Meeting between CAB Breton and Google 24/05/2023 14:00 -14:30

BRIEFING NOTE

Artificial Intelligence

Scene setter/ Context

- Google generally welcomes AI regulation and was actively contributing to the regulatory process. Google was represented in the EC’s High-Level Expert Group on AI. Google provided extensive input in the consultation of stakeholders on the AI White Paper in May 2020, on the inception impact assessment in September 2022, and on the AI Act proposal in July 2021. Representatives of Google and the EC met on 28 June 2022 and discussed especially GPAI and high-risk use cases.

- On 21 March 2023 Google opened early access for its AI chatbot service “Bard”, powered by Google’s large language model PaLM. Bard is meant to compete with the rival software ChatGPT. They also intend to allow others to build applications on their AI model. On 10 May 2023 Google announced the integration of their large language model PaLM 2 in their search engine and other products.
To build trust and shape the future of AI, data and robotics in Europe, the Commission has signed in June 2021 a Memorandum of Understanding with the European Partnership on AI, Data and Robotics (ADRA) with a total investment of EUR 2.6 billion.

The Partnership is crucial in providing input to the EC via the strategic research, innovation and deployment agenda, among others.

Four sectoral Testing and Experimentation Facilities for AI and robotics started on 1 January 2023. Funded for five years with €220 million, they cover the high impact sectors of Healthcare, Manufacturing, Agriculture and Smart Cities and will support regulatory sandboxes within these sectors.
Ongoing decision-making process
Telecoms network investments

Context of the meeting:
- DG CNECT met with Google on 9 September 2022 to discuss about the fair contribution of OTT players and Google’s contributions and partnerships with the telecom sector.

Google’s position

Objective of the meeting:
Clarify that the Commission has a neutral stand, and aims to look at the results of the consultation with an open mind.

**KEY messages**

- The Commission has published (23 February) Connectivity initiatives to respond to the raising use of digital technology and the increasing demand for faster, more reliable, data-intensive connections.
- The initiatives include a Regulation reviewing the 2014 Broadband Cost Reduction Directive; a Recommendation to provide guidance to National Regulatory Authorities on how to apply regulatory remedies to incentivize network deployment while enabling sustainable competition; and a broad exploratory consultation on the future of the electronic communications sector and its infrastructure.

**Line to take**

- The new **Gigabit infrastructure act** is proposed as a Regulation which proposes new rules to quickly make gigabit networks available across the EU. It addresses the main persisting challenges in achieving wider gigabit network coverage across the EU – slow and costly deployment of the underlying physical infrastructure sustaining advanced networks.
- The new draft **Gigabit Recommendation** will ensure that new investments by operators with significant market power are rewarded in a fair manner. The proposed Gigabit Recommendation has been sent to the Body of European Regulators (BEREC) for opinion (2 months) after which it will be finalised and adopted by the Commission.
- Last, we launched a **broad consultation on the future of the electronic communications sector and its infrastructure**,
including the question on who should contribute to infrastructure deployment to the benefits of the overall digital transformation (the so called “fair contribution” debate).

- Based on the outcome of the consultation, the Commission will consider the most appropriate initiatives to foster its vision for the future of the electronic communications sector. We plan to report on the outcome of the consultation and the proposed way forward this year.

[consultation]

- Digital markets and in particular connectivity markets are facing exponential technological and market developments, such as new infrastructure needs, edge computing, metaverse, etc. These developments are expected to have a significant impact on the business model of providers of electronic communications networks. Said developments, together with rising inflation and cost of energy, would also likely affect all European consumers and end-users, including SMEs, who are increasingly dependent on Internet access, services and content.

- At the same time, while various studies and papers show that the amount of data exchanged – and harvested – is larger than ever and will increase as a result of said technological developments, returns and appetite to invest in the telecom sector are allegedly decreasing especially for mobile networks. Looking at the current distribution of revenues in the Internet value chain, the online services segment generates over half of the total versus 14% of access connectivity.

- There have been exchanges with various digital players on this issue in the past months. Now is therefore a key moment to look at the electronic communication sector and ask where it stands and where it wants to be and should be in the future, also considering the dynamics between the telcos and the online services segment.
• This is why we are launching a broad consultation on the future of the electronic communications sector and its infrastructure, including the question who should contribute to the deployment of such infrastructure to the benefits of the overall digital transformation.

• The scope of the consultation is very wide, including, but not being limited to, fair share specific questions. In broad terms, the consultation will investigate technological and market developments including their impact on future networks and business models for electronic communications; consumers related aspects; barriers to the Single Market and fair contribution by all digital players.

Defensives / Q&A

What measures does the Commission intend to take to foster its vision for the future of the connectivity sector and in particular with regard to the issue of 'fair contribution'?

