is, the whole economy is relying on digital tools and networks. Sectors from banking to logistics, automotive to audiovisual. And, beyond that: all kinds of companies are crying out for the connectivity that could transform their business: from videoconferencing to cloud computing to 3D printing. Companies of every size in every sector.

We cannot leave them stranded. They have European ambitions: we cannot leave them without the communications to match. In an economy relying on information and communication, we cannot sit by while the telecoms sector becomes too weak to compete, invest and innovate. We cannot continue to struggle by with poor, ageing networks.

This matters. The boost from a competitive single market in telecommunications could be 110 billion euros a year. Quality communications for business could be worth 800 billion over 15 years. Broadband could create 2 million jobs. This is investing in tomorrow's growth.”

That was Neelie Kroes, Vice-President of the European Commission responsible for the Digital Agenda, speaking about “A Telecoms Single Market: Building a Connected Continent” during the ITRE Committee Meeting on “Ensuring Connectivity for the Digital Economy” at the European Parliament in Brussels on 9 July 2013.

And INTUG couldn't agree more. In fact, the figures she quotes are from a [study](#) commissioned by ECTA and INTUG, from WIK Consult.

The European Commission understands the importance of communications services in enabling economic growth, improving social welfare, creating value, enhancing EU productivity and competitiveness and generating jobs. In the public sector, connectivity through shared broadband infrastructure provides a host of benefits in terms of e-education, e-health and new channels (e-government) for interacting with citizens. It also recognises the key role played by businesses and public entities of all sizes in using new technology to make this happen.

But businesses and public institutions rely on networks. They need high performance fixed and mobile networks, especially for cloud services and mobile data applications. Yet, there are many factors that are hindering them from building an efficient and effective ICT strategy. As the representative of professional users of communications services, INTUG would like to take this opportunity to summarise some of the main considerations and constraints currently impacting businesses in terms of their ICT.

Considerations to ensure a competitive single market for telecommunications that supports the economy

This isn't only relevant for large, international companies. The market of professional users of ICT is diverse. While a single market for telecommunications is certainly critical for large, international companies, it will also create significant opportunities for smaller companies, domestic companies and public institutions. These entities do not have the leverage to individually negotiate for what they need from providers, nor do they necessarily have the resources to be fully informed about complex issues. Essentially, the power of the MNC (multinational corporation) market to negotiate is overrated, and the SME market does not have any leverage to do so.

Special measures for and attention to the business market are absolutely necessary. Businesses do not have the same needs as consumers. What is an inconvenience for a consumer can be catastrophic to a company. In fact, at times the needs of businesses and consumers are completely opposite: e.g., consumers generally prefer shorter contract periods while businesses prefer longer agreements. Yet, the regulatory environment does not seem to acknowledge the serious differences. Instead it considers that the business market can be dealt with by adapting consumer-oriented regulations. This isn't the case.

For example, businesses require application-aware networks that focus on performance, not just availability and bandwidth. They require bundled services with associated Quality of Service (QoS) and Service Level Agreements (SLAs), plus a wide range of optional value-added services. Furthermore, it isn't simply relational data that is passing through the company network. With the growing role of collaboration and cloud-based services, we are more and more confronted with a high volume of non-relational data traffic: videos, document sharing, voice services, each of which requires a different approach. Based on all of these factors, INTUG believes there is a continuing need for separate market definitions of the business market and of cross-border markets.

Current international mobile service offerings do not meet the needs of multinational companies. The international market remains a fragmented patchwork of national mobile services. As a result, a company can end up with an international mobile framework contract with up to 15 individual annexes - one for each European country in which the company has activities. We see a lack of competition, inconsistent tariff structures, fragmented pricing and service models and national units of international operators that are more concerned with their own growth, margins and market share than with providing a comprehensive international service to the customer. Businesses suffer from frustration, inefficiency and high costs.

What's more, we expect to see a big shift within the next five years, moving towards much more added value from mobile communications within companies. The cloud app world will be an integral part of this, so mobile service providers need be ready for it. INTUG believes it will no longer be possible to work on innovation country by country. The existence of a true international market for mobile services will be crucial.

Europe should advocate its approach on roaming to the rest of the world. The ITU and OECD are vigorously encouraging multilateral action against communications charges which amount to a 'tax' on cross-border trade, like roaming. Europe should take a leading role in driving initiatives to limit roaming charges on the international level.

Net neutrality is critical for innovation. *"We need more consistent ways to access fixed networks. Blocking or throttling services isn't just unfair and annoying for users – it's a death sentence for innovators too. So I will guarantee net neutrality, allowing the new premium services which so many new services rely on – from cloud computing to eHealth. And I will end anticompetitive blocking and throttling. Internet growth depends on openness and innovation"* - Vice President Kroes. INTUG fully supports this vision, and especially the need for businesses to be able to negotiate for even better quality. Agreements between providers and customers with strong SLAs and QoS, including for mobile services, should consequently be accommodated within the regulation, allowing service providers to offer differentiated service levels, so long as their operational processes are transparent.

The opportunities of cloud computing need to be supported. While the cloud offers many opportunities, business users remain hesitant to rely on it, especially for mission-critical applications. They need to have confidence in the providers and the services. Cloud contracts should not be standardised; rather, there should be standard definitions of terms and metrics for service quality in parallel with the flexibility to negotiate tailored contracts. To create a cloud-friendly Europe, however, users need to be informed about how to avoid the pitfalls.

Data retention and privacy regulations must be harmonised. Companies do not have the resources to retain legal specialists to determine the differences from country to country. Telecommunications is by definition cross border; cloud services and providers are mostly international, in order to benefit from economies of scale. With the varying and complex regulations in different European markets, INTUG is unable to give clear recommendations to our member companies. Data retention needs to be harmonised and manageable.

Vendor lock-in must be eliminated in all ICT domains. With limited numbers of service providers offering global connectivity plus the required technical specifications, companies are in a poor position to negotiate and must sign long-term contracts to get the best price. Changing provider takes weeks or even months, and risks connectivity and performance. Contract terminations are arbitrary. In the machine-to-machine (M2M) market, businesses need to be able to change mobile operator without changing the SIM cards physically in each machine. For cloud, users need assurance that they will get their data back if they are not satisfied with the supplier. Finally, in a dynamic business environment, company acquisitions and disposals make it imperative that entities be able to integrate new subsidiaries within their existing contracts, with a rapid and seamless transition from different suppliers, for devices, network services, cloud application provision, data storage, etc.

Service-based competition is more relevant to business, and generates increased innovation, more jobs, greater growth and improved social welfare. In today's market of limited capital availability, infrastructure-based competition is inefficient, and is less relevant to the outcomes desired.

The emphasis should now be on infrastructure sharing, including spectrum, and on passive and active fixed network resources – provided that the mechanisms are in place to ensure new technology roll-out.

Last-mile connectivity causes major headaches for organisations of all sizes. While service providers deliver connectivity as closely as possible to the local site, in most cases they must deal with a local service provider, who owns the infrastructure and therefore determines the rules. Local tail is the most costly component of the circuit. Telecom operators must have access to harmonised, business-grade, wholesale last-mile offerings that let them put together the pieces of the puzzle to build a company network.

Business users need an environment in which their communications service providers have non-discriminatory access to the dominant operators' national access circuits, which is difficult if not impossible in many countries, especially in the USA where such circuits are termed "Special Access".

Lack of Virtual Network Operators (VNOs) for both fixed and mobile networks must be addressed: these represent the best chance for a competitive international market. VNOs operate on the market without owning infrastructure. It would be very helpful to have a market of VNOs that use the backbone of the national operators and offer value-added services companies need, such as WAN optimisation or managed services. As part of a single market for communications, in which providers compete cross-border or on an equivalent basis regardless of their ownership of infrastructure in a particular country, this would facilitate innovation, value-added services, enhanced productivity and greater efficiency: a winning equation for everyone.

A strong BEREC will support harmonisation and a stronger, healthier business environment. INTUG sees many advantages for the business and economic environment of harmonising the market for telecommunications. A strong BEREC is key to the success of this approach **as long as it pays more attention to the business market.**

CONCLUSION

Business today relies on ICT, yet the current regulatory environment does not do everything necessary to encourage adequate competition in the market for ICT services for businesses, nor to support companies and public entities in optimising their potential. Yet the benefits are clear: increased revenue, increased employment and increased innovation, all leading to economic growth and improved social welfare.

The EU economy has much to gain from a single communications market, and individual businesses and public institutions have much to gain from seamless pan-EU fixed and mobile networks providing affordable services.

INTUG strongly urges that the business market for ICT services be given special and distinct attention. European businesses – large and small – want to spend their time and resources on innovation, value creation and improving their competitiveness in world markets, not on puzzling out how to put together an effective communication strategy using a disparate set of mismatched pieces.

About INTUG

INTUG is a global association of business users of communications. With members and contacts in all five continents, we use this reach to actively promote professional customers interests at the international level and to ensure that the voice of the business user is clearly heard. Our long-term focus is to bring down all barriers companies and public institutions face when developing their ICT strategies. For more info see our web site: www.intug.org

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