

THE IMPORTANCE OF (REAL) NET NEUTRALITY FOR INVESTMENT



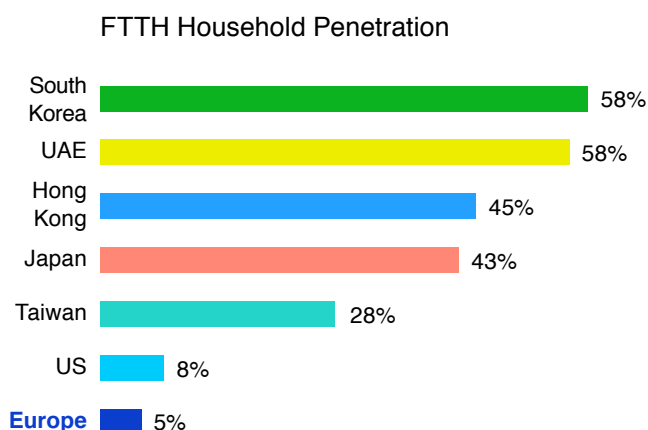
IN HIGH-SPEED BROADBAND DEPLOYMENT

The Commission's proposal on the [Telecoms Single Market](#) risks causing the EU to fall behind the world in deploying high-speed broadband (see Figure 1). The Commission's proposal will allow telecom operators to rely on revenues from prioritised services, removing incentives to invest in broadband infrastructure.

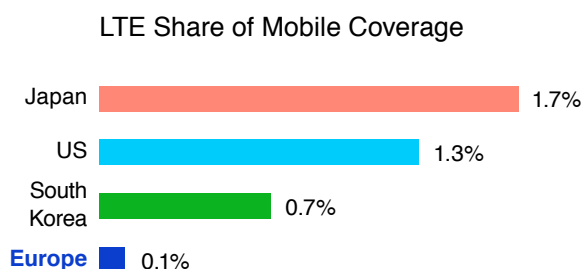
Through a far too broad definition of specialised services, telcos would be allowed to enter into exclusive and restrictive commercial deals with online service providers. Either by charging users to access certain websites or allowing websites to pay to reach users faster than their competitors, telcos could prioritise making profit from building out these fast lanes instead of investing in the rest of the highway, reducing the quality of the open road.

The new amendments put forward by the S&D, ALDE, Greens and GUE/NGL provide the necessary safeguards for net neutrality and investment in infrastructure—ensuring that the internet remains a fertile platform for innovation, competition and free expression.

FIGURE 1 Europe has less high-speed broadband penetration than other regions



EU only expected to reach 20% FTTH coverage in 2022



Average EU LTE coverage <10%, US coverage >65%

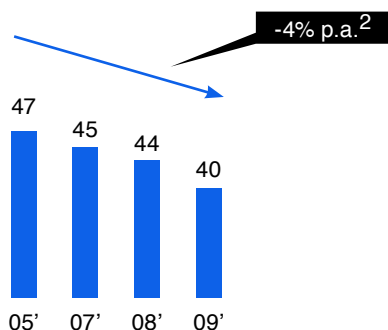
THE BENEFIT OF INVESTING IN NETWORK INFRASTRUCTURE

By guaranteeing the openness of the internet and the innovation without permission principle— a foundational principle of net neutrality which enables anyone to create without having to request authorisation from anyone or any entity—the number of attractive internet-based services and applications will continue increasing. As a consequence, the demand for faster and better access to the internet will grow, generating more value for internet access providers and a stronger incentive to invest in enhanced network capacity. This so-called “[virtuous circle](#)” illustrates the long-term economic benefit for telecommunications companies to invest in infrastructure.

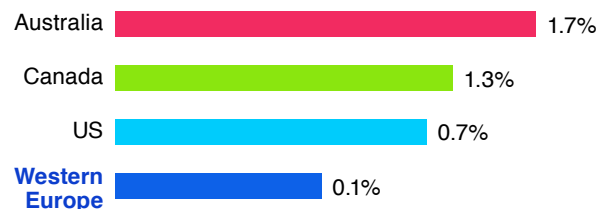
At a time when the telecom industry needs to make bigger investments in the network to address this growing demand, European operators’ investments are declining (see figure 2). Instead, we already see EU telecoms companies diverting their investments away from infrastructure and towards services, such as video, mobile television or access to music platforms. In their annual reports, European telecommunication groups such as [Telefónica](#), [Orange](#), and [Deutsche Telekom](#), prioritise offering a variety of these kinds of services to consumers, instead of improving the quality of the network as a whole.

FIGURE 2 Operators’ investments are declining in Western Europe 

Total Annual Capex in Western Europe¹
EUR billions



Public Telecoms Investments per Capita
Average 2005-09, EUR '000



¹ EU-15, Norway, and Switzerland
² Capex calculated over 5 years, 2006 not reported by OECD

CONCLUSION

If the European Parliament accepts the bureaucratic and unclear texts put forward by the Commission and the ITRE Committee, European citizens risk experiencing a decline in the quality of their internet connections relative to the rest of the world. This underinvestment in infrastructure would in turn have knock-on effects for job creation and innovation in the sector, as other regions leap ahead.

The European Parliament now has a choice, either to hand over the future of the digital single market to telecoms providers—which will mean a decline in needed investments in infrastructure—or to ensure the long term welfare of the open internet. The proposals put forward by the [S&D, ALDE, Greens, and GUE](#) offer these necessary safeguards to ensure that the internet remains a platform where free expression, innovation and creation can thrive.