



AN OPEN DIGITAL AGENDA FOR GROWTH AND INNOVATION

Remarks by **Vittorio Colao, CEO Vodafone Group Plc** at the

FT ETNO Summit 2014: The New Digital Agenda –Towards a European Renaissance

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Vittorio Colao participated in a panel discussion moderated by Dan Thomas, Telecoms Correspondent, Financial Times. The panel discussion was preceded by comments from Reed Hastings, CEO, Netflix.

Dan Thomas: Mr Colao, take us through your thoughts about how, as a company, you are responding to friends, foes or however you would class them, like Netflix?

Vittorio Colao:

- As a company, Vodafone is responding in the only possible way which is we are investing, we are investing a lot and we believe in a strong future of data, mobile and fixed.
- We are also starting to deal with content, i.e. we distribute Netflix, I wish it would be everywhere but for the time being in a number of markets.
- And we believe in the future, we have to be optimistic. We welcome President Juncker and Commissioners-elect Ansip and Oettinger. Their Digital Europe positioning is very positive, it gives us the right framework for the future.
- But I have to say, the 'E' in ETNO stands for Europe, we've been lectured today by Lowell McAdam, Verizon Communications CEO, who is doing a tremendous job in the US, and by Reed Hastings, from another American company. **So we should ask ourselves, what will make Digital Europe, and the single digital market vision that we all share – and it is at the base of my investment – what will make it happen?**

I think there are three things the new Commission needs to take on board:

- **The first one is clearly this point about return on capital.**
 - The industry is not returning enough capital in Europe and we have to face that what has been built is the perfect trap box in Europe.



- There are low barriers to entry – everyone gets spectrum, including new comers and so on. There are high barriers to exit – as soon as somebody wants to sell you have remedies, mitigations.
- So the bees come to the box, they go into the box, they cannot come out, and then regulation starts beating them up. It is a perfect trap box created in Europe.
- When I talk to regulators in both Europe and other countries they tell me that no, it is not true, you have a good return on capital. And I say, where do you get that from? They say, well if I take your returns and I take away what you overpaid for spectrum; I normalise what you should pay every year; I take away acquisitions you have made; then you have a good return on capital.
- My point is that if a referee in a football match sees a man down in the penalty area and he takes away from the video the kick, and then takes away the push, and then stops the image when you are half way, then of course its not a penalty kick, you are flying.
- **So first point, the Commission needs to look at return on capital and accept something has gone wrong and needs to be fixed.**
- **Second point, tackling telecoms and digital monopolies.**
 - I like what Fatima Barosa (Chair of ANACOM, Portugal and incoming Chair 2015 of BEREC) said: fair, equal and non discriminatory. This applies to some of the incumbent companies in this room but there are still some fortresses.
 - **There are also new digital fortresses.** Vice President Kroes is here tonight. The industry had a famous dinner in Barcelona with Vice President Kroes a few years ago where, correctly and fairly, she accused us of not being innovative and she said why don't you do more services over the top yourself?
 - I tell you that we do but there is a problem. For example, Vodafone's messaging service does not work on iOS phones – Apple's messaging service does but ours doesn't, it is discriminated against and of course Apple is now very strong.
 - Our messaging service does work on Android. However, if I want to send Vice President Kroes a message she is probably on WhatsApp, which has 600 million customers. I can send an SMS to the Congo, I can send an SMS to Papua New Guinea, but I cannot send an SMS to WhatsApp so I cannot connect.



- So WhatsApp has a dominant position, particularly following its acquisition by Facebook, but does not connect with other services. We need to tackle the issue of digital monopolies whether they are physical or network or search engines. Look at Google search with 90% market share, is anyone in this room prepared to invest in a new competitor to Google? I don't think so as clearly they are dominant.
- **Third and last thing, taking a new approach to competition law.**
 - We need much faster processes in the digital age to decide competition issues.
 - It took us from 1998 to 2012 to close the Arcor margin squeeze case.
 - Even for Google, even for Facebook, it is not fair to nail them down for ten years in Europe with competition cases.
 - We need to make sure that competition law is applied quickly, swiftly and gives certainty to me, and also to my investors, to whom I have to explain why Vodafone is investing billions of euros in the future of Digital Europe.
- **So the three things that I strongly recommend the new Commission focuses on are: 1) return on investment; 2) tackle digital monopolies whether they are physical or over the top; and 3) make sure that competition law is applied quickly, swiftly and gives certainty to companies and investors.**

To view the video of the full panel discussion click [here](#)

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