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Assessing the debate on contributions to network deployment

Executive summary

DIGITALEUROPE wishes to contribute to the creation of the right framework for Europe's evolution to a gigabit society, in line with the objectives set out in the Digital Decade policy programme,¹ and welcomes the opportunity to contribute to the exploratory consultation on the future of the electronic communications sector and its infrastructure.²

Connectivity is the cornerstone of digital transformation, and strong connectivity infrastructure is therefore vital for the European economy. We strongly support the Commission's proposal for a Gigabit Infrastructure Act (GIA), intended to address the growing demand for very high-capacity networks (VHCNs) and current barriers to their rapid rollout.³ In this context, the exploratory consultation is sparking a broader debate on the future of gigabit connectivity in Europe.

Recognising the critical importance of faster, broader and more reliable connectivity, we wish to bring the following considerations to this debate:

- ▶▶ **Existing policy solutions to boost connectivity investment must be fully exploited.** Policies such as helping to increase business and consumer demand for connectivity, better usage of recovery funds, removing barriers to investment, and stimulating technological progress made with AI and cloud solutions can help achieve the EU's connectivity targets, and should be fully used.
- ▶▶ **Barriers to network deployment must be removed.** An efficient connectivity landscape requires innovation, more harmonisation within

¹ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/europe-fit-digital-age/europes-digital-decade-digital-targets-2030_en.

² <https://digital-strategy.ec.europa.eu/en/consultations/future-electronic-communications-sector-and-its-infrastructure>.

³ COM (2023) 94 final. For our position on the GIA, see DIGITALEUROPE, *The Gigabit Infrastructure Act: Towards Europe's connectivity goals*, available at <https://www.digitaleurope.org/wp/wp-content/uploads/2023/05/GIA-Towards-Europes-connectivity-goals.pdf>.

the EU, and rational spectrum choices. A revision of policies to reduce obstacles – including broadband cost reduction as part of the GIA, the guidelines on broadband state aid rules⁴ and the Radio Spectrum Policy Programme (RSPP)⁵ – can spur connectivity investment.

- ▶▶ **There must be better use of public funds.** The sum allocated to connectivity under the Recovery and Resilience Facility (RRF) reflects only 3.3 per cent of total funds, and 12 per cent of total digital expenditure.⁶ A more efficient allocation of these funds towards connectivity is vital.
- ▶▶ **All digital services within the digital value chain must be considered.** Connectivity fits into a broader digital ecosystem. All relevant digital services, goods and infrastructure should be accounted for to assess current and future contributions to the ecosystem. The Digital Decade aims not only to increase demand for connectivity, but also to stimulate technological progress and uptake of AI and cloud solutions.
- ▶▶ **The principle of net neutrality must be respected.** Benefitting from the internet hinges on maintaining its open, free, global and reliable status.

⁴ 2023/C 36/01.

⁵ <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13649-New-radio-spectrum-policy-programme-RSPP-20- en>.

⁶ <https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility en>.

 **Table of contents**

- **Executive summary** 1
- **Table of contents** 3
- **Introduction**..... 4
- **Gigabit connectivity policy** 4
- **Gigabit connectivity funding** 5
- Broader digital ecosystem**..... 6
- IP interconnection** 6
- Transparent and evidence-based process**..... 6
- Net neutrality and innovation** 6
- Sustainability** 7

Introduction

Since early 2022, internet service providers (ISPs) have been arguing that large content and application providers (CAPs) ought to pay a contribution to ISPs' network costs, in light of the significant proportion of internet data traffic that ISPs consider to be generated by the use of their applications and content.

This has triggered broader discussions about the status and future of gigabit connectivity in Europe. The January 2022 European Declaration on Digital Rights and Principles set out the importance of '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 people living in the EU.'⁷

DIGITALEUROPE's members are active in different segments of the digital value chain. DIGITALEUROPE has an interest safeguarding investment in digital infrastructure and gigabit connectivity, as well as the broader innovation agenda and green objectives.

Gigabit connectivity policy

Connectivity is vital to drive innovation and reach Europe's digital policy objectives. An accelerated deployment of fixed and wireless connectivity is vital for European businesses and individuals to access, participate in, and benefit from the digital economy.

