



THE CHALLENGES AND OPPORTUNITIES FACING DIGITAL EUROPE

Speech by **Vittorio Colao, CEO Vodafone Group Plc**

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Vittorio Colao commences speaking following an introduction by Pilar del Castillo

The digital economy

- Pilar has said a lot of very important things. She said it is wrong to talk about a digital economy, the digital economy will be *the* economy. Everything will be digital.
- Pilar said that European digital is the *corazón*, the heart of Europe. I agree. Clearly, it is also true that if we get this opportunity to create a true *corazón*, a true heart, we really create the identity of Europe and contribute to strengthening the identity of Europe, which is very important.
- But then, Pilar added that we need to *construir solidamente*, to build in a solid way. I want to focus on this *solidamente* word because here I have to be a little more critical.
- If we all agree that it is so important for Europe - it's important for the companies, it's important for health, for education, for energy, it's important for everything - how come that we have done badly in telecommunications in Europe in the last years?
- We have lost 35 billion of revenues, we have 100 operators when the US has maybe ten and China has three. Everybody says this is a great opportunity, we need to do something but then the European industry continues to go like a train on a single track. We continue to go with regulations, loss of revenue, loss of margins. And everybody says this is the *corazón* of the future of Europe but nobody does anything to change this.

Vodafone's view of what Europe needs

- Let's see what I think, what Vodafone thinks that we need. We need, as Pilar has said, a digital single market. Yesterday I came back from California and I want to share this. In one week I met 30 companies, from the biggest company in the world to people who write very obscure software codes. I have to tell you it is amazing what is happening in California today. They are developing solutions for the homes, companies, consumers, enterprises, governments, for everything. Are they are doing this because they are more intelligent than us in Europe or because the market is better?



- The problem is that Europe is not a single market, we are 28 markets. If you are an entrepreneur in the US you have 320 million Americans you can sell to. In Europe you have 28 set of rules, 28 economies, 28 different regulators. Vodafone today faces 200 regulators across Europe. Why would one want to develop something first in Europe? It is obvious that you would go to the US.
- We need a digital single market incredibly urgently and quickly as this will be the economy of the future. Not for telecommunication, not for internet, just for every single company and citizen in Europe.

Regulation for the digital life, not the regulation of the past

- We need regulation in Europe with the new Commission which is regulation for the digital life, not the regulations of the past. We need regulations that are the same for telecommunication players and internet players.
- It is not fair that companies like Facebook, WhatsApp, have 1.5 billion customers using their platforms but are not regulated. Telecommunications operators are regulated, we need to give access to everybody, to small operators; they don't. We need to follow privacy rules and different local administrative regulations in every country; they don't.
- We need to start thinking about how the digital life will be regulated with rules that are absolutely the same for everybody. We need interoperability, the portability of our digital lives. The applications, the software, everything should be freely moveable from one platform to the other. Otherwise we will end up with a situation with very few people who will dominate.
- Software by definition is helped by scale. In software the first one has 60% market share, the second one has 30%, the third has 10% and the fourth does not exist. We need to think about new rules for the whole digital life, which are not just telecommunications rules but broader digital rules. I hope President Juncker will start asking his Commission to think like this. To think about the digital life, not about specific sectors

Real incentives for investment

- Second, we need real incentives for investment. Scale is necessary now. Vodafone has invested €28 billion in Europe in the last five years and will invest € 23 billion in the next two years globally. These investments need to have a return and regulations, sometimes for good reasons and sometimes for less good reasons, actually have only worked to reduce the returns in Europe. While everybody in theory agrees – like the *corazón* of Europe – that returns should be higher, every single regulation seems to go in the opposite direction.



- We need to allow consolidation and the creation of bigger companies in Europe. This means we should look at companies who invest with good plans for the long term. Not necessarily distributors, wholesalers, virtual operators, all these nice concepts that have been invented in the '90's, we are in 2014. Twenty years later, we need to re-think the digital structure, we cannot continue to think like we thought. I have to say that what has happened in Ireland, in Germany, the mitigation, the remedies, the discussion, all these things are things from the past. The new European Commission needs to think about the future. Consolidation is good. If we want bigger players in Europe, in-market, cross-market consolidation should be seen as something positive. Now, if I see something as positive, I don't want a remedy, I don't want mitigation, I just say 'great, go ahead, you are investing Telefonica, you are investing Vodafone, we are with you, we support you'. This is what we need from Europe now.

We need to avoid dominance

- Third important thing, we need to avoid dominance in the internet and telecommunication space. Dominance is bad, not just because it creates big profits, but because it does not help innovation and new start-ups. Market shares in excess of 50% are not healthy whether this is in fixed line, content, applications, search or advertising. This is not good for the market, this is not good for innovation, this is not good for start-ups.
- Now of course, if I could have a market share higher than 50%, I would agree with Rupert Murdoch who said 'all monopolies are bad with the exception of the ones that I own'. I agree. If I can own a monopoly I am very happy but unfortunately I don't think it is good for society. I think avoiding dominance is very important. I have to say anti-trust regulators must become quicker and must bite more and, I am sorry to say this in Spain, Spain in this sense has not been a good example but there is always time to improve.

Connected continent package, spectrum, net neutrality and roaming

- Pilar also mentioned the connected continent package, spectrum, net neutrality and roaming. Let me comment a little bit on that.
- Vodafone supports the connected continent package. We are just worried that through the implementation it could be diluted and it could become just a pro-consumer type of package which is not what Europe needs; Europe needs a vision. We see the risk that the package becomes a short term consumer thing and not a long term citizen thing. There is a big difference between thinking about the digital life of the consumer and the digital life of the citizens of Europe and I want to think about the citizens. It is important that Europe and especially the new Commission



and Parliament decide whether they want to be policy makers or regulators. In the past they have tried more to be regulators than policy makers.

- I agree with Pilar's comment that the member states don't want to give space to European spectrum policy. It is important that we get to European spectrum policy.
- Let me also talk about roaming. People continue to say roaming should disappear, roaming should go away. I am very happy for roaming to go away but in order for this to happen spectrum must be licensed on a European basis.
- You cannot have a small country like Czech Republic or like Malta with different rules than Germany or Spain or Italy. This would create a clear lack of interest in investing in a big country. I could take a licence in the small one and then I go and sell into the big one.
- If the spectrum is uniform, if it is given for 25, 30 years, if it is given with same rules and same times, then we will have the real single market. But if you continue to keep spectrum and the rules for accessing fixed line all different by country it is going to be very difficult to have a single market.

What should new Commission put into the European digital life?

- What are the four or five things that I really hope the new Commission tries to put into the European digital life?
- I agree with Pilar that **spectrum is important, it needs to be treated as a European asset, it is the future**. Think about driverless cars, health solutions, services to public administration, this will require a lot of bandwidth, speed and no delay. You don't want to be in a driverless car, getting to the traffic light and then the network is congested. That is a bad thing.
- You don't want to have guys coming on the other side and listening to music and then say 'hey, net neutrality, music, driverless cars, who cares, all the packets are equal'. I don't think I want to be in that car, I want to be sure that things go through.
- **We need to re-think the approach to net neutrality**. It is a good concept that you don't discriminate but we need to segment. Pilar mentioned specialised services, we need to be careful that these are really segmentable services, otherwise we will not be able to bring Europe to where we want to bring it, which is a truly digitised Europe.
- **Roaming will go away but let's try not to destroy completely the operators in the process**. Telefonica, Vodafone, we are all offering good packages, good deals, roaming is going away but let's have a transition phase, let's not jump too quickly to solutions without understanding.
- Third point, I completely agree with what Pilar said, **security, security, security**. Once our homes, our offices, our cars, our heart monitoring, everything is digitised, we need to be sure that nobody can hack, nobody can get our data. Very interesting



that Apple last week decided that health data from the app on the iPhone cannot be used for advertising. This is just the first step.

- I have to say the politicians will have to think very hard about security and customer data protection. There are very different rules in different countries, we can't have different rules in different countries.
- Fourth and last point, and **most importantly, allow scale**. Allow European operators to get scale, to get bigger, to compete in a fair way, also with the players outside of Europe. With this we create employment, we will have investment and we will create better lives for the citizens and companies of Europe.

Thank you.

To view the video of Vittorio's speech click [here](#).

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