DIGITALEUROPE

31 Aug 2012

DIGITALEUROPE'S POSITION PAPER ON WCIT 2012

1- INTRODUCTION

This paper addresses the governance of the internet in light of the forthcoming World Conference of International Telecommunications (WCIT-12) scheduled to review the International Telecommunications Regulations (ITRs) in December 2