Europe faces challenges in broadband deployment. The Digital Decade sets the target that gigabit networks should be available to all households by 2030. The Digital Economy and Society Index (DESI) 2022 shows that only 70 per cent of households can benefit from fixed VHCN connectivity up to gigabit speeds. In Greece, only one in five households have access to fixed VHCNs.⁸ Although there are variations between and within EU regions (urban/rural), a slow deployment of 4G compared to the rest of the world has ultimately led to a slow deployment of 5G.

European policymakers must address blockages to network deployment. We believe that the objective to accelerate deployment of fixed and wireless connectivity should in the first place be achieved through existing policy instruments.

DIGITALEUROPE has provided recommendations on how to improve Europe's connectivity landscape, notably by increasing harmonisation within the EU,

⁷ 2023/C 23/01.

⁸ <https://digital-strategy.ec.europa.eu/en/library/digital-economy-and-society-index-desi-2022>.

driving efficient policy, making rational spectrum choices, and embracing innovation.⁹

The Connectivity Toolbox outlined several recommendations and best practices on, most notably, spectrum and rapid VHCN deployment.¹⁰ Policy can play a key role in making digital investment more effective and help unlock the further investment that is needed to support digital transformation. A reform of telecoms regulation in Europe should be considered, and the telecoms industry should be allowed more freedom to innovate, consolidate and invest, taking into consideration the views of civil society, consumer organisations and regulators.

The upcoming reviews of the RSPP and of broadband cost reduction measures with the GIA will be important instruments at European level to offer more predictability and consistency, and to contribute to a more favourable investment environment. The rapid completion of these legislative review processes will be key to reaching timely broadband deployment.

Other measures are included in the review of the guidelines on broadband state aid rules. These include: the launch of new consumer vouchers to incentivise the uptake of broadband services; the possibility to account for green-deal impacts when balancing the positive impact of the aid against its negative effects on competition and trade; and the launch of a new assessment framework for the deployment of mobile networks, including 5G, where the investment would not otherwise have been made by private operators on the basis of other measures, such as the coverage obligations attached to the use of spectrum.

Gigabit connectivity funding

Meeting Europe's connectivity targets also depends on looking at measures that have been agreed on but not yet implemented. These delays must be addressed, particularly as regards the use of available funds.

The amount of public funds in broadband networks in the Connecting Europe Facility amounts to €2 billion, and the connectivity share of the RRF is planned to be €16.5 billion, representing 3.3 per cent of the total estimated RRF expenditure of the 26 approved plans, and 12 per cent of total estimated digital

⁹ See DIGITALEUROPE, *Mind the gap: A new Connectivity Act for the Digital Decade*, available at https://www.digitaleurope.org/wp/wp-content/uploads/2022/03/DIGITALEUROPE_Mind-the-Gap_A-new-Connectivity-Act-for-the-Digital-Decade.pdf.

¹⁰ <https://digital-strategy.ec.europa.eu/en/policies/connectivity-toolbox>.

expenditure.¹¹ It also appears that there is still ample room to use the funds in question.¹²

Using the public funding available and dimensioning the funds appropriately should be a first and evident step to contribute to achieving Member States' broadband targets and the Digital Decade connectivity goals. Proper use of the funds can act as a catalyst to attract further private investment.

Broader digital ecosystem

Europe's digital transformation can only be accomplished based on efforts from many investors and contributors. DIGITALEUROPE's members operate at and invest at various levels of the digital value chain, and are fully committed to driving innovation generating societal and economic benefits.

Connectivity fits into a broader digital ecosystem, all parts of which are important for Europe's digital transformation. The Digital Decade targets cover a broad range of digital aspects, and their ambition is to ensure next-generation digital growth for European businesses and consumers. They aim not only to increase connectivity demand from consumers and businesses, but also to stimulate technological progress and uptake of AI and cloud solutions.

IP interconnection

It is unclear whether proposals for a new IP interconnection governance model are suited to the issue of stimulating gigabit connectivity.¹³ There is little historical evidence about conflicts between ISPs and CAPs in Europe. Any IP interconnection disagreements are typically about increasing the capacity of the IP interconnection link.

Transparent and evidence-based process

Should policymakers identify the need for additional regulatory measures to stimulate connectivity or digital infrastructure investment, DIGITALEUROPE encourages the Commission to seriously study the impact of any envisaged policy proposal upon the entire ecosystem, and to allow all stakeholders within the digital value chain to make contributions and have their voice heard.

