

Remarks by Markus Reinisch, Public Policy Director, Vodafone Group



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Thank you for inviting me and for giving me the opportunity to speak here today. I think we are all in strong agreement that **state-of-the-art networks are needed to create a European Digital Single Market**. This is what European consumers and enterprises deserve – superfast 4G (and, eventually, 5G) mobile networks and future-proof fibre fixed networks.

This state-of-the-art infrastructure **needs a policy framework** that promotes **sustainable competition** and ensures **investment certainty**. To achieve this, we need to acknowledge that the times when an operator could offer just one service, like mobile voice or SMS, are long gone. We are bundling mobile, fixed, and content services. In this context, sector regulators need to be conscious of how **bottlenecks** in any one of these sectors **can distort a thriving and competitive convergence market**. Let me give you some examples:

First, **access to fibre backhaul for mobile sites** is an extremely important input for superfast 4G networks. It will become an even more important input as we move to 5G networks with mobile base stations that are smaller and much closer to the customer.

Second, we must protect the vibrant market for consumer broadband. To this end, the **remonopolisation of the consumer broadband market** should be actively opposed.

Third, we are seeing that **exclusive content ownership** can distort the convergence market.

Again, traditional silos will not suffice to address these issues. Regulators must, instead, look at how mobile, fixed, and content interact with each other and what the result is for competition.

To be sure, even in this bundled world, **specific regulatory reform in the mobile sector** is needed to ensure the success story of mobile continues in Europe. Let me reflect on three areas where the success of mobile has been evident:

First, **mobile invests**.

Mobile investment has grown tremendously, driving the **expansion of 4G coverage** in Europe from 8% to roughly 76% in just 4 years. That is a faster increase than we have seen in the US and it reflects concerted investment by European mobile operators. **Vodafone alone is investing 23 billion euros** into state-of-the-art networks through its Project Spring. In addition, network coverage in our 12 European markets is 86%. There is, thus, an extremely positive investment story to be told about mobile in Europe.

Second, **mobile delivers and innovates**.

Ofcom recently noted that the **download speeds on mobile networks** have increased by a factor of 10 in the last 5 years. Average 4G speeds are around 15Mbps. While this is still below what we see in fixed networks, over the same time period download speeds for VDSL (currently 20Mbps) have only grown by a factor of 3.

Even more fascinating is the **development of upload speeds**, which are increasingly important to the digital society, as consumers and enterprises come to rely more on cloud services and quality two-directional video services. In the mobile world, upload speeds have grown 18-fold. Ofcom has stated that upload speeds are 12Mbps in the mobile sector today. Compare this with the average of only 3 Mbps for fixed VDSL networks, which are trying to squeeze the last breath out of 100-year old copper lines and have, consequently, not even doubled upload speeds over the last 4 years. In short, mobile delivers.

Third, **mobile competes**.

This is not simply for the obvious reason that there are **3 to 4 network infrastructures** in most markets, or because there is a **vibrant MVNO market** on top of these competing network infrastructures. Rather, it is also because **mobile investment is unconditional**. The mobile sector is not threatening capital strikes. We are not saying that we will only invest if pro-competitive regulation is rolled back – there is no deregulatory condition attached to our investment. We simply invest.

Again, mobile is a success story. For the future telecoms framework to ensure that this continues, we need meaningful regulatory reform. This is particularly the case with respect to spectrum, the lifeblood of the mobile sector.

We need **more spectrum** and we need it relatively soon. In this context, we welcome the Commission initiative to avoid the slow and incomplete release of the 800 MHz spectrum, as well as their efforts to accelerate a coordinated release of the 700 MHz.

Even more important than new spectrum is the **harmonisation of spectrum allocation**. An uncoordinated approach across the 28 member states has produced too much fragmentation. A digital single market cannot be established in an environment with vastly different spectrum prices. Vodafone, for example, experiences spectrum price differentials (based on per capita cost) of up to 10 times between Romania and the Netherlands. The Connected Continent was a missed opportunity to address this. We are therefore encouraged to see the drive of the Commission to keep the harmonisation of spectrum allocation rules on the agenda for the next phase of the Digital Single Market consultation.

To be clear, **harmonisation has three components**:

We need to **narrow the timeframe in which spectrum is allocated**. The first European 4G spectrum was held in 2010. And yet, 4G spectrum is still not available in Malta. A gap of this scale for the next spectrum release, specifically in the 700Mhz band, would not serve the goal of a single market.

We need to **spread best practice in spectrum auctions**. Recent years have seen distortions through, for example, high reserve prices, and discrimination, via, for example, the favouring of new entrants. This should be remedied by the establishment of a narrowly defined and harmonised set of criteria regarding to determine when regulatory interventions are warranted.

We need **licensing terms that are pro-investment and that create certainty**. This will allow us to treat spectrum as a true asset. We need, at least, longer periods of spectrum ownership, coupled with a more streamlined way of dealing with spectrum renewal. Ideally, we would have perpetual licenses.

If done properly, harmonisation will drive cross-border investment and the emergence of pan-European mobile communication services.

Let me close by reviving the theme I mentioned at the outset – **mobile is not an island**. We need to look at the wider ecosystem to understand the mobile market. FTTH is the prime example of this. It is an enormous opportunity. We need FTTH, not just because Europe deserves a gigabit society, but because this will create competition in both the fixed and mobile markets by establishing the passive infrastructure needed to power the mobile networks of the future. Getting this right will mean ensuring **effective incentives for investors to build FTTH networks**, and the **regulatory framework to ensure that convergence does not lead to re-monopolisation**, as we are seeing with the combination of fixed dominance and exclusive premium content. Now is the time to address these issues and to set the right foundation for Europe's future digital economy. We at Vodafone look forward to being a part of this.