Connect Europe

INPUT TO THE CALL FOR EVIDENCE

ON THE SINGLE MARKET STRATEGY FOR 2025

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Connect Europe welcomes the opportunity to submit feedback to the European Commission's call for evidence on the single market strategy for 2025. A truly integrated single market, as also mentioned by the Enrico Letta and Mario Draghi reports, is integral for European competitiveness in a globalised market economy. Its achievement will be crucial for the economy in Europe and for European companies to compete, innovate and invest across industrial sectors and society. Europe's connectivity ecosystem contributes to 4.7% of Europe's GDP[1], driving competitiveness and societal growth.

Currently, a complex and fragmented regulatory framework within the EU stands as the most relevant barrier for the completion of the single market for electronic communications networks and services (ECN/S). As a consequence, European telecommunications network operators have not been able to sufficiently scale, holding them back from investing and innovating in the networks of the future[2]. As, such, the total telecom investment in Europe has declined by 2%, going from EU59.1bn in 2022 to EU54.5bn in 2023**. This decline happens at a time in which the EU is still far from achieving the Digital Decade Targets.**

As also highlighted by Enrico Letta, "*a healthy and secure electronic communications sector is crucial for the green transition, innovation, and resilience of the Union*". Adding to this, his report also underlines that the current investment gap in gigabit connectivity is no longer acceptable. Mario Draghi further builds on this by stressing that, "*declining profitability of the telecom sector now may represent a risk for industrial companies in Europe, in a phase when state of the art infrastructure is required to digitise manufacturing, supply and distribution chains*".

The role of enabling scale in the EU single market

Today, fragmented telecom markets in Europe unfortunately do not allow noticeable synergies to unfold. In 2024, Europe had 41 large mobile operating groups with more than 500 000 customers, compared with 5 in the USA 4 in both China and Japan and only 3 in South Korea[3]. The Draghi report also highlighted that the top three operators in the EU hold a joint share of 35% of the fixed broadband market when in the US the joint

[1] State of Digital Communications, Connect Europe conducted by Analysys Mason, 2025

[2] Of the total EUR54.5 billion invested in the European telecoms sector in 2023, around 46% was dedicated to fixed networks, over 20% to mobile networks, and the rest covered aggregation/core transport networks, IT and various non-network assets such as offices and stores.

[3] State of Digital Communications, Connect Europe conducted by Analysys Mason, 2025

share is 66%[4]. Even if cross-border expansion could occur, this can only be at a later stage when the single market is achieved, and operators have gained scale including in domestic markets. Today, the fragmented and complex regulatory framework within the EU as well as competition law policy are an obstacle for creating a sufficient scale. Currently, there is no incentive for telecom operators to consolidate across borders beyond centralizing business functions, such as common procurement.

In this context, Connect Europe welcomes the announced revision of the EU Horizontal Merger Guidelines and a reopening of the debate on how merger policy can be fit for purpose. While the revision of the horizontal merger guidelines is an important first step, the need to ensure legal certainty in the light of the changes requested might also justify a reform of the European Merger Regulation (EUMR), on top of EC soft-law rules. A reform of the EUMR would also be useful to achieve full coherence with pressing EU priorities on competitiveness and overall policy goals going forward.

Harmonising conditions through deregulation and simplification are necessary to complete the European Single Market by reducing the complexity of operating across European markets. Divergent enforcement of EU policy at national level and the imposition of specific national requirements on security or consumer protection add further complexity to operate in different markets. Addressing these aspects, together with scale at national level would need to be a prerequisite for a fully integrated EU telecoms single market.

The market capitalisation of the 5 largest European telecom operating groups fell by 58% between 2015 and 2023 (144.5 billion euros) while that of the 5 largest US operating groups rose by 17% (89 billion euros) over the same period[5] forcing operators around Europe to start selling their assets (e.g. towercos, infracos). This trend has become visible through the number of operators that have had to divest their assets and exit national markets. Simply assuming that operators generally have, in the current situation, the financial strength to engage in cross-border consolidation does not correspond with market reality. Cross-border consolidation will only be achievable in the long-term if pro-investment in-market structures allow a proper return on investments. European operators need to gain scale first at national level. Operators achieve sufficient return on investment when there are enough customers over each deployed infrastructure, which would allow local efficiencies (e.g. optimised use of assets, spectrum and sites efficiencies, faster rollout of networks, and other out-of-market efficiencies like green footprint). In addition, ROCE, return on capital employed, is a common metric to determine the return of investment. The ROCE for telecom operators has declined: in 2017 ROCE was 6.6%, while in 2023 it was 5.9%, well below the cost of capital, signalling that it is increasingly

[4] The future of European competitiveness – A competitiveness strategy for Europe, Mario Draghi, 2024.

