

Viviane Reding

Member of the European Commission responsible for Information Society and Media

**Mobile goes Internet : Key Challenges
for Mobile Ubiquity in Europe's Single
Market**

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

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Ladies and Gentlemen,

Europe remains the world's leader in mobile communications. We have the highest penetration rates of mobile use in the world, an average of 111%, with some countries reaching over 150% penetration.

The fact that the GSM standard is a European standard, backed both by Europe's industry and by the EU institutions, is only a small, though important part of this success story. In fact, the economic success of mobile telephony in Europe has been achieved through open competition, innovation and investment supported by pro-competitive regulation.

Our strong EU mobile industry is however at a historical tipping point. Can today's leaders convert their leadership into an advantage for the future, or will the successes of the past create a legacy that locks it out of the Mobile Internet?

The future of mobile

A great transformation is taking place in mobile communications. The very high 2G penetration rates that we have become used to in Europe are starting to be replicated elsewhere in the world. In particular, for emerging markets in India and China there are reports of growth rates of 7 million new subscribers per month as we grow to 3,4 or even 5 billion mobile subscribers worldwide! It is not surprising therefore that the attention of mobile operators is shifting from developed markets, such as Europe, to these developing markets, where there is much virgin growth to be harvested. The attractions of these new markets are very strong, as despite the lower incomes the margins seem to be at least as good as they are in our developed markets, due to lower operating costs.

However, despite these obvious short-term attractions, I would advise mobile operators against taking their eye off the ball in Europe which is the world's most sophisticated mobile communications market and where mobile communications has become an integral, indispensable part of the life of virtually everybody.

I believe therefore that it could very well be here in Europe where the next generation of mobile will be played out first. I am speaking of the shift to the Mobile Internet. This quantum leap in the communications world is not going to be driven by developing markets, as the emphasis there will be for quite some time still on low cost handsets and simple voice and text services. Rather, the transition to a Mobile Internet will be in developed markets with – firstly – **the emergence of open and inexpensive internet services** and – secondly – much **more low cost bandwidth made available**. There is a third element as well, that I will come to, which could be a showstopper if we do not get it right. We need **trust and confidence in the Mobile Internet**.

In Europe, achieving the first condition depends mainly on industry adapting its business models to the future. This means business leaders must look to the future, not into the rear view mirror.

The second condition depends on policy makers in the EU also taking a more proactive view on spectrum policy.

The third means acting together between industry and policy to build a trustworthy mobile net.

New business models for the Mobile Internet

The new business models for the Mobile Internet which I am talking about call for a fundamental shift in approach for the mobile operators towards low cost and open access data services.

It is time to put the traditional "walled garden" approaches that have served the industry very well during the 2G era behind us and move towards **an IP-based approach to service delivery**.

Let us be quite frank: the growth of Mobile Internet so far has been disappointing in Europe. We in Europe were the first to roll out 3G services, but these data services have still not really taken off. There is a simple reason for this. The costs are too high. Understandably in a short-term perspective, operators are still looking to take technology rents out of their 3G investments. We are starting to see some developments in flat rate services, but these data services have not yet become sufficiently low-cost services that consumers are at ease to use their mobile devices readily for data services as they do for voice. For the vast majority of consumers, the horror of getting a terribly expensive bill acts as a powerful deterrent to enter the Mobile Internet.

Even further away is the shift to seamless internet access using mobile devices. In fact mobile operators are only slowly migrating towards all-IP networks. There has been a long pause in development during which operators have tried to create subsets of the Internet with special implementations of popular web services that direct a part of the returns to the mobile operator. I think there is now recognition that this sort of "versioning of the web" is not a successful model. It will come, but the transition is hesitant.

Users expect the mobile web to be as open and easy to use as the fixed line internet. In fact, they don't want to see a difference at all in terms of use or in terms of costs. For European consumers this is clear, this will be the future. The only question is for the European industry, how quickly will you make this transition? The slower industry is to react the more painful and difficult will be the transition to open platforms and flat-rate billing.

In making this transition, **a crucial area of action will be interconnection rates. We have the situation today that mobile termination rates are at times nine times higher than fixed termination rates.** As you also know, mobile termination rates across Europe vary by up to an order of magnitude. This means that interconnection between (IP-based) fixed and mobile networks are subject to enormous variations.

The conclusion I draw is that the European industry is a very long way from establishing a Mobile Internet based on "bill and keep charging models". I do believe this will come, but I would expect much more will in the industry to move quickly on this essential point of transition to the Mobile Internet. If Europe's mobile industry were to be serious about mobile convergence, you would certainly have to bring down mobile termination charges more aggressively.

Data roaming

Let me add a necessary thought to the development of the Mobile Internet. Low interconnection charges are not just essential to break down barriers to an open internet between providers inside a country. They are also absolutely essential to breaking down the borders that today divide up the Mobile Internet in Europe when it comes to data roaming. **I want to see the end of these artificial borders between networks and nations which are both preventing private consumers and business customers to benefit fully from the single borderless market we have created between 27 EU countries so far.**

That is why I am encouraged to see first movements by major operators to establishing flat rate charging systems on their own networks for data roaming. I believe this is a first step in the right direction. I expect that the industry will in the coming months until 1 July improve substantially on these initial offers.

The objective is clear: Sending text messages or downloading data via a mobile phone while in another EU country should not be substantially more expensive for a consumer than sending text messages or downloading data at home. This is the logic of the borderless single market which we in Europe agreed to create already 50 years ago. Higher retail charges abroad must be justified by additional cost of operators, or they will have to disappear.

The real breakthrough for data roaming will only come when the **inter operator tariffs** start to fall to a substantial level. **It is these wholesale tariffs where the real problem lies for data roaming.** Substantial retail price reductions are certainly desirable, but unless the inter operator tariffs also fall there is a danger of price squeeze. Here, the Commission and national competition authorities will have to be particularly vigilant.

While I hear on the one side about wholesale tariffs of up to 7 Euro per megabyte, I have also learnt with interest of some of the wholesale deals that are being negotiated on a voluntary basis – for example 25 Eurocent per Megabyte. This certainly indicates that there is a lot of commercial scope for substantial reductions over the average rates that are quite common today.

Let me very clear: My clear preference is that the EU and national regulators will not have to intervene with regulatory measures on data roaming, as we had to on voice roaming. In the debate on voice roaming, the industry has always told me that you are capable of bringing down prices to the single market level yourselves, and many of you have declared your readiness to do so on data roaming in the past weeks I welcome this important change of rhetoric and appreciate this new constructive approach of many mobile operators in Europe. But do not forget to follow up intents with concrete acts.

Credible price reductions by the mobile industry both at the wholesale and at the retail level should allow consumers to feel at home in Europe's single market when using their mobile phone for sending text messages or downloading data. If the mobile industry responds to the need for attractive packages of data services offered to their customers, with a credible Eurotariff for data roaming in all EU Member States, I will applaud your action.

However, if I see no such single market offers for data roaming evolve by 1 July of this year, I will have no other choice than to propose regulatory intervention again. The words of the EU Roaming Regulation, in force since 30 June 2007, and the intentions of the European legislator are very clear. The Commission is required to make proposals at the latest at the end of 2008 if data roaming prices should continue to depart substantially and without justification from domestic tariffs.

As there are also many industry representatives from other parts of the world in this room, from the US, from Asia and from Africa, I would like to encourage them to follow the European debate on data roaming closely. We have seen it in the case of voice roaming that many regulators outside Europe have followed the measures we put in place in the EU for voice roaming. The price reductions on voice roaming were followed by the Norway, Iceland and Liechtenstein in December, in line with the Agreement on the European Economic Area, and also imitated in Switzerland. Regulators in the countries of the Arab League, the Indian regulator and several African regulators have started to act in the same direction. We see here globalisation working clearly in the interest of consumers. More and more consumers are globetrotters – they also expect to use mobile communications at ease wherever they travel around the globe.

The need for more bandwidth: refarming 2G spectrum

Having made these comments about the need for more innovative business models and more attractive offers from industry, it is necessary to stress at the same time that it is the responsibility of policy makers – both at national and at EU level – to get working on freeing up the bandwidth needed for the Mobile Internet.

The European Commission has been making some very practical steps in this direction. First, last July, we proposed to allow the "refarming" of 2nd generation mobile spectrum for use by 3G by repealing the old GSM Directive, which would make it possible to reuse the crucial bandwidths. We got a lot of support for the Commission proposal from industry, the Council of Telecoms Ministers and also from the European Economic and Social Committee. At the moment, we are waiting for the decision of the European Parliament on this important matter. I call on industry to develop an understanding that the European Parliament – often underestimated in the past – meanwhile has become the key player in such regulatory debates. I hope very much that the European Parliament will listen to the case presented by the Commission and support this thriving sector of industry in its final decision. A positive decision of the European Parliament on the Commission proposal will create the potential for more mobile broadband services and innovation.

Let me underline also that success in this area will depend to a considerable extent on how the Member States handle the re-licensing of these bandwidths. There are two requirements: first, to avoid competitive distortions when GSM bands are opened for 3G; and, second, to make sure that reaping the economic benefits of mobile services is the policy driver and not the maximisation of revenue to the coffers of the finance ministry. My services have discussed this issue in detail with the Member States – and I call on you to support the Commission to make progress swiftly.

The need for more bandwidth: the Commission's reform proposals

In November last year, the European Commission has presented a whole package of proposals to reform the current regulatory framework for the communications markets in Europe. A very important part of this package is our proposals to reform the management of radio spectrum in the EU. By reforming spectrum management, the Commission wants to create more flexibility and choice as well as room for innovation and new investment. With the reform, I to **move the decisions about which technologies and which services are to be provided in a given band, to the holder** of the spectrum.

I believe that the operators are closest to the market and are therefore best placed to decide where and how to invest. Spectrum policy should in my opinion be, wherever possible, service and technologically neutral. This should strengthen Europe as a single market, boost innovation by reducing access barriers and enable the development of cross-border and pan-European services.

The need for more bandwidth: the digital dividend

However, the most important potential boost to wireless bandwidth is offered by the "digital dividend", the radio spectrum freed by the transition to digital TV. This is an unprecedented amount of high-quality radio spectrum that will become progressively available in Europe until 2012.

In November, the Commission put forward our vision to reap the full potential of this dividend. We believe a win/win is possible between the broadcasting and the wireless sectors, *if* Europe adopts a coherent framework with shared objectives between Member States.

I know some stakeholders in the wireless sector consider the result of the recent World Radiocommunication Conference in Geneva as a success in that a part of the UHF band, was allocated at international level to services other than traditional broadcasting services for the first time.

However, I do not believe that the Geneva results are ambitious enough. We could I believe go much further, not only in terms of the efficiency of use of the bandwidth, not only in terms of making effective coordination of service development across Europe, but also in terms of keeping pace with other parts of the world including emerging markets in Asia, Latin America and Africa that have already taken much stronger and more open stands than Europe.

Member States need to realise that waiting until 2015 to make a mobile allocation is far too late, if we do not want to be sidelined in the Mobile Internet. I therefore call on you to help me convincing national governments that faster and more ambitious action on the digital dividend is urgently required if we want to maintain and strengthen the competitiveness of our continent.

A Safer (Mobile) Internet

Finally, I want to turn to issue of trust in the Mobile Internet, which is potential showstopper if we do not get it right and which requires joint action from industry and policy makers.

Let me take the issue of the safer internet. Children and young people are big users of electronic communication technologies in Europe. In Europe, 78 million people are under 15, 75% of 16 to 24 year olds use Internet at least once a week: more than 45 million users. The user profile is getting younger, 3 out of 4 children of 9-10 years and 9 out of 10 children of 12-14 years old had a mobile phone of their own.

Online technologies give many opportunities: possibilities to communicate, learn new skills, be creative and contribute to creating a better society for all. But there is a "flip side." We face increased spread of illegal content and harmful practices, especially for children.

Protecting children from online threats is of great importance for the European Commission, which is why **the EU's Safer Internet Programme** is so important. It is also why, as the Internet goes mobile, we have broadened the scope of this support programme to cover mobile phones. A mobile phone is seen by young people as a "right of passage," granting them independence and maturity, a symbol of trust. But in the last few years, we have seen an increase in cases of bullying and so-called online grooming for sexual abuse. Children also get exposed to sites encouraging them to inflict harm upon others or themselves, like sites promoting anorexia, suicide or violence. Children do not always realise that personal details they provide can be seen and collected by anybody and will remain online. In addition, our recent Eurobarometer survey shows that mobile phone use by children is less supervised than their use of the Internet.

Now, as I am not a friend of governmental intervention in the Internet, I believe that self-regulation is the most appropriate response and industry can play a special role to protect our children. On Safer Internet Day 2007, 15 leading mobile operators met in Brussels to sign a **European framework agreement**, based on good examples of self-regulatory codes which already existed in some Member States. With the engagement of GSM Europe, the European Framework committed the mobile operators to sign national codes by the end of this month – one year later. The aim was to put in place measures to increase safer mobile use by children and young people.

I would like to thank GSM Europe for their contribution. As a result, the European Framework has now been signed by companies present in 26 of the Member States, covering 96 % of the EU's mobile consumers. National codes of conduct now exist in 21 European countries.

Among the central issues that the mobile operators committed to under the European Framework are tools to control access to adult content and awareness-raising: to give parents advice on how to make sure their children use their mobiles safely; and reducing access to illegal content through mobile phones.

I encourage everyone to take the opportunity of the Safer Internet Day 2008 tomorrow – on 12 February – to increase the protection of children on the Internet – including the Mobile Internet.

Conclusion

Let me conclude by reconfirming my belief that Europe clearly has the potential to drive the vision of the Mobile Internet. Many specificities of Europe – especially our commitment to values such as the protection of minors – are in reality a strength that will help Europe's industry to strengthen its reputation as reliable, trustworthy service providers. This is why I hope that also the industry in other parts of the world will present follow-up initiatives such as the European Framework of GSM Europe or the new "Mobile Alliance against Child Sexual Abuse Content" launched here in Barcelona today, which I appreciate.

What we have to get right here in Europe is the right regulatory framework for our single market. Only if we turn Europe's single market, with its 500 million potential consumers, into advantage for Europe's industry, will this industry be competitive in the world. This is why I call on you to remove the barriers on data roaming bills. And this is why I call on national governments to end fragmentation and inefficiency in the management of radio spectrum, which, if managed properly, could be turned into a powerful driver of innovation, investment and new services in Europe.