

UNI Europa ICTS position on the European Single Market for electronic communications

As a trade union federation representing 1.2 million workers in 41 countries in the ICT sector in Europe, UNI Europa ICTS and its member organisations are convinced that the ICT sector is key for European economic recovery. As the European Commission correctly points out, "ICT should be fully recognized as a source of smart, sustainable and inclusive growth."¹

UNI Europa ICTS believes that it is of vital importance that we establish a European legislation that drives innovation and encourages investment in networks; that strengthens European companies and creates quality jobs for ICT workers in Europe.

Therefore, we are concerned about the proposed regulation on the European single market for electronic communications and to achieve a Connected Continent ((COM 2013) 627 final) that is currently debated by the Council of the European Union. Despite the European Commission's announcement in its initial proposal that it wants to drive innovation, boost the European economy and create new jobs, we think that the regulation does not help to reach these objectives and does not reflect the reality of the ICT sector as it is experienced by our member organisations.

Though the European Parliament has already brought some positive amendments to the initial Commission text in the vote on 3rd April 2014 (e.g. on spectrum and the digital divide), we still think that the proposal in its current version does not address the key challenges for the ICT industry and its workforce.

Whereas Commission and Parliament deal with some topics in extreme detail (roaming, consumer protection, spectrum), the two most important issues for the ICT sector – employment and investment – are addressed in a rather superficial way.

Employment

According to the European Commission, the completion of the single market in electronic communication could increase the EU's gross domestic product by 110 billion euros a year.² The Commission states that the implementation of the proposed regulation would create 3.8 million jobs.³ This statement is highly questionable. In fact, ICT companies and their employees will have to face important structural challenges in the next years, that will jeopardize up to 250 000 jobs in Europe by 2020, i.e. ever 4th job in the sector. The turnover of European telecom companies has been decreased due to new technologies, high costs of investment in the networks and the arrival of OTT players in the market.

Though the proposed regulation is supposed to provide growth and employment, it remains unclear where exactly these new jobs should be created – i.e. in which Member States, in which economic sector and in which job categories. We agree that there is a potential for innovation and job creation as regards IT services as the upgrade of network and equipment will demand new solutions and new skills. However, even were the assumption to be correct as regards the employment creation potential of cloud computing, it does not take into account that jobs would also be lost or displaced as a result of associated re-organisations of business processes and productivity increases.

Moreover, if the European decision-making bodies do not address the employment question with rigour and anticipation, we could experience a phenomenon of precarisation of the working and salary conditions in the sector.

The proposed legislation does not take into account that the proposed measures to move towards a single market in electronic communications and implicitly the consolidation of markets will highly impact on existing jobs in the ICT sector.

¹ COM (2013) 627 final, p. 2

² COM(2013) 634 final, p. 4

³ COM(2013) 627 final, p. 5

UNI Europa ICTS therefore calls upon the Commission to clarify and elaborate its prognosis on job creation and to provide more details as regards the consequences of the legislation. Furthermore, we ask the decision-makers at European level to ensure that the creation of quality jobs must take place in Europe.

Investment

The text adopted by the European Parliament on 3rd April 2014 mentions the necessity of investment in high-speed networks and that infrastructure should not be restricted to densely populated areas. Though this is a positive signal as regards the effort to bridge the digital divide, neither the European Commission, nor the European Parliament have sufficiently explained how the necessary infrastructure investments should be made as regards the timeline and the amount of investment.

Furthermore, the proposed Regulation does not refer to the ICTS sector's ecosystem. The decline in employment and revenues of the European telecom industry has already impacted on European supplying industry. Nothing is said about the future development of European telecom equipment providers for example, that are slowly disappearing.

There is also no reference to the role of OTTs in a telecom single market. It needs to be clarified how the new Regulation would impact the relevant industry players in the whole of the ICT ecosystem. OTTs are the first consumers of broadband networks and they receive a lot of the added value produced in the sector. Therefore, OTTs should also contribute to the financing of investments and we need to address the issue of R&D, the fiscal system, the repartition of benefits etc.

Another element that UNI Europa ICTS is questioning is that the regulation proposal is based on the assumption that competitiveness would be the key to rapid deployment of broadband and ultrafast networks. Though it is true that Europe is lagging behind as regards the roll out of 4G, the key for other countries' advance lies in the public support rather than in competition. For example, South Korea (which has a population of one-tenth that of the European Union) has an active industrial intervention policy on the basis of which it is launching a new initiative aimed at supporting 5G developments that is supported by public policy with an initial budget of 1.1 billion euros. Compared to this high level of public investment, and the advantages of the density of population which South Korea enjoys, the expected 700 million euros of European public funding for 5 G infrastructure until 2020 do not seem to be enough.⁴ Contrary to the European Commission, we think that robust public policy support and investment in technical development are the basis for innovation and investment rather than just competition.

If we want to be able to meet the challenges, we need to urgently develop a European investment plan to for an additional 2% of EU GDP per year (around 260 billion euros per year) over a 10-year period to support the development of our economies and to boost employment and innovation. This plan aims at opening a "New path for Europe"⁵ to end the crisis and austerity and to develop ambitious investments to enable a strong and sustainable growth that can create up to 11 million of quality jobs in the long term, especially for young people. This plan has to be accompanied by a strengthening of the European social pillar to counterbalance the social and fiscal competition.

Also, we do not agree that there should be a correlation between the size of an operator and its profit. There are examples of successful local national service providers that contradict the thesis that operators depend on scale to be profitable.

⁴ Cf. the European Commission's 5G Public-Private Partnership initiative, http://ec.europa.eu/research/press/2013/pdf/ppp/5g_factsheet.pdf

⁵ Cf. the ETUC campaign "A new path for Europe", <http://www.etuc.org/>

The single market for electronic communications

The overall objective of the legislative proposal is a single market for electronic communications that should speed up the liberalization and integration of the 28 European markets.

UNI Europa ICTS would like to underline that this consolidation of operators should be embedded in a system that protects social and labour rights and therefore, it must be accompanied by measures that respect labour and social protection, support social dialogue, the involvement of trade unions and ensure good working conditions across the EU Member States.

We agree with the Commission that we need durable and sustainable European actors of different kinds and sizes in the ICT sector in the future, capable of delivering capital investment plans and able to provide training and development opportunities, and good jobs. But we also need a guarantee that any market consolidation happens in a social way and with enough time to allow a good management of the social impacts. Consolidation is not an end in itself. Moreover, operators need to be able to receive a reasonable return on their investments. Policies that only focus on low end-user prices can discourage operators from investing in new high quality networks and services.

What we need is effective policies that stimulate employment creation, encourage investment, protect employees and safeguard and extend universal service access. We call upon the decision-makers in the European institutions to explain which commitments the EU will take for employment, for the protection of workers' rights, for their training, for the promotion of new services and new service concepts, for public investment and for universal service.

Roaming

We recognise that cross border roaming charges for data and calls remain artificially high, and we believe there is a need to establish prices for telecommunications services that reflect the real cost of providing those services. We also agree that there is a need to protect mobile users through increased transparency and facilities to avoid 'bill shocks', including the ability of end users to define maximum financial limits for usage charges. However, roaming charges have historically provided an important source of revenue for mobile operators to support investment in technology, innovation and jobs.

UNI Europa ICTS would like to point out that the Commission's and the European Parliament's approach towards the abolition of roaming charges and the lowering of prices has a negative impact on investment and employment⁶.

European decision-makers should take into account that complex technologies and quality of service have a price if you want to provide the necessary investment and create employment in the ICT sector. With the abolition of roaming charges, UNI Europa ICTS believes it is essential that mobile operators have the ability to compensate for the reduced revenue they will experience through price freedom in other areas where this is justified. This will help to avoid any threat to network investment and employment levels caused by the reduction in revenue from lower roaming prices.

Moreover, if the European decision-makers want a reduction of roaming charges, it is vital that this is a mid- to long-term strategy and that operators do not have to apply it immediately. This would give operators the time to change their activities and to develop new business models to generate the revenue that is needed to continue investment and the provision of quality services.

Spectrum

⁶ In this context, the Commission refers to "an annual revenue loss of 1.650 million EUR (*sic*) resulting from loss of roaming revenues and a 700 million EUR decrease on revenue linked to international calls is estimated in a worst case scenario". Cf. SWD (2013) 331 final, p. 3.

UNI Europa ICTS supports the approach to harmonise the use and assignment of spectrum in the EU. Spectrum is a public good and will play a key role in eliminating the digital divide, but a coordinated process is needed to ensure that formal coverage and universal access requirements will be considered when defining the assignment modalities. Spectrum harmonisation should provide clear rules on auctions and should be based on European standards to support European research and equipment providers. Auction proceeds should benefit the investments in the sector. UNI Europa ICTS welcomes that the European Parliament has brought some positive amendments to the initial Commission text in the vote on 3rd April 2014 as regards a better harmonisation of spectrum trading and leasing and the management of radio frequencies for new mobile applications.

Open internet/ Net neutrality

The open internet is of societal importance, as is the right to communication. UNI Europa ICTS supports the amendments voted in the European Parliament for a binding reference to the principle of net neutrality and an open internet.

We note that operators prioritise internet traffic based on differentiated services as a necessary feature of the market which serves to meet a level of customer demand for enhanced service quality. However, we are concerned that restrictions persists for a significant number of end users (e.g. slowing of download speeds for video content streaming). Furthermore, there is a real danger that data consumption will continue to be choked because of both the increased number of consumers accessing the network and the larger volume of traffic being generated.

While operators need flexibility to manage the capacity between specialized services and internet access services to ensure the best end-user experience, we must ensure that this does not result in operators limiting access, judging content or degrading quality of service for the general Internet user. Furthermore, the problem of monopolistic situations if an operator has arrangements with large content providers that exclude small competitors needs to be addressed. We believe that minimum standards should be introduced which can be maintained through regulatory enforcement to ensure an acceptable level of service for all end users and which act against both restrictive practices and traffic overload.

We therefore welcome that the European Parliament has addressed these issues and improved the initial proposal by including provisions regarding traffic management and specialised services.

UNI Europa ICTS also wants to underline that continued investment in broadband networks across Europe to increase network capacity will also play an important role in addressing these issues, and therefore the European institutions should do everything within their power to encourage and incentivise network investment.

Consumer rights

UNI Europa supports the approach to increase consumer rights and transparency, e.g. when contract provisions are not met. We think however that the quality of service is very important. This refers also to the social quality of services, i.e. the right to universal access to fast broadband. Unfortunately, quality services are not for free: The pressure on costs automatically means pressure on working conditions. We would like to remind the decision-makers at EU level that quality services need investment and that a model based on continually falling prices is not in the interest of securing investment nor is it, in the long-term, in the interest of the consumers.

Single EU authorisation

The Commission has proposed a simplified regulation with a unique authorisation system for all 28 Member States. This provision raises various difficulties: First of all, national regulators will probably be very reluctant to adapt it and conflicts between the EU and national authorities seem to be programmed. Moreover, we think that a single authorisation system with a European passport for operators will lead to "licence shopping". Operators might prefer to apply for the license in

countries with fewer and comparably low social obligations and standards, which could lead to social dumping. This danger of an undermining of social standards must be taken seriously and a social impact assessment of this measure would be necessary. UNI Europa ICTS therefore welcomes the European Parliament's removal of this authorisation scheme.

Consultation

The European Parliament has voted in favour of a review of the entire regulatory framework for electronic communications by June 2016, based on a public consultation. UNI Europa ICTS wants to underline that trade unions are an important stakeholder and should be consulted in the legislative process, especially as regards the review procedure outlined in the Parliament's position.

We therefore call upon the European decision-makers and the National Regulatory Authorities to consider more the future perspective of employees in general and in the companies of the ICT sector in Europe in particular.