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Personal data

DG CNECT B
Meeting between Commissioner Breton and GSMA Europe
10 October 2022, 15:00-16:30

BRIEFING NOTE

SPEAKING POINTS (5 TO 10 MIN)

[Main political messages concerning the vision for the sector]

- We are living in particularly complex times with a difficult geopolitical and economic situation on the one hand, and exponential technological and market developments on the other hand. It is therefore a key moment to look at the telecoms sector and ask ourselves where it stands and where we want it to be in twenty-thirty years.

- This is why I want to **launch a thorough discussion on the vision for the future of the telecoms sector**, and, in particular, on the future of our **connectivity infrastructure**.

- We want that Europe's digital transformation is successful, and we want to reach the 2030 Digital Decade targets. But we know that in order for the digital transformation to become reality we need massive investments in network infrastructure.

- Commercial interests pursuant to Art 4(2) first indent

- Ongoing decision-making process Art 4(3) first subpara and commercial interests pursuant to Art 4(2) first indent

[redacted]

- [redacted].
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted] What I can say already is that I believe that the EU strategy should be based on some core principles:

    - First, the **user should be put in control**, to choose how to access services and content, with trust that security and EU values and rights are ensured.

- Second, **investments should be promoted and adequately rewarded**, there should be a fair return on investments, and a level playing field. EU companies should be able to gain scale and scope within the internal market.

- Third, we should ensure the **resilience of critical assets, cybersecurity, data and algorithmic sovereignty**, as well as protection of EU intellectual property rights, assets and investments.

- Fourth, **nobody should be left behind**, we need to protect low-income users, ensure inclusion of people living in rural areas as well as of SMEs.

- Finally, **technology should be empowered**, R&D should focus on key technologies and government procurement should be a lever.

- I have great ambitions for the future of the sector, and I count on your cooperation to ensure that the EU digital transformation is successful.

[redacted]

Commercial interests pursuant to Art 4(2) first indent

the choreography could be the order of the companies as listed below, [redacted]

- Telefonica
- Orange
- Deutsche Telekom
- TIM
- Vodafone
- Telenor [redacted]

[redacted]

Commercial interests pursuant to Art 4(2) first indent

[redacted]

[redacted]

[redacted]

- We see in the GSMA May report on the Internet Value Chain that one of the main trend is that "the largest technology players are expanding their footprints across the value chain, launching new online services and using their scale and existing customer bases to drive success in new segments, and also integrating along the value chain, buying up content rights players and enabling technologies, and investing in end-user devices". [redacted]

Commercial interests pursuant to Art 4(2) first indent

[redacted]

[redacted]

[redacted]

[CONCLUSIONS]

Commercial interests pursuant to Art 4(2) first indent

- I have listened to your ideas with a lot of interest, [redacted]

- [redacted]

- [redacted]

- [redacted]

Scene setter

Commercial interests pursuant to Art 4(2) first indent

- [redacted]

- [redacted].

- [redacted] Orange, together with Vodafone, Deutsche Telekom, Telefónica and TIM (G5), has signed a "Memorandum of Understanding on the implementation of open networks based on the RAN network in Europe".

Commercial interests pursuant to Art 4(2) first indent

- [redacted].

- [redacted]

- On 26 September 2022, the Commission also received a CEO statement on the role of connectivity in addressing current EU challenges, signed by **Swisscom, A1**

Telekom Austria Group, United Group, Bouygues Telekom, Proximus, Telenor, Fastweb, KPN, Altice, Orange, Deutsche Telekom, BT, Telia, TIM, Telefonica, and Vodafone.

As regards **fair share**:

Commercial interests pursuant to Art 4(2) first indent

- [redacted]

[redacted]

[redacted]

Ongoing decision-making process pursuant to Art 4(3) first subpara

[redacted]

- [redacted]

As regards **Open Verse**:

[1] https://techandpoliticsforum.live ft.com/home

- Open Verse is a recent initiative launched by GSMA and involving 12 operators. From the European side, Telefónica, Orange, Vodafone and Deutsche Telekom are involved. Their target is to present Open Verse in MWC 2023 in Barcelona, although still not clarified if already as a commercial product or still at conceptual level.

- Open Verse proposes a layer of APIs to allow applications with special requirements the direct interaction with the network, going deeper in the concept of NaaS (Network as a Service).

Key Messages

Fair share

- I want to launch a thorough discussion on the **vision for the future of the connectivity infrastructure**.

- The amount of data exchanged – and harvested – is larger than ever and will increase. The **metaverses** and virtual worlds, the rapid move towards **cloud**, the use of innovative technologies online are making this even more evident.

Ongoing decision-making process pursuant to Art 4(3) first subpara

- [redacted]

[redacted]

Defensives / Q&A

Fair share:

When will the Commission publish a proposal on fair share?

- The topic of a potential need for a "fair contribution" to network costs by OTT players is complex and deserves proper reflection. Any decision should be made by understanding the underlying facts and figures. The Commission is engaging in an open dialogue with all stakeholders. Moreover, this reflection needs to be framed within the broader reflection regarding the future of the telecoms sector, its infrastructure and the related regulatory framework.

Ongoing decision-making process pursuant to Art 4(3) first subpara

[redacted]

[redacted]

Background

Fair share

- In November 2021, a joint letter from four telco CEOs called for a renewed effort to rebalance the relationship between global technology giants and the European digital ecosystem, for big tech platforms to contribute fairly to network costs.

- In January 2022, the Commission proposed a Declaration on digital rights and principles for a human-centred digital transformation. In Chapter II: Solidarity and inclusion, it contains a commitment to "developing adequate frameworks so that all market actors benefiting from the digital transformation assume their social responsibilities and make a fair and proportionate contribution to the costs of public goods, services and infrastructures, for the benefit of all Europeans". At the same time, there is a commitment to protecting a neutral and open Internet where content, services, and applications are not unjustifiably blocked or degraded.

- In February 2022, CEOs of Telefonica, DT, Vodafone and Orange published a letter calling for large content platforms to contribute to the cost of the European digital infrastructure that carries their services. They urgently called upon legislators to introduce rules at EU level to make the principle that all market players benefiting from the digital transformation make a fair and proportionate contribution to the costs of public goods, services and infrastructures a reality.

- In February 2022, WIK-Consult issued a report on a study conducted for the Federal Network Agency of Germany (BNetzA), which analyses the competitive conditions on transit and peering markets. After an analysis of the relevant developments in the markets and by focusing on the Implications for Europe's digital sovereignty, the study concluded that the main focus of regulation, if any, should be on ensuring an open and neutral internet to avoid artificial bottlenecks and privatization of the internet by some very large parties.

- In April 2022, Frontier economics published a study on the estimation of OTT traffic related costs on European telcos, which was commissioned by 4 major European telcos (namely Deutsche Telekom, Orange, Telefonica and Vodafone). The study concluded in specific estimations regarding the above costs for both the fixed and mobile networks. Specifically, in the range of EUR 8-10 bln for fixed and EUR 28-30 bln for mobile, translating to EUR 40-47 for fixed and EUR 43-46 for mobile subscriber, per year.

- In May 2022, Axon Partners Group Consulting published a study on the "socio-economic benefits of a fairer balance between tech giants and telecom operators", which was commissioned by the European Telecommunications Network Operators' Association ("ETNO"). The study concluded that regulatory and policy measures are required to achieve the benefits of the fair share contribution and specifically, direct compensation by the OTT players of a certain size and/or

creation of an obligation for the OTTs to negotiate agreements with telcos to contribute to the network usage costs.

- In July 2022, the co-legislators reached a political agreement on the proposal on the "Path to the Digital Decade policy programme", that inter alia contains the aim that "all market actors benefiting from the digital transformation should assume their social responsibilities and make a fair and proportionate contribution to the public goods, services and infrastructures, for the benefit of all Europeans." [Rec. 7a]

- In a July 2022 report by Communications Chambers for the CCIA (Computer & Communications Industry Association), the Axon report was sharply criticised and it was pointed out that incremental costs for network capacity are actually limited and that data growth drives uptake of new and faster connectivity, thereby being essential to the business case of telcos. The authors argue that an "internet tax" would not affect investment and just give rise to a windfall for telco shareholders. It might, however, negatively affect the digitalisation of the economy, also an important EU policy goal. Experience following the introduction of such a "tax" in South Korea has been conclusively negative. Lastly, there are issues of fairness in allocation of the proceeds of such a tax, which could affect competition and contestability in the internet access market.

- On 8 July, ACT, an association of broadcasters and on-demand video services, came out strongly against such a tax, which they stated would reduce investment in content and violate net neutrality.

- In a first reaction from a consumer association, on 1 August 2022 the German VZBV opposed the concept on similar grounds to those already mentioned. They also called for a full consultation and impact assessment ahead of the adoption of any proposals. They noted that by adopting (subsequently determined to be illegal) zero-rating tariff plans and other promotional practices, the telecoms industry in fact has incentivised the very growth in data traffic they are now claiming generates problems and excessive costs.

Ongoing decision-making process pursuant to Art 4(3) first subpara

- [redacted]

- Lastly, on 22 September 2022, Analysis Mason issued a report 'IP interconnection on the Internet: a European perspective for 2022', commissioned and sponsored by Amazon Web Services (AWS), Google and Microsoft.

International relations pursuant to Art 4(1)(a) third indent

- [redacted]

- Regarding investors in Gigabit projects (mentioned in the speech), it appears that there are four investor types for Gigabit projects: equity infrastructure funds (including, asset management and public investment funds that invested 12.5 bn EUR in 2022), institutional investors (including pension funds, and insurance companies, that invested 22.2 bn EUR in 2022), money lenders (including commercial banks, debt funds, NPBs that invested 10.1 bn EUR in 2022) and project sponsors (including start-ups, operators, fibercos, towercos etc, that invested 11.8 bn EUR in 2022)[2].

Open Verse

- Open Verse is a recent initiative launched by GSMA and involving 12 operators. From the European side, Telefónica , Orange, Vodafone and DT are involved.

- Open Verse goes deeper in the concept of NaaS (Network as a Service) proposing the standardisation of APIs to allow applications with special requirements the direct interaction with the network. A movement to conceive the network as an intelligent service instead of a dump pipe.

- Their target is to present Open Verse in MWC 2023 in Barcelona, although still not clarified if already as a commercial product or still at conceptual level.

- Some new applications related to Web3.0, immersiveness (as Metaverse), apps derived from linking IoT and interaction, gaming,…will require specialised network services, e.g. specific quality of service requirements (QoS).

- [redacted]

Commercial interests pursuant to Art 4(2) first indent

[redacted]

[redacted]

[2] *source: Infralogic database, datacentres excluded

[redacted]

[redacted]

Open RAN

- On 11 May 2022, Member States, with the support of the European Commission and the European Agency for Cybersecurity (ENISA), published a report on the cybersecurity of Open RAN. The report found that Open RAN could bring potential security opportunities, provided certain conditions are met.

Ongoing decision-making process pursuant to Art 4(3) first subpara

- [redacted]

[redacted]

- [redacted]

[redacted]

[redacted]

Background information

Personal data

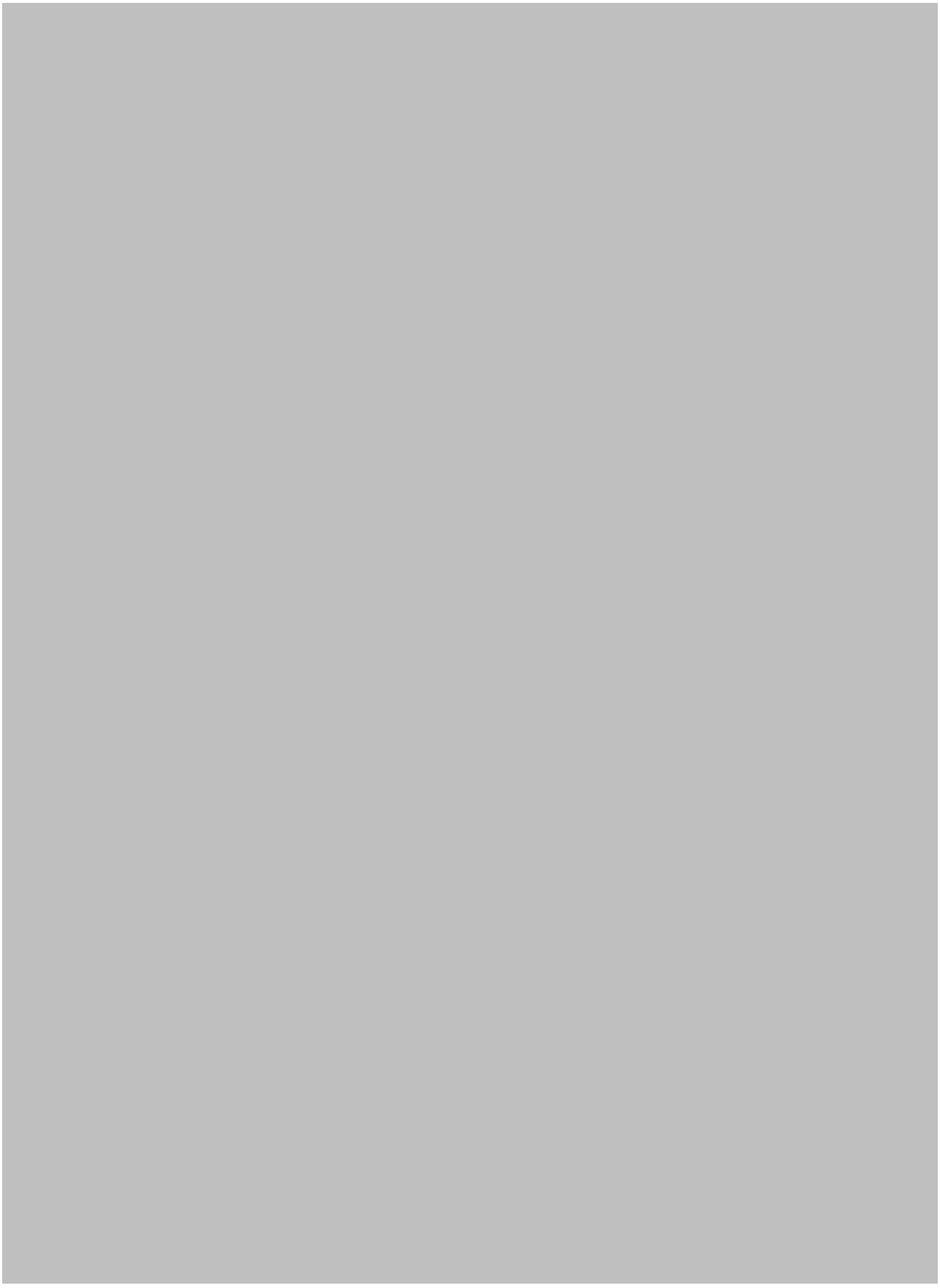
Name of Cabinet Member: CHIRICO Filomena
Director who has cleared the briefing: WEZENBEEK Rita CNECT B
BASIS request ID: CAB BRETON/1792
Participants: [redacted]
Open verse initiative and OpenRAN: [redacted]
Fair share or more generally financing of telecoms networks: [redacted]
Name of main contact person: [redacted]
Directorate/Unit: DG CNECT B1

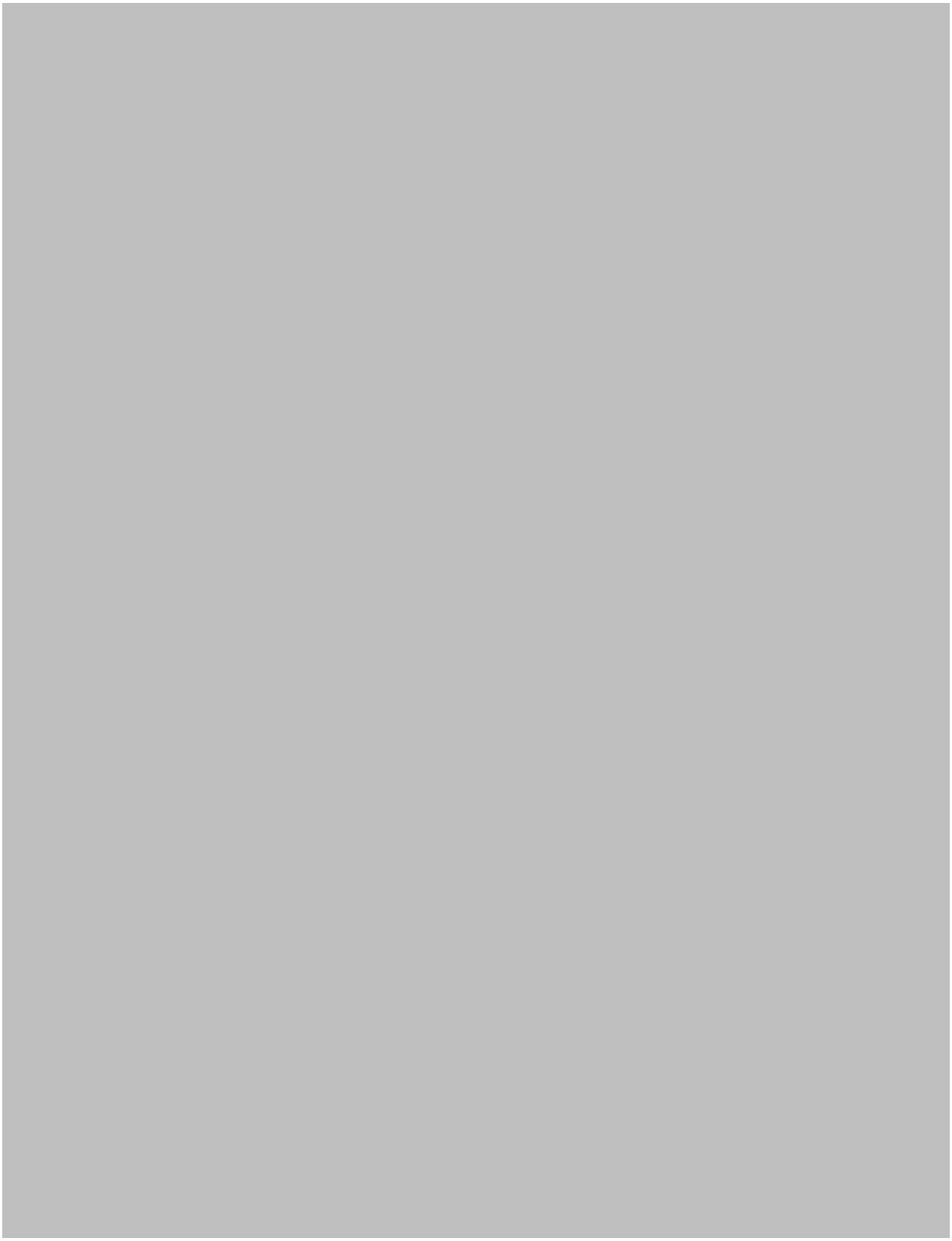
[3] ETSI - ETSI releases first O-RAN specification

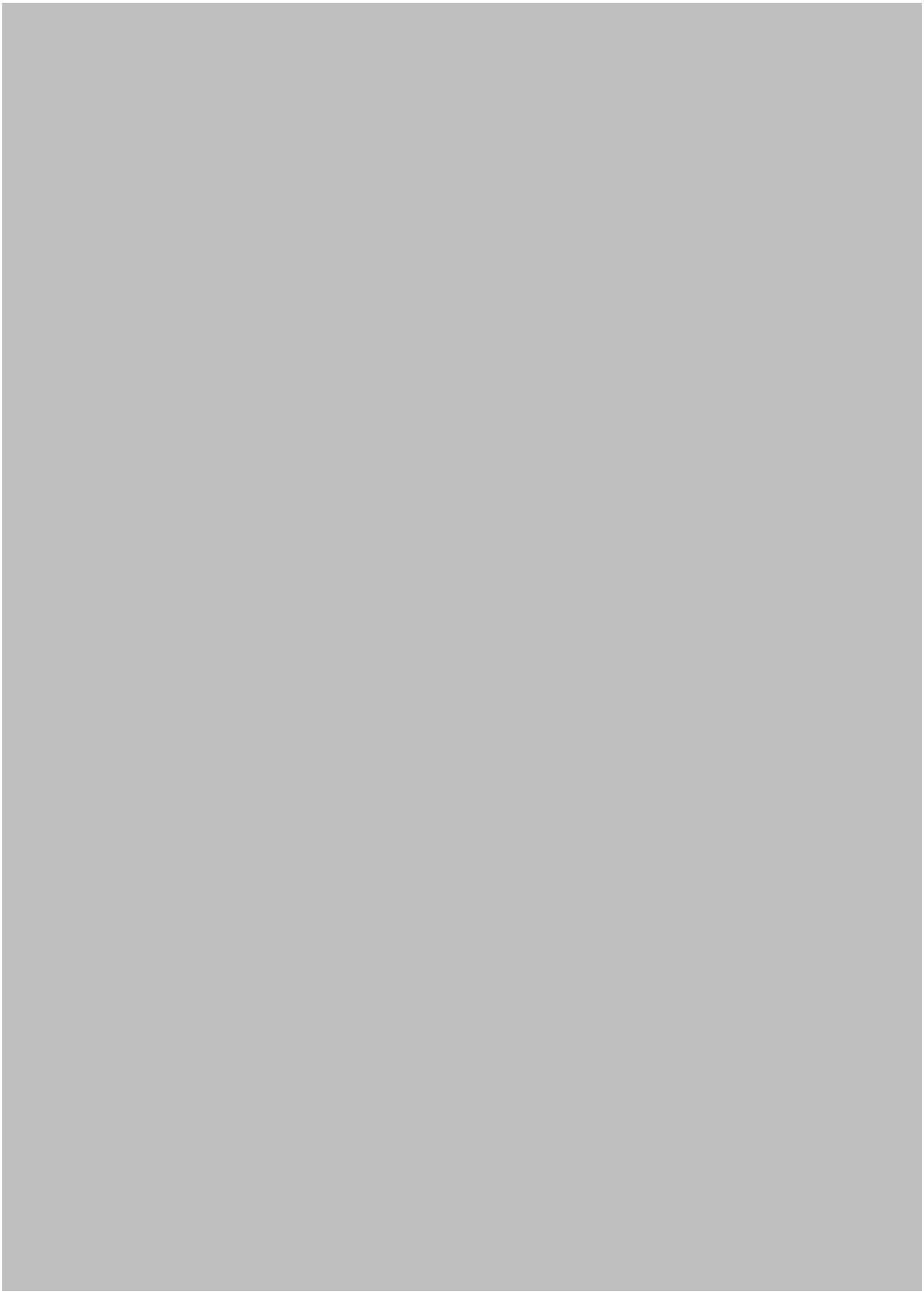
CVs

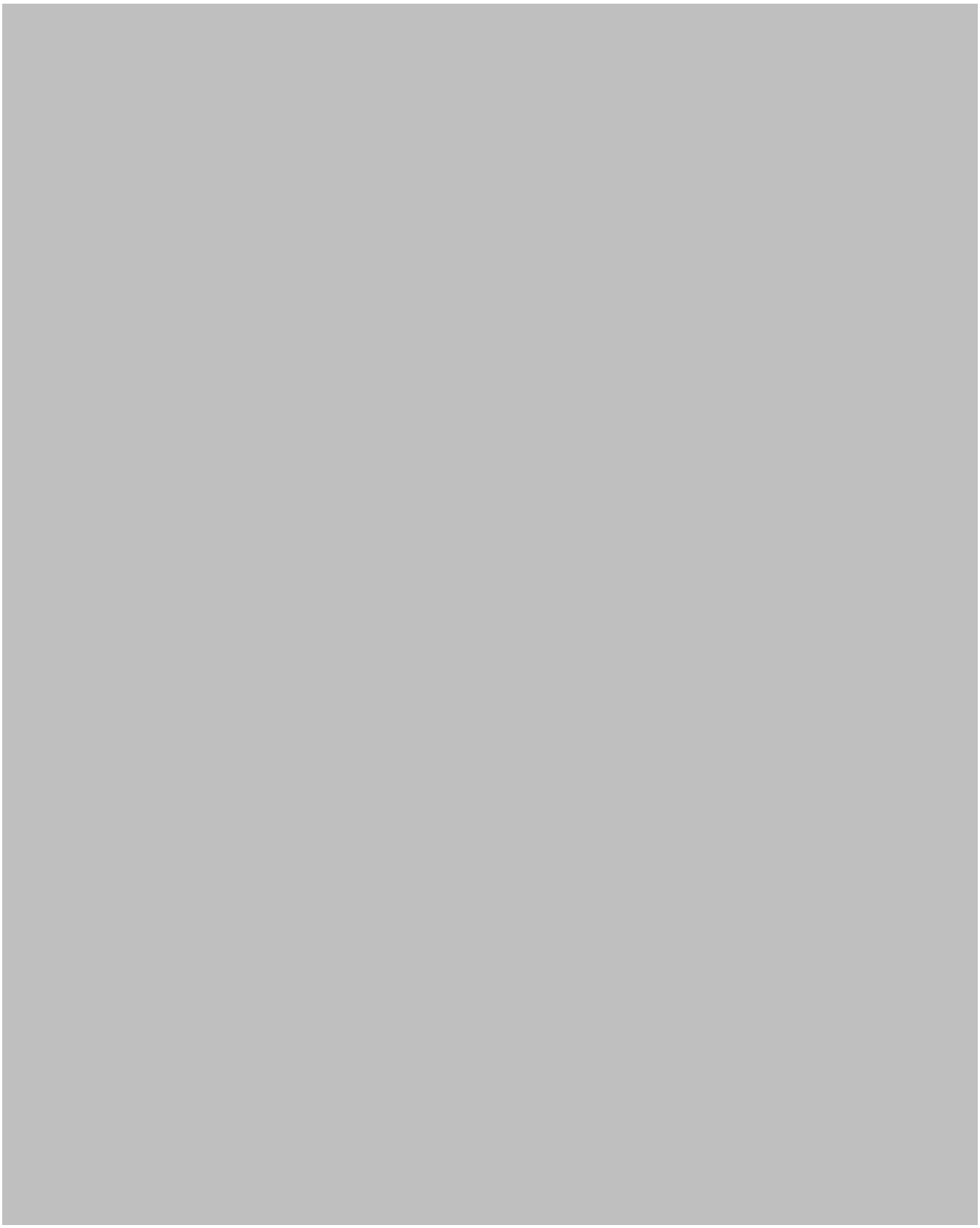
Participants:

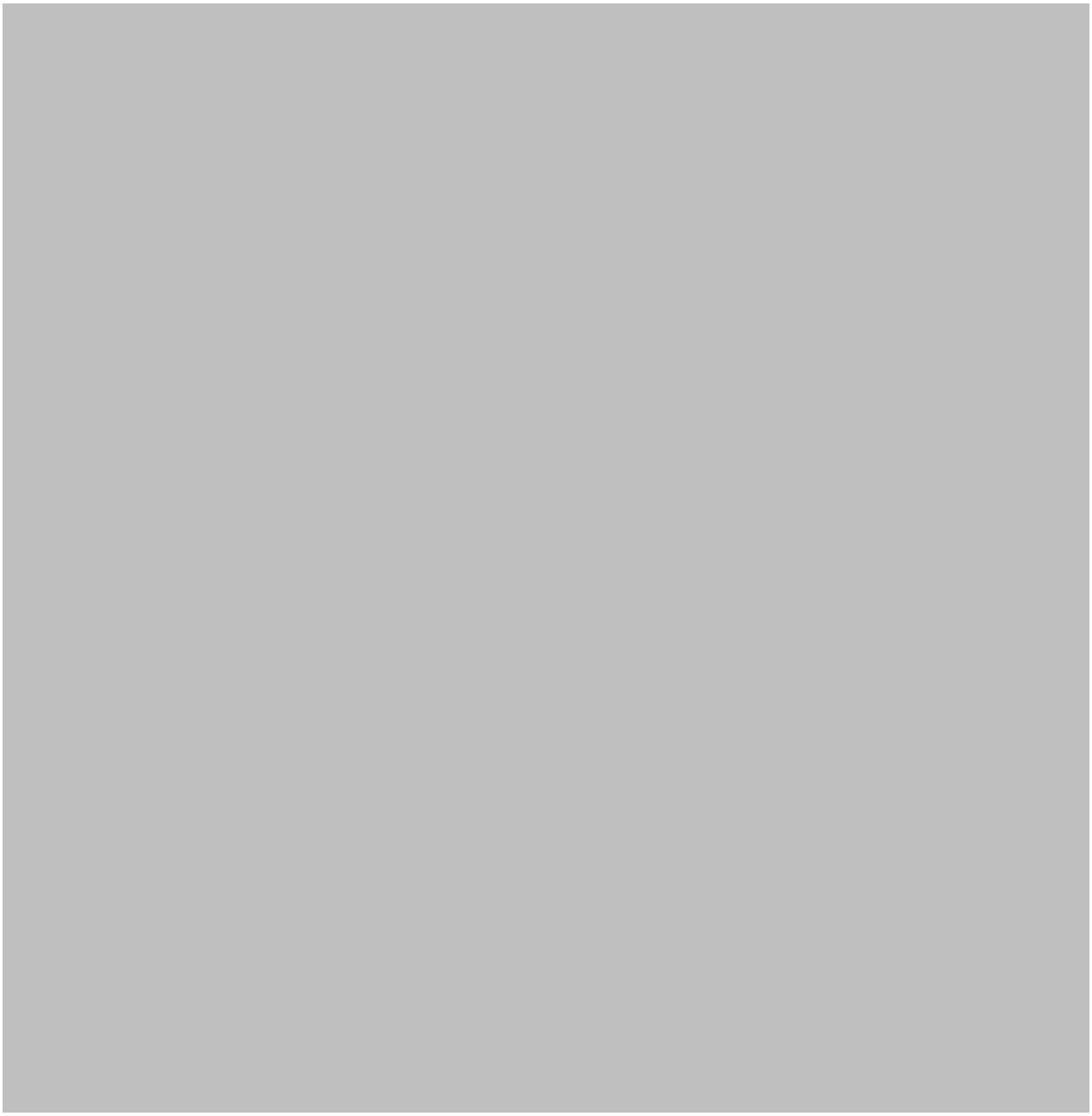
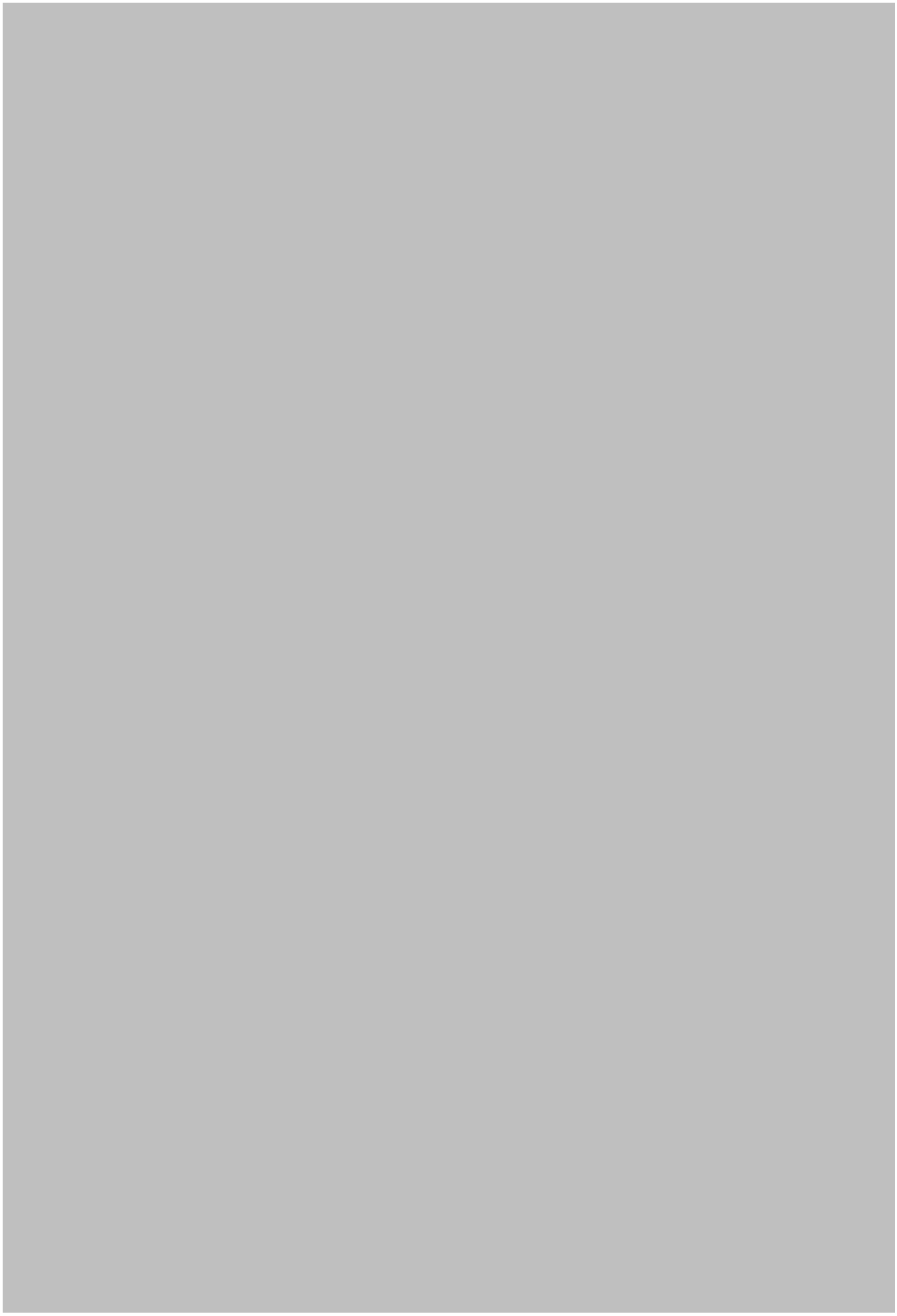
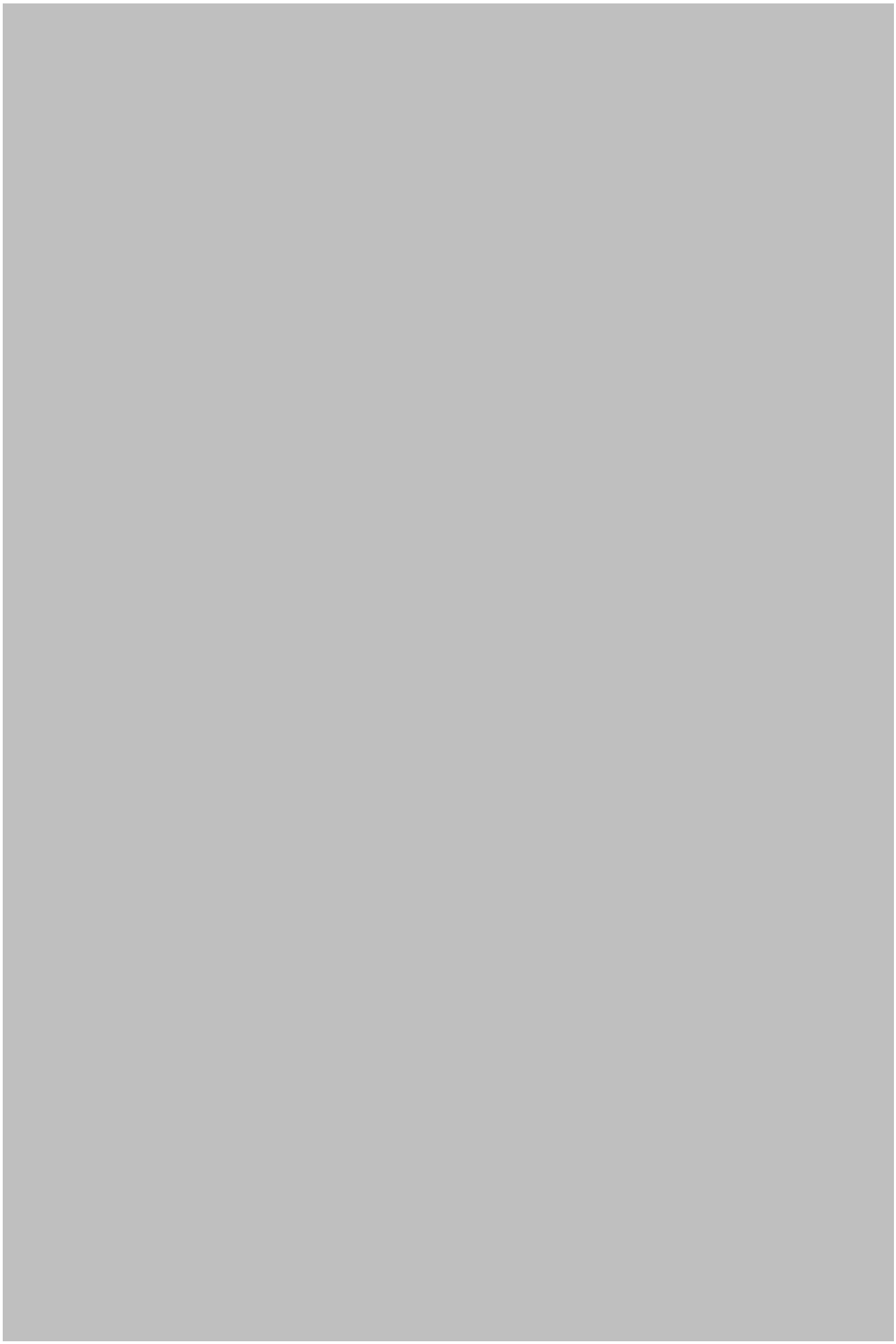
Personal data











Observers: