

Summary of the Mobile Industry's response to the European Commission White Paper 'How to Master Europe's Digital Infrastructure Needs?'

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The GSMA is a global organisation unifying the mobile ecosystem to discover, develop and deliver innovation foundational to positive business environments and societal change. Our vision is to unlock the full power of connectivity so that people, industry, and society thrive. Representing mobile operators and organisations across the mobile ecosystem and adjacent industries, the GSMA delivers for its members across three broad pillars: Connectivity for Good, Industry Services and Solutions, and Outreach. This activity includes advancing policy, tackling today's biggest societal challenges, underpinning the technology and interoperability that make mobile work, and providing the world's largest platform to convene the mobile ecosystem at the MWC and M360 series of events.

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Executive Summary

The European members of the GSMA welcome the European Commission's White Paper 'How to master Europe's digital infrastructure needs?', which is an important first step towards resetting the regulatory framework for telecommunications and re-energising the European telco sector as an engine of competitiveness and prosperity.

Connectivity underpins the digital economy, and it delivers myriad benefits to Europeans who now depend on connected devices and applications to access services, stay informed and engage fully in modern life. In a relatively short span of years, digital technologies and the internet have utterly transformed the way Europeans live, work and play.

Enrico Letta's April 2024 report, *Much more than a market*, acknowledges the crucial role played by the telco sector in Europe's competitiveness, the green transition, innovation and the resilience of the Union, particularly in terms of cybersecurity.

Yet our sector faces systemic challenges that prevent operators from making sufficient investment in their networks, to fully roll out 5G by the end of the decade, to virtualise and optimise network architectures, to support the digitisation of Europe's private and public sectors and to deliver on the digital targets essential for European society's cohesion and resilience. European operators' ability to invest significantly and sustainably in digital infrastructure is inhibited by a **lack of scaling opportunities**, a **fragmented telecoms market** and a **regulatory framework long in need of an overhaul**, considering the monumental technological and market shifts that have manifested over the past decade.

These industry challenges should be addressed by the European Commission early in its new mandate, and the GSMA and its European operator members strongly recommend that the Commission move ahead with a legislative proposal — a Digital Networks Act.

As technologies and market dynamics evolve rapidly, we call for urgent action in the form of clear and practical solutions. In particular, there is a critical need in the following areas:

- Rebalance the digital ecosystem by ensuring **equivalent rules for all service providers**, levelling the playing field and promoting healthy competition across the digital value chain **by adopting** a mechanism to ensure swift resolution of eventual disputes between parties in the internet ecosystem.
- **Re-evaluate the existing regulatory framework** that was conceived 20-30 years ago, and update the policy objectives and principles to match today's market realities and challenges.
- Take a more long-term view on investment and innovation effects that allows European telecom operators to build scale **in-market consolidation**
- Establish a **pro-investment approach to EU spectrum policy**, including the adoption of best practices to achieve a more predictable and harmonised approach to spectrum auctions, licensing costs, prolongation of licences and identification of future bands.
- Extend circular economy principles to network equipment and **the EU taxonomy for green investment in electronic communication networks**, based on robust metrics.

Connected collaborative computing: Creating the 3C network

Looking forward, the convergence of technologies such as AI and big data, blockchain, edge computing, virtual and augmented reality, and advanced mobile networks presents a significant opportunity for the complete transformation of the digital sphere.

Telcos will transform into future-facing technology communications companies, a shift that will drive further innovation across several layers of the value chain, and demand the further digitalisation of telecom networks, with the potential to reposition the industry within the broader internet ecosystem¹.

The GSMA community is currently focused on creating an open, network-as-a-service environment to integrate the service portfolio (i.e., connectivity, 5G, IoT, cloud) and enable seamless connectivity for immersive technologies. This approach will deliver, through application programming interfaces (APIs), various connectivity options for developers to power the next wave of innovation, ultimately providing early access for consumers and businesses to a range of innovative services.

The GSMA welcomes the Commission's industrial-policy approach to expanding Europe's technological capacity, and supports the idea of public-private collaboration to foster a community of innovators working on the connected-collaborative-computing (3C) network.

- As mobile operators are still spending heavily on 5G deployment, and although consumer adoption has been fast, monetisation of 5G remains a challenge. **Boosting service innovation and ecosystem enablement** and evolution is therefore an area that in our view deserves particular attention.
- In addition to the large-scale pilots suggested under the 3C network, **we ask the Commission to adopt a more forward-looking approach and support the Open RAN evolution**, which can provide operators with greater flexibility in selecting and optimising network components and services while reducing dependency on a very limited number of network vendors.
- We welcome the Commission's focus on funding opportunities, in particular its focus on **streamlining funding initiatives**. We see a need for an improved coordination of the funding activities by the EU and Member States, such as Multi-Country Projects, the Connecting Europe Facility, Horizon Europe and Digital Europe programmes. This more integrated approach would deliver significant synergies.
- Although EU funding is important, unleashing more private-sector investment into connectivity and cloud solutions will **require significant reforms** of the regulatory framework, including in important areas such as spectrum and competition.