Net neutrality and innovation

¹¹ https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/assets/thematic_analysis/scoreboard_thematic_analysis_connectivity.pdf.

¹² <https://www.bruegel.org/dataset/european-union-countries-recovery-and-resilience-plans>.

¹³ See, in particular, *BEREC preliminary assessment of the underlying assumptions of payments from large CAPs to ISPs*, available at https://www.berec.europa.eu/system/files/2022-10/BEREC%20BoR%20%2822%29%20137%20BEREC_preliminary-assessment-payments-CAPs-to-ISPs_0.pdf.

The internet consists of many indispensable and interdependent building blocks. Reaping its benefits depends on promoting an internet that is open, free, global, interoperable, reliable and secure.

Public policies should not contribute to fragmentation of the internet. Respecting the net neutrality principles and not introducing discriminatory treatment is vital to this end. The Open Internet Regulation must allow specialised services and growth in demand for innovative 5G and 6G solutions, as well as make the most of the permissionless innovation which has characterised the growth and development of the internet.¹⁴

Sustainability

Digital infrastructure is a key enabler of Europe's twin transition ambitions, supporting Europe's carbon reduction and other environmental commitments.

Digitalisation enables us to run a more efficient grid and to measure progress on sustainability, science, smart farming, manufacturing processes or online meetings.

The energy efficiency gains made by digital infrastructure over the last decade limited the increase of greenhouse gas emissions associated with data centres and networks despite the rise of data traffic.¹⁵ Electricity consumption remained nearly constant between 2015 and 2018, whilst data traffic increased by a factor of three.¹⁶

FOR MORE INFORMATION, PLEASE CONTACT:

 **Alberto Di Felice**
Director for Infrastructure, Privacy and Security Policy
alberto.difelice@digitaleurope.org / +32 471 99 34 25

 **Zoey Stambolliu**
Senior Manager for Infrastructure and Security Policy
zoey.stambolliu@digitaleurope.org / +32 498 88 63 05

¹⁴ Regulation (EU) 2015/2120.

¹⁵ See *BEREC Report on Sustainability: Assessing BEREC's contribution to limiting the impact of the digital sector on the environment*, available at https://www.berec.europa.eu/system/files/2022-07/10282-berec-report-on-sustainability-assessing_0_3.pdf.

¹⁶ See Lundén, Malmödin, Bergmark and Lövehagen, 'Electricity Consumption and Operational Carbon Emissions of European Telecom Network Operators,' *Sustainability* 2022, 14, 2637, available at <https://doi.org/10.3390/su14052637>.

About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory environment that enables European businesses and citizens to prosper from digital technologies. We wish Europe to grow, attract, and sustain the world's best digital talents and technology companies. Together with our members, we shape the industry policy positions on all relevant legislative matters and contribute to the development and implementation of relevant EU policies, as well as international policies that have an impact on Europe's digital economy. Our membership represents over 45,000 businesses who operate and invest in Europe. It includes 102 corporations which are global leaders in their field of activity, as well as 41 national trade associations from across Europe.

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Membership

Corporate Members

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National Trade Associations

Austria: IOÖ

Belgium: AGORIA

Croatia: Croatian Chamber of Economy

Cyprus: CITEA

Czech Republic: AAVIT

Denmark: DI Digital, IT BRANCHEN, Dansk Erhverv

Estonia: ITL

Finland: TIF

France: AFNUM, SECIMAVI, numeum

Germany: bitkom, ZVEI

Greece: SEPE

Hungary: IVSZ

Ireland: Technology Ireland

Italy: Anitec-Assinform

Lithuania: Infobalt

Luxembourg: APSI

Moldova: ATIC

Netherlands: NLdigital, FIAR

Norway: Abelia

Poland: KIGEIT, PIIT, ZIPSEE

Portugal: AGEFE

Romania: ANIS

Slovakia: ITAS

Slovenia: ICT Association of Slovenia at CCIS

Spain: Adigital, AMETIC

Sweden: TechSverige, Teknikföretagen

Switzerland: SWICO

Turkey: Digital Turkey Platform, ECID

Ukraine: IT Ukraine

United Kingdom: techUK