[5] The future of European competitiveness – A competitiveness strategy for Europe, Mario Draghi, 2024.

difficult for European telcos to generate adequate returns[6]. The ability of telecoms operators to invest in new and genuinely innovative services and technology at scale, to take risks, and to harness new productive forces, depends on their ability to secure a fair return on investments already made or planned.

In summary, Europe needs both strong, sustainable and profitable operators at national level and simplified and cohesive regulatory framework within EU to advance towards a digital single market and facilitate successful cross-border consolidation in the future.

As such, we would like to emphasise that cross-border consolidation can only be the consequence of achieving healthy market structures at the national or local level, which requires other measures as a first step. Improving conditions for scaling up should be a priority. It is a massive opportunity to strengthen the industry, improve competitiveness, and to unleash consumer benefits due to more efficient and higher investments in digital infrastructure. In-market scale is necessary to ensure sustainable returns on capital employed and continued investment, especially in network infrastructure, i.e. for the continued rollout and network upgrades.

Furthermore, phasing out the asymmetric "SMP framework", revising outdated and removing obsolete rules and harmonising the remaining sector-specific and horizontal laws at EU level as well as national legislation (e.g. consumer, spectrum, security, taxation) should be at the heart of the action plan.

Barriers for internet service providers to operate across borders as a result of national regulations will also play a role when coming up with a framework to enable cross-border core networks.

Examples for this include information sharing restrictions where detailed information is often classified, which impedes early exploration and analysis of potential cross-border settings. Critical Infrastructure protection in many aspects is currently interpreted as "national network autonomy", by definition denying the handover of any components to another EU foreign country. It is technically easy to pass intercepted data to the defined handover by using lawful interception. However, the surveillance measure including the list of targeted addresses is frequently classified information which must be kept secret and remain within the country. Similarly, security approvals of key personnel in critical infrastructures are currently based on national screening procedures which partially require residency within the country for a defined period (e.g., 5 years) which in turn renders cross-border settings practically impossible. Conflicting extraterritorial impact of national regulations may lead to conflicts that prevent the possibility of running services cross-border such as the right to conduct on-site inspections and assessments by tightly defined national supervising authorities. This immediately excludes similar activities by foreign authorities and in turn constitutes a de facto requirement to host the systems

[6] Ibid.

and services domestically. Similar effects can be observed from restrictions on remote administration and operations of network components.

An investment-friendly spectrum policy

The EC conservative estimates of 200 billion investment needs in digital infrastructure represent a major challenge for the rapid evolution of 5G in Europe and risk putting the achievement of the Digital Decade targets at risk[7]. In 2024, about 87% of Europe's population was covered by 5G networks and the most advanced form of 5G, able to serve the complex needs of industrial customers – continues trailing other areas of the world. At the end of 2024, 5G standalone (SA) coverage of the population reached 91% in North America, 45% in Asia-Pacific and only 40% in Europe[8].

Today, costs linked to spectrum licensing and management significantly weaken operators' ability to invest in digital infrastructure. European operators have spent more than EUR 27.3 billion in auctions in Europe for 5G bands and are expected to spend EUR 2 billion more[9]. Connect Europe has identified the following elements as our priorities on spectrum policy to improve investment conditions and a stronger single market:

- **Licence duration and prolongation** – support long-term business certainty and alignment with investors' timeframes through extended license periods (e.g. minimum 40 years certainty)/indefinite licences, early assessment for prolongation renewal and tacit renewal process in EU.
- **Spectrum availability** – establish a clear roadmap towards 6G for timely availability of additional harmonised mobile spectrum bands across low and midbands to accommodate future mobile traffic demands of society in an energy and cost-effective way. Ensure that suitable harmonized spectrum is made available and can be used from the time of assignment.
- **Ensure proper awards procedures and efficient assignment of available spectrum for public mobile networks** - introduce requirements for a careful socio-economic cost-benefit analysis before implementing provisions such as spectrum set-asides (e.g. for local or governmental uses, or newcomers), spectrum remedies in merger processes, or license-related obligations. Such requirements for analyses should apply at national level, but also at EU-level to support spectrum harmonization decisions.
- **Minimise the spectrum cost burden** – avoid inflating mobile spectrum prices through appropriate mechanisms to reflect opportunity cost, fair and transparent bidding processes that prevent price driving and support infrastructure

[7] Investment and funding needs for the Digital Decade connectivity targets, European Commission, 2023.

[8] State of Digital Communications, Connect Europe conducted by Analysys Mason, 2025

[9] State of Digital Communications, Connect Europe conducted by Analysys Mason, 2025

investments, increased transparency to the collection of annual fees, and avoiding monopoly rents accruing to the Public Treasury.

A harmonised single market for consumers

Today, the connectivity services offered by Connect Europe members reach 276 million Europeans (or 61.5% of the population). In Europe, mobile penetration[10] is well above 100% and high-speed broadband services are available to most of the region's population. Europe's 5G coverage will reach 87% of the population and Europe's gigabit-capable coverage reached 82.5% in 2024.

To alleviate the regulatory duplication of rules for operators offering goods and services towards the consumer market, a balanced and more harmonised level of consumer protection should be applicable across the EU. This means streamlining the regulatory framework and, very importantly, ensuring a fair and common level of protection for consumers. The ambition should be to ensure full EU harmonisation and replace sectorial consumer protection and apply EU horizontal consumer protection rules, which already make up one of the more comprehensive and detailed frameworks for end-users globally. Administrative burden also arises from some sector specific consumer protection rules that impose a wide set of information requirements with questionable added value for consumers (providing large volumes of sector specific precontractual information, contract summaries, national product information requirements, bundle regulation, etc).

In this regard, it should be highlighted that over-the-top (OTT) messaging and voice services are substitutable with mobile legacy voice and text services. Messaging applications from Content and Application Providers (CAPs) have achieved the widest acceptance, with active user penetration expected to reach 100% mobile device penetration in Europe in 2025 and 86% for voice users[11]. Hence, service regulation for all entities should be subject to horizontal consumer protection harmonised across the EU.

Towards convergence supporting a level playing field

Network virtualisation and convergence between network and cloud infrastructures are having a fundamental impact on many operational and commercial aspects of owning and managing digital infrastructures. The roles of the different players is becoming more blurred and often closely interlinked in this new complex ecosystem.

[10] Connection per 100 people.

[11] Connect Europe, State of Digital Communications, 2025 PLACEHOLDER LINK

The converging connectivity ecosystem described above can be observed through various examples: internet-based messaging and voice services are replacing traditional telecom services; video streaming competes with linear television and IPTV-offers from telecom operators; and hyperscalers are entering the connectivity market. Additionally, today a substantial 70 percent of global Internet traffic flows through the proprietary backbone networks of large content and application providers (CAPs), a stark contrast to the less than 10 percent observed prior to 2012. The impacts of such an evolution require developing a more comprehensive approach towards the digital infrastructure ecosystem, and ensuring a regulatory level playing field between traditional operators and non-traditional players.

The European Commission White Paper[12] correctly recognises the asymmetries in the regulatory treatment of the "traditional" electronic and communication network and services (ECN/S) providers and cloud and other digital service providers. In this context, the focus should lie on establishing a level playing field amongst all relevant players in the new digital ecosystem.. As the Draghi report stated, different actors of the connectivity ecosystem providing comparable services should be subject to the same rules[13].

For example, we suggest the following considerations regarding levelling the playing field:

1. Provide for a modern data protection regulatory framework that ensures a level-playing field by applying the same rules for comparable services. The e-Privacy framework imposes restrictive, sector-specific rules on telco operators that are outdated and hinder innovation in the data economy. This framework also negatively impacts consumers and businesses by limiting fraud prevention tools. Therefore, the e-Privacy Directive should be repealed, and the proposed Regulation withdrawn, as they no longer align with current market conditions. To ensure a level playing field, all digital players should follow the same privacy rules under the GDPR, as they often handle similar data.

   Establish a common framework allowing for the adequate provision of ECS, which could include measures such as, (i) designating a competent authority to solve disputes over data transport services in an agile and efficient way between operators and CAPs. (ii) aligning the reporting obligations for service offerings and (iii) guaranteeing compliance with certain conditions (quality of service and cybersecurity requirements) in the provision of the cloud services;

[12] White Paper - How to master Europe's digital infrastructure needs?, European Commission, 2024

[13] "Introduce a 'same rules for same services' principle across the EU to remove regulatory arbitrage across providers from adjacent sub-sectors providing similar services", Draghi Report, 2024.

2. Promote enhanced standardisation, interoperability and innovation to address standard cloud solutions (lock-in effects) and economic barriers resulting from the migration of data from one cloud provider to another. As a result, the applicability of the Data Act to customized telco cloud solutions needs to be enabled and the implementation of cloud workload portability, open standards and open-source solutions supported.

Today's regulatory asymmetry hinders the competitiveness of the telecommunication market in Europe and needs be addressed. The fundamental element of this level-playing field should be an extension of scope to include all relevant actors in the digital connectivity ecosystem, based on a modernised, harmonised and uniform set of rules applicable to telecoms and other players providing competing services.

In this context, we believe the current regulatory asymmetries in the internet value-chain should be urgently corrected. This would not only restore balanced bargaining power between the parties but also incentivise all key players use network resources efficiently. To enable this, a dispute resolution mechanism would be desirable to ensure that large CAPs pay a fair and adequate price to ISPs for a valuable IP data transport services as a driver for their online business models.

Simplifying and streamlining sustainability reporting

The disclosure of sustainability data and performance is crucial for guiding businesses in their decarbonization efforts, as well as providing investors and customers with greater transparency and comparability. As such, sustainability reporting plays a key role in achieving the Green Deal targets. However, to fully realize the benefits of this regulatory framework, it is essential to address the overlapping, often unclear, and sometimes contradictory sustainability reporting requirements, which can be burdensome, costly, and resource-draining. These resources could be better allocated towards further innovation in the field. Striking the right balance will be crucial in the coming years to ensure we remain competitive while continuing to lead globally in clean technologies.

The announced Omnibus Procedure, which will cover the CSRD, EU Taxonomy, and CS3D, is therefore a welcome development. The Omnibus Procedure offers a unique opportunity to significantly reduce reporting requirements (i.e., the number of data points), avoid the introduction of additional sector-specific standards, and simplify the ESRS. The goal should be to enhance the implementability and readability of these reports for investors and business partners. Sensitive business information, such as strategic data, should be better protected. As such, required disclosures under the ESRS that involve sensitive information, like CAPEX plans, should either be removed or exempted.

On the CSRD we suggest to review the digitalization requirements according to the XRBL tagging system, taking into account the development of new technologies, particularly artificial intelligence.

We believe that the taxonomy is key to help guide investment activities by the telecommunication sector and Member States to align with the EU's climate targets. Therefore, we suggest to:

- Include a new activity on electronic communication networks as a Taxonomy-eligible economic activity in the next review of the Climate Delegated Act, based on robust and science-based criteria;

- Solve the existing usability issues in the technical screening criteria.

Materiality threshold for eligibility reporting: Without such a threshold the burden for companies increase significantly as they have to fulfill the requirements of the EU Taxonomy even for activities in which they just have spent a minimal amount with only little adding value. On the CS3D, it is essential to ensure that legal terms and definitions/ are aligned with the CSRD**.**

Enhancing the circular economy

It is crucial for telecom operators to promote a circular economy by increasing the reuse of network equipment and extending its lifecycle as much as possible. This requires more efficient methods for dismantling and transporting used equipment and devices across sites or countries.

The WEEE Directive imposes a unitary test before each transportation for reuse. While these requirements may be based on sound reasoning, they significantly increase administrative costs and hinder the development of a circular economy model within the ICT sector. Therefore, it is essential to simplify the transfer of Electrical and Electronic Equipment (EEE) across borders to facilitate the development of circular economy models, promote the reuse of equipment, reduce overproduction, and ultimately decrease carbon emissions and Europe's reliance on critical raw materials.

In short, we support the continued efforts towards a true European Single Market. We believe that the current obstacles are primarily regulatory/policy rather than geographic, and urge European policymakers to propose a practical action plan to agree on key milestones and achievable next steps. Increasing scale through national M&A, voluntary industry cooperation, and harmonising and streamlining legislation at EU-level should be prioritised together with an investment-friendly spectrum policy and for the establishment of a level playing field.

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