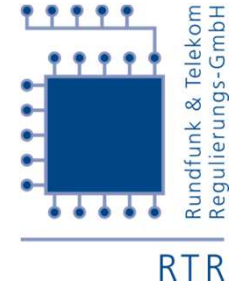


Wir stehen für **Wettbewerb** und **Medienvielfalt**.



# How regulation, innovation and investment policies may shape the Digital Single Market

Dr. Georg Serentschy

CEO Telecommunications and Postal Services, RTR GmbH



## The European telecoms and ICT eco-system needs urgent changes, which can only happen by fighting current orthodoxy.

*There is nothing more difficult to plan,  
more doubtful of success,  
more dangerous to manage  
than the creation of a new system.*

*The innovator has the enmity of all  
who profit by the preservation of the old system  
and only lukewarm defenders by those  
who would gain by the new system.*

*(Niccolo Machiavelli)*





## Europe's ICT industry lags behind Asia and North America. Change is sought in regulation, but also innovation and investment policies.

- Telecoms regulation is very static and too focused on supply-side measures. Today's regulatory micromanagement is costly and often lowers investment incentives
- Innovation is discouraged by missing harmonisation in key areas (e.g. copyrights, data protection) and a difficult environment for start-ups with regard to financing and bureaucracy
- Investment policies are often national, the European perspective is missing

*All of these three policy areas are important to shape the Digital Single Market*



Regulation: a “user centric” approach should be central for the DSM instead of supply-side orientation only.

Some basic theses

- **Demand** can not be created by bureaucratic intervention, not by regulation, but is driven by preferences and (technical) possibilities by end users
- **Markets** are following the **interplay between supply and demand**, and are not created by regulatory intervention (e.g. world-wide communication services, such as Facebook, Skype, What's App)
- **Regulation** is currently predominantly focused on supply-side measures
- The **demand side is a widely underestimated lever** for pushing market development and investment
- Besides regulation, in Europe legacy factors such as language barriers, cultural differences and a legal / regulatory fragmentation play important roles



## Steps towards the DSM: Regulatory micromanagement needs to be reduced. Demand-side measures should be in the focus.

### New regulatory concepts

- Some markets are increasingly global (e.g. world-wide communication); others are becoming more regional (e.g. infrastructure access varies because of different deployment speeds of new infrastructure)
  - Intervention in global markets is hardly necessary – “regulatory micromanagement” needs to be reduced here
  - In contrast, efficient access to infrastructure is essential
- Regulation needs to take action on the demand side:
  - Harmonisation of General Terms and Conditions to guarantee legal certainty for end users and to avoid forum shopping
  - Strengthening the demand side by providing information to end users (e.g. quality monitoring)
  - Clear cut net neutrality rules to guarantee unhindered access to services in the EU



## Innovation: Harmonisation is key for the development of new, innovative services. Start-ups need a lively environment.

### Renewed innovation policies

- Standardised copyright rules, including a single European collecting society are key for enabling new European-wide web services using any form of third-party content
  - E.g. this could help to establish a “European Netflix”, “Spotify” for *all* EU Member States,...
- Harmonised data protection/privacy standards for Europe provide security for users and enable firms to operate under the same conditions across the EU
- Establishing / fostering entrepreneurial activities:
  - Easing crowd financing/investment with standardised requirements across Europe (similar to President Obama’s JOBS act)
  - Facilitating the foundation of new ventures: New legal forms for start-ups with a European focus (similar to the “Societas Europaea” (SE), but with lower financing requirements)



## Investment: Pan-European co-operation and more standardised rules across the continent are needed.

### Investment needs a European focus

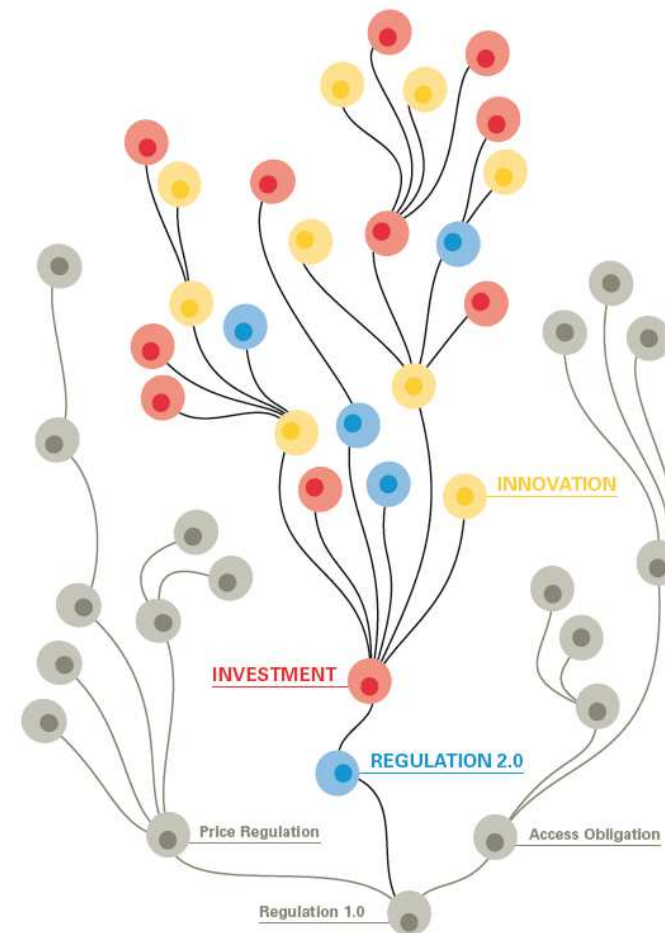
- Financing of infrastructure investment is happening on a European level, policies and initiatives need to be adjusted:
  - Single (national) pension funds are often too small to engage directly in infrastructure investment – Role models like the “Pension Infrastructure Platform” (GB) could be spurred on a European scale
  - Creating a European framework for telecoms investment can trigger further investment activities (like the Marguerite Fund was created for energy and renewables)
- The Commission’s initiative to reduce digging costs across Europe can make investments more efficient\*

\* Draft Regulation on measures to reduce the cost of deploying high-speed electronic communications networks



## The right policies in all these areas trigger a “virtuous circle”.

- Reasonable regulatory measures can enable new innovative services
- Innovative services increase the users’ willingness to pay for high-speed broadband
- Higher willingness to pay raises investment incentives
- Innovation and investment demand flexible regulatory policies
- Flexible regulation, in turn, unleashes new services and more investment
- -> The “Virtuous Circle” starts all over again





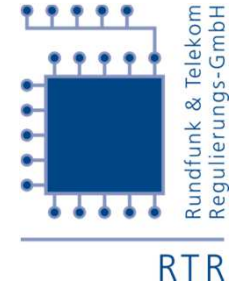


The Virtuous Circle and the Digital Single Market go hand in hand – together, they are Europe’s hope for getting back on the top.

#### Conclusion and outlook

- To make the DSM successful, action in all three areas is required: regulation, innovation and investment policies
- This will also trigger the virtuous circle, leading to more innovation and higher levels of investment
- The first step is the EC’s proposal on telecoms regulation for the DSM, to be presented on September 10. It should:
  - Incorporate the “user-centric” approach of regulation
  - Address sector concerns
  - Account for competitive requirements

Wir stehen für **Wettbewerb** und **Medienvielfalt**.



# How regulation, innovation and investment policies may shape the Digital Single Market

Dr. Georg Serentschy

CEO Telecommunications and Postal Services, RTR GmbH