

A call for Fair Share legislation - Europe must act to protect its digital future

The future of connectivity – powered by secure ultra-fast, low latency 5G mobile and fibre networks – will underpin the next wave of digital transformation in Europe. Supported by these networks, Europe is already seeing new applications emerge in AI, virtual reality and IoT. More will come in the realms of smart cities, industry 4.0, the metaverse and future innovations of which we cannot yet conceive.

The EU set out its ambitious 2030 Digital Decade targets to enable these technologies, to support growth across industries and to enhance European competitiveness, while delivering far-reaching benefits for citizens through better healthcare, education, agriculture, food, security, and transport. However, these changes will also drive new demands on telecoms networks. Without the necessary investments, the European “Digital Decade” will fail. Future investments are under serious pressure and regulatory action is needed to secure them.

Today we are calling on EU policymakers to overhaul today’s telecoms regulatory framework and enable Europe’s industrial champions and SMEs to compete globally. A revision of spectrum policy, accepting the need for scale to avoid market fragmentation, and a fair and proportionate contribution from the largest traffic generators towards the costs of network infrastructure should form the basis of a new approach.

The key to this debate is investment. The EU estimated that at least €174bn of new investment will be needed by 2030 to deliver the connectivity targets. The telecoms sector is currently not strong enough to meet that demand, with many operators barely earning their cost of capital. At the same time, data traffic has grown relentlessly at an average rate of 20-30% each year – primarily driven by just a handful of large tech companies. This growth is set to continue but, at the current conditions, will likely not result in a corresponding return on investment. While the telecoms sector has delivered improved connectivity, retail prices for telecommunications services have been generally falling over the past ten years at the same time as costs have increased. New technologies will raise demands on the underlying network infrastructure, further increasing costs.

For these reasons, European telecoms operators are calling on EU policymakers to ensure a fair contribution from those companies that benefit most from the infrastructure we build and operate. Such a mechanism should follow a well-defined and targeted scope addressing only the very largest traffic generators, while excluding smaller content and application providers. It could include accountability and transparency on contributions received so that operators invest directly into Europe’s digital infrastructure.

This measure would rebalance the market power along the value chain, while addressing the current asymmetries: Big tech companies pay today almost nothing for data transport in our networks, far from covering the costs needed to expand networks and achieve the ambitious EU targets. Telecoms providers cannot negotiate adequate prices for data transport; by contrast, some cloud providers today charge their customers up to 80 times as much for the onward transport of data from the cloud.

Moreover, there is currently no (economic) incentive to reduce unnecessary data traffic. The pandemic has proven that this is doable. A fair share regulation would incentivize a more responsible and efficient handling of data without impairing customer experience, also contributing to the EU’s objectives on energy consumption and the EU’s CO2 targets.

The European Commission has been clear that any regulatory mechanism would be implemented in full compliance with Net Neutrality rules. We agree. In addition, it should be stressed that the underlying objective of the Open Internet regulation is to ensure unfettered access to the internet for end-users. This objective is undermined by the lack of investment capacity on the part of telecoms companies, jeopardizing the build-out of new capacities in the network, so that operators can meet the data growth. An obligation to negotiate with operators a fair and adequate contribution, with a dispute resolution kicking in if negotiations fail, would help alleviate this challenge.

For the future of connectivity, Europe requires a broader reset of the policy framework governing the digital communications ecosystem, reforming today’s outdated (and still largely national) regulatory approaches that have so far failed the vision of a true telecoms single market. The opportunity is vast but without change, the EU risks failing to meet its policy ambitions and with these, the broader needs of its citizens and industry, falling even further behind its competitors on a global scale.

Signatories:

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