• For the moment, it is too early to define solutions. First, we need to open the debate in order to have a more comprehensive dialogue with all stakeholders, as part of a broader reflection on the future evolution of the sector. We need to have a solid evidence base and consensus before tabling the most appropriate proposals. To achieve this, we plan to launch a consultation soon. It is too early to announce any measure or initiative or a concrete schedule.
Google investments

**Context**

- Massive investments in network infrastructure are still needed to achieve Europe’s Digital Decade goals for 2030: all end users at a fixed location are covered by a gigabit network and all populated areas are covered by next-generation wireless high-speed networks with performance at least equivalent to that of 5G.

- The latest estimates quantify the investment needs until 2030 at around EUR 174 billion.

- This figure does not take into account potential cost reduction thanks to the simultaneous deployment of fixed and mobile Gigabit networks.

**Line to take**

- Without top performance connectivity, no digital ambition can be achieved. That is why the EU has set the target of providing Gigabit connectivity to all European households and 5G coverage in all populated areas by 2030.

- Joint investment efforts with the private sector and with Member States are key to ensure that we capitalise on these
new digitalisation trends.

- Already, we are very happy that around EUR 16.5 billion RRF investments have been approved to support the roll-out of digital connectivity in the next three years.

- The EU is also leveraging connectivity investments through the new Cohesion Funds, the EAFRD for regions, InvestEU, and, last but not least, CEF Digital.

- CEF Digital will make available EUR 2.1 billion over 7 years for high-performance connectivity infrastructure. It is the first programme under the Multiannual framework 2021-2027 directly managed by the European Commission.

- In addition, in November 2022, the EU agreed to launch IRIS (Infrastructure for Resilience, Interconnectivity and Security by Satellite) with a budget of €2.4 billion, the Union's Secure Connectivity Programme, including satellite broadband coverage in remote areas.

- Satellites could provide resilient and flexible connectivity allowing Europe to always remain connected, including in the event of large-scale cyberattack.

**Digital Markets Act (DMA)**

**Scene setter/ Context**

- Google has been actively engaged with the Commission services in the preparation phases for both the Digital Services Act (DSA) and the Digital Markets Act (DMA).
Ongoing decision-making process

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Line to take

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Defensives/ Q&A
Digital Services Act (DSA)

**Scene setter**

- Regarding the DSA, on 25 April the Commission formally designated Google Maps, Google Play, Google Shopping, YouTube and Google Search, respectively as very large online platforms and very large online search engines (“VLOPs” and “VLOSEs”). This means that the Commission will be the direct supervisor of compliance for these services with the systemic obligations under the DSA. When appointed, the Irish Digital Services Coordinator will supervise compliance of the services with some rules, but the Commission will remain the lead regulator for systemic non-compliance and in any case be the sole supervisor for rules such as risk management or crisis response.
• All five services have now been designated as very large online platforms or very large online search engine. You have now 4 months for the full compliance of these services with the DSA requirements.
Ongoing decision-making process and commercial interests
Cloud switching under the Data Act

**Scene setter/ Context**

- Google Cloud is the cloud provider with the third-largest market share in Europe.
**Key messages**

- By lifting commercial and technical barriers to switching, the Data Act will create an open and fair European cloud market, where competition is based on quality, innovation and price rather than lock-in practices.

**Line to take**

- The Data Act aims to boost competition in the European cloud market by breaking down barriers to switching between different providers of data processing services. It seeks to fully remove all fees related to switching and sets maximum timeframes for the switching process.
Ongoing decision-making process
Ongoing decision-making process
“Disinformation and the Code of Practice – Discussions on Disinformation on Ukraine”

**Key messages**

**International relations**

- Disinformation poses also particular risks related to elections – which are at the heart of our democracies –

**Commercial interests**

- I understand that you are an active signatory of the Code of Practice on Disinformation.
Commercial interests

Defensives/ Q&A

Ongoing decision-making process
Ongoing decision-making process
Background

Ongoing decision-making process and commercial interests

Google AI developments

- In its response to the proposed AI Act, Google generally welcomes AI regulation, the control of biometric identification systems, the transparency requirements and the proposed risk-based approach. However, they voice concern regarding the balance of obligations on different stakeholders (there should be less obligations on the provider, i.e. Google) and legal certainty around scope and privacy protection. Google was represented in the Commissions’ High-Level Expert Group on AI preceding the regulatory proposal.

Commercial interests

- Currently their main AI focus relates to the new chatbot service “Bard” as well as the use of AI in other Google products. The announcement of Bard received significant public attention. Unlike the competitor ChatGPT, Bard is not yet accessible to the public. The main difference between the two AI systems is that Bard is able to take real-time events into account when generating its responses. Google intends to integrate this AI software in its search engine.

Personal data

In the same month, announced to upgrade Bard using a more powerful large language model (PaLM instead of LaMDA).

Commercial interests

Personal data

At the beginning of May 2023, has announced concerns about the
irresponsible development of AI. Particularly stunned by the capabilities of new large language models like GPT-4, [redacted] wants to raise public awareness of the serious risks that [redacted] now believes may accompany the technology [redacted]. [redacted] fears include job losses, new forms of disinformation, and the possibility that software could become more intelligent than human beings.

• At its annual conference for developers on 10 May 2023, Google unveiled an overhaul of its search engine to incorporate AI. AI-generated summaries will be part of the reply to queries. Additionally, Google’s large language AI model, PaLM 2, which was also launched on 10 May, will be embedded in 25 other Google products, such as Gmail and Google Docs.

Google investments

**Relevant key number, facts and figures:**

- CEF Digital will grant about 1 billion EUR for 5G, including actions for 5G systems deployment along transport corridors. It will enable connected and automated mobility (CAM) including safety and non-safety services.

- It will also fund projects supporting backbone interconnection of secure and critical digital capacities (for example quantum-secured links) (90m€ in call 2) and global gateways (for example submarine cables) (100m€ in call 2).

- In addition, the Connecting Europe Broadband Fund (CEBF), was launched in June 2018 and has reached total capital of €555 million, of which €160 million, or about 30% of the fund, from private investors. Indeed, the Fund has invested in the roll-out of FtTH to 1.7 million premises in the Union and it is expected to invest in the roll out of many more.

- Further, resources for competitiveness of the digital sector could be mobilised under the new InvestEU programme, which in particular will allow the European Investment Bank and National Promotional Banks to make use of the EU guarantee and leverage public resources by attracting additional resources from the private sector.

- The Nordic Investment Bank (NIB) has signed in December 2022 an InvestEU guarantee agreement worth up to €114 million. The agreement will unlock NIB financing of up to €480 million specifically for digital investments across the Nordic and Baltic countries as well as Poland.

- Finally, in December 2022 the Commission has adopted a revised Communication on State aid for broadband networks (‘Broadband Guidelines’). The revised Guidelines align the threshold for public support to fixed networks with the latest technological and market developments; introduce a new assessment framework for the deployment of mobile (including 5G) networks and provides new clarifications and explanations.

**Background on Google investments in connectivity in Europe**

- Google’ investments on data centres and related infrastructure amount to EUR 6.9 billion in the period included between 2007 and 2018. In 2021, Google has invested around EUR 11.9 billion in European data centres and related infrastructures.
Google’s investments on backbone connections linking data centres (including connectivity network past and committed expenditure) in Europe has only reached EUR 2.9 billion, invested in 2007 – 2020.

A new report from Analysys Mason (published 1 February 2023) shows that Telecoms investment in connectivity networks in Europe reached its highest level since 2016: in 2021, total telecoms CapEx (fixed, mobile and others) reached €56.3 billion. Despite this, the same report considers that the EU risks falling short of its “gigabit for all by 2030” target by 10%. In addition, Europe continues to trail its peers worldwide in terms of telecoms investment. Investment per capita adjusted to GDP was €104 in Europe in 2021 compared with €260 in Japan, €150 in the USA and €110 in China.

At the end of 2022, 55.6% of the European population had access to FTTH networks, up from 50% in 2021. Similarly, 5G is now available to 73% of Europeans, up from 62% the previous year. When it comes to the comparison with global peers, Europe remains behind. At the end of 2022, 5G coverage of the population reached 96% in the USA, 95% in South Korea, 90% in Japan and 86% in China.

According to new figures, Europe counted 18 edge cloud offers in 2022, second only to Asia-Pacific with 19 offers, and performing better than North America, with 5 offers. When it comes to open RAN – open radio access networks that allow combining of different telecom vendors – Europe scored 6 trials in 2022, the same as China, followed by the US and South Korea with 3 trials, and Japan with 2.

Cloud switching under the Data Act

With 10% in Q4 2022, Google held the third biggest share in the global cloud market, behind Microsoft Azure (23%) and Amazon Web Services (32%). In Europe, the cloud market reached $10.9 billion in 2022, making it over five times as big as it was in early 2017. Google is among the key beneficiaries of this market growth. Together, Amazon, Microsoft and Google account for 72% of the European cloud market. Globally, Google Cloud operates 36 cloud regions and 109 availability zones.
### Cloud Services Leadership – Europe

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Based on IaaS, PaaS and hosted private cloud revenues in Q1 2020

Source: Synergy Research Group

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Commercial interests and ongoing decision-making process
Commercial interests and ongoing decision-making process

- Google’s reply to the consultation on telecoms network investment [to be added once received after closing the consultation on 19 May]

Contact

- AI: [CNECT A1], [CNECT A2],
- Google investments: [CNECT B5],
- Telecoms network investment: [CNECT B1],
- DMA: [CNECT F3],
Personal data

- DSA: [Redacted] (CNECT F2), [Redacted]
- Cloud switching under the Data Act: [Redacted] (CNECT.E2), tel: [Redacted]
- Disinformation: [Redacted], CNECT I.4.