



THE FUTURE OF THE INTERNAL MARKET – KEY AREAS FOR ACTION

Background

The Internal Market offers significant potential to assist Europe's recovery from the economic crisis, boosting growth and productivity within the EU, and strengthening its competitive position internationally.

The Internal Market is however far from complete. A rising tide of protectionism and a worrying decline in enthusiasm for open markets in some Member States has been demonstrated in the political debates around inter alia the Services Directive, the Energy Package and the Telecoms Review.

It is therefore vitally important to send a signal reminding Member States of the benefits of competitive open markets and a level playing field. The development of the 'Europe 2020' strategy provides a major opportunity for a renewed political impulse for the Internal Market.

Four Key areas for action

1. ICT and the 'Digital Single Market'

ICT and the 'Digital Single Market' are subject to various existing and planned policy initiatives but it is important to recognise that these also fit closely with the broader economic goals of Internal Market policy.

Just as in other sectors, consistent and effective enforcement remain a key issue in telecoms. While reforms introduced through the new Telecommunications Framework Package will go some way to addressing these, the Commission, nonetheless, will still need to pay close attention to effective application of these rules. Effective and fair competition between different network and service platforms (fixed, mobile, pay-TV) will help create a genuine level playing-field. Undertakings need the same fair wholesale access: to the communications networks of those who operate in one Member State as they do in another Member State. Otherwise pan-EU business ICT services will not develop fully; and the competition between undertakings will remain skewed.

Linked to this is the general policy towards investment in network infrastructures across the Internal Market. The Commission is right in seeking a regulatory approach that rewards investment in long-term infrastructure projects such as next generation access networks. However, this must not be pursued to the extent of (a) economically inefficient duplication of networks (b)

foreclosure of competition and innovation at the services and applications levels.

Another key Internal Market issue is the provision of pan-European services to business. ICT can enable companies to remain competitive and enable growth and jobs through improved efficiency, but this requires a policy and regulatory approach which encourages competitive provision of innovative services. Member States need to be encouraged to recognise the benefits such competition¹ brings to their own economy, rather than seeing it only as a threat to domestic national champions.

The potential benefits are considerable. Services currently account for about 70% of EU employment and value-added but only 20% of intra-EU trade. Against this background, research published in 2008 estimated that availability of better, cheaper cross-border business communications could boost EU GDP by between 1.6 and 2%².

Ubiquitous high-speed access networks are a necessary but not a sufficient condition for realisation of these benefits. Cooperation between different sites of the same company, or between the members of informal SME coalitions requires more than high speeds. Such customers also need more reliable data transmission than basic IP technology (ie, the “public Internet”) is able to guarantee.

EU policy must therefore take account of the need for major investment in the software platforms which work together with IP networks in order to provide “business-grade” services. It must also promote the pan-European deployment of such platforms.

2. International Dimension

Open global markets are the complement to the Internal Market and deepening the Internal Market is also an important stimulus for third countries to open-up their own markets for European businesses.

We fully support the Commission's Global Europe strategy of 2006 to pursue a successful conclusion of the Doha Round, and for bilateral and regional Free Trade Agreements with Europe's major trading partners.

We also fully support the Trans-Atlantic Economic Council and the role played by the TABD. The TEC should ensure more regulatory alignment between the EU and the US - in particular for new and innovative products and

¹ This has been recognised in the UK's ‘Digital Britain’ report released in June 2009: “*The availability of high-specification, resilient, bespoke communications services and managed private networks at competitive prices represent an important factor in the country's productivity as a knowledge economy and its attractiveness to inward investment.*”

² Indepen Consultants for BT, Enterprise VPN Users' Association and International Telecommunications Users' Group, “Productivity, Growth and Jobs: How Telecoms Regulation Can Support European Business”, 2008

services through the new Innovation Dialogue. The global and regional trade arrangements suffer from not having as effective an implementation monitoring and supervision leg as their trade negotiation and dispute legs. Ensuring fair translation into national law and practice of commitments made in WTO rounds is important and under-done..

3. Low Carbon Economy

ICT products and services are key enablers for a low carbon economy by enhancing energy efficiency in business processes. Beyond addressing its own carbon footprint, the sector can have a disproportionately large effect on those of other sectors eg via smart grid/meters, smart logistics, video-conferencing, cloud computing, smart cities and transport etc. Single market policies facilitating the development of such services and programmes and research initiatives are a vital catalyst..

For companies to reduce their own carbon footprint, greater certainty is needed around measuring and reporting carbon emissions. We therefore need common pan-EU and international standards for carbon reporting to ensure companies operate on a level playing field. This would underpin the work in the ITU and the EC on eco-efficient standards and emissions labelling respectively.

4. Public procurement

More open and efficient Public procurement will help deliver public sector savings. EU Member State governments and public contracting authorities purchase 40 percent of all goods and services bought in the EU and, as the largest buyers, are in a position to affect competition through purchasing behaviour.

Current public procurement practices in many EU countries have the effect of excluding suppliers (often from other nations), stifling innovation, and failing to provide optimum value for money. The underlying problem is the practices of the authorities rather than the rules governing public procurement and the misinterpretation and inappropriate application of the rules.

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