¹ From telco to techco: Towards tomorrow's telecom, KPMG (2024)

Completing the digital single market

Notwithstanding the objective of ensuring more harmonisation, the European single telco market has not emerged. The regulatory framework, primarily defined by the EECC, is a Directive with national implementation, and telcos are additionally subject to a range of non-sector-specific nationally implemented laws.

At the same time, profound changes have taken place in the market, with new technologies and use cases that have opened up for a range of new players offering equivalent and competing (i.e., over-the-top) communications services or complementary services (cloud service providers, CDN operators, etc.). Despite their increasing role in the telecoms market, these players are not regulated in the same way as telcos.

As a consequence, there is neither a telecom single market nor a level regulatory playing field, and the lack of a single market is further intensified by the competitive imbalance this creates between traditional telco players and other players. In combination, these issues have played a significant role in the downturn in the economic health of the European telco sector. A strengthened telco sector is a must for European consumers and businesses, which benefit greatly from a digital society based on advanced digital connectivity and technologies.

We welcome the Commission's focus on addressing the converged electronic communication and services sector, and its acknowledgement that building scale and removing barriers is essential for completing the digital single market. The European telco industry could improve efficiencies and regain strength if it could develop and deploy certain services on a cross-border or even pan-EU basis, or develop centralised core networks. **In particular, we suggest** that the Commission initiate reforms that can correct inconsistencies in the regulation and reduce barriers to enable a true single digital market:

- First, **addressing technological development** by assessing whether some of the principles in the telecoms regulatory framework should be applied to other parts of the connectivity value chain.
- Second, **streamlining regulation** where possible by assessing in detail whether certain areas of the sector-specific consumer law can be removed in light of horizontal existing legislation.
- Third, **achieving greater harmonisation and removing barriers to the single market** by further harmonising the remaining sector-specific rules, e.g., in consumer protection and security law, and by issuing further implementation guidance and encouraging Member States to follow best practices in their implementation of certain regulatory measures.
- Finally, **enabling scaled-up business services** by addressing the specificities around the application of the regulatory framework to large enterprises that are governed by bilaterally negotiated contracts.

Additional measures needed to ensure fairness in the internet value chain

With changes in the competitive dynamics and bargaining power between traditional network operators and large CAPs, and with increasing data traffic volumes driven by the growth of online services and media and new business cases as well as new technologies, the network operators are handling an ever-increasing amount of traffic on their networks.

The traffic primarily stems from a handful of CAPs that are responsible for more than two-thirds of global mobile traffic.² These CAPs build their business models based on unlimited access to the network resources built and paid for by telcos. Without this valuable service (i.e., data transport) that MNOs provide, the CAPs' business model would not be possible.

Hence, we welcome the Commission's considerations of policy measures to ensure swift resolution of eventual disputes in commercial negotiations between parties in the IP-IC market.

We believe such a policy measure could be achieved by **defining an obligation on CAPs to negotiate with ISPs** on the terms and conditions for IP data transport services (at a fair and reasonable price), thereby making the negotiating parties subject to a dispute resolution process in the event that an agreement cannot be reached.

The open internet principles are key to unlock future innovation

As the digital ecosystem has undergone significant commercial and structural changes, the GSMA believes it is crucial to consider the impact of the **Open Internet Rules (OIR)**. **These rules have profound implications for innovation**, as the telecommunications industry is grappling with legal uncertainty that is deterring operators from introducing new services to the market.

We therefore call on the Commission to provide more clarity on the interpretation and application of the OIR in the context of developments including:

- New digital use cases where it is difficult to navigate the narrow exceptions to the rules of equal treatment under the specialised services regime, while considering new network management techniques and addressing the regulatory asymmetry where the OIR only applies to a part of the internet ecosystem.

- **We propose** that the Commission urgently issue a **Recommendation** laying out how the current framework is interpreted and applied to new and developing use cases, in particular 5G network slicing and innovative traffic management techniques.
- We also call for the Commission to ensure that the key principles ensuring openness in the internet ecosystem are expanded to a broader group of players, to ensure that the aims of the Regulation to protect end users are consistently upheld by all players in the value chain.

² Sandvine, The Global Internet Phenomena Report March 2024, Table 1

Consolidation — essential to obtain scale in the digital single market

We appreciate that the issue of consolidation and scale is recognised throughout the White Paper as an important aspect that warrants further consideration.

Creating a secure, resilient and technologically competitive telecom industry will require investment. The telecom industry can only cope with these high investment needs if there is sufficient return on the investments, which in turn can only be achieved if there is enough scale in the form of additional customers on the same network.

The majority of the Commission's focus in this respect seems to be on cross-border consolidation and pan-European players. With the largest investments made in access networks, economies of scale are first and foremost local, making in-market consolidation imperative based on long-term investments and innovation effects, to help reach the scale necessary to remain profitable and better compete globally in digital markets that require pan-EU scale. This long-term viewpoint is also reflected in the investor feedback that the Commission has referred to in its White Paper.

Additionally, this more long-term viewpoint is addressed by Enrico Letta in his recent high-level report. In achieving the ambitious goals of empowering a new single market and establishing a dynamic and effective European industrial policy, the imperative for scale and adequate financial resources stands out as a key tool: facilitating the growth of operators is *"imperative to achieve economies of scale and scope, enabling cost reduction and fostering innovation."*

- We therefore call on **the Commission to initiate a review of the EU Merger Regulation, which has not been reviewed for 20 years, in order to put more emphasis on the long-term investment viewpoint. This would also enable European telecom operators to build scale through in-market consolidation.** Scale is critical to foster the significant investment needed to deliver better outcomes for European consumers, ensure that European telecom operators remain independent and financially secure, and ensure that technological challenges can be addressed. In addition, addressing barriers to the single market could unlock cross-border efficiencies that might foster cross-border consolidation in the long term.

Spectrum — a key asset for the European mobile industry

We welcome the Commission's recognition that artificially high spectrum prices cause roll-out delays and reduced network quality, and we are encouraged to see **spectrum licensing policy** reform feature prominently in the text of the White Paper. Spectrum remains the core asset for our industry and addressing the financial burden by adopting a more investment friendly and predictable approach to EU spectrum policy is a vital aspect of advancing Europe's digital connectivity objective.

We consider the White Paper to be a positive trigger for discussion on concrete actions **in the following key areas:**

- Long-term business certainty and alignment with investor timeframes through **extended licensing periods**, as well as early and predictable renewals across the EU, to promote long-term investment in mobile networks, following recent precedents in Spain and Germany.
- **A clear roadmap** for timely availability of additional harmonised spectrum to accommodate the growing customer traffic

demands on mobile networks across low and mid bands for which existing infrastructure can be reused, ensuring that all suitable spectrum is available and can be used from the time of assignment.

- A requirement for **effective prior justification through a market analysis procedure**, aligned with that required for other mandated access, of any award conditions seeking to impose wholesale access regulation.³
- **Licensing processes that foster fair spectrum prices** for mobile broadband and prioritise investment and coverage commitments over cash payments, avoiding artificial spectrum scarcity and poor auction design, to ensure providers and ultimately end users are not negatively impacted by monopoly rents accruing to the Public Treasury.

- An institutional framework ensuring that **rigorous and transparent socio-economic cost-benefit analyses** are performed, at local and/or EU level⁴ as appropriate, if departing from spectrum policy conventions at the allocation or assignment of spectrum or when justifying, *inter alia*, spectrum allocations to distinct services, set-asides for specific categories of uses (e.g., local or private networks)⁵ or users (e.g., utilities, new entrants), any licence-related obligations or merger remedies.
- **Increased transparency** through the collection of information from national regulatory authorities on European spectrum fees and licence conditions, to ensure consistently reasonable spectrum prices.

Greening of networks

The mobile industry is committed to reducing its own emissions and is making a significant contribution⁶ to combating climate change by reducing the emissions of wider industries. The industry is making continued progress in disclosing climate data and setting targets for emissions reductions. The European Commission should take into due account the work done to date by the mobile industry when contemplating transparency measures.

Furthermore, the EU Taxonomy could support investments in sustainable networks by recognising the role played by the telecom industry in enabling a greener economy.

Regulators have a role to play in supporting the efforts of mobile operators working on reducing their footprint by optimising network operations, energy consumption and the number of pieces of network equipment deployed based on actual and timely demands. We welcome the reference to ‘codecs’: optimised video traffic and network architecture will help achieve net-zero targets.

The GSMA agrees with the Commission that new technology will enhance sustainability efforts. In this equation, supporting and facilitating the switch-off of mobile legacy networks and migration to new technologies is key.

- We **call on the Commission to launch initiatives that can enhance data efficiency through relevant economic signals for bandwidth usage and via efficient codecs** and data-saving mode by default, and to extend circular economy principles to network equipment and the EU taxonomy for green investment in electronic communication networks, based on robust metrics.

³ Currently, some Member States use licence award rules and conditions to implement market-shaping measures with little economic justification, which in turn can result in discrimination and preferential treatment of specific market players.

⁴ At EU level, the analysis should back up the harmonisation mandates and decisions.

⁵ For example a new [study](#) from GSMA analysing the impact of set asides on private and public networks finds no indication that spectrum set-asides can accelerate the digitalisation of enterprises, while also finding a median set-aside amount of 100 MHz can have a substantial negative impact network quality and download speeds and therefore on consumers and enterprises using public networks. Such trade-offs need to be considered in this context.

⁶ <https://www.gsma.com/solutions-and-impact/connectivity-for-good/external-affairs/climate-action/mobile-net-zero-2024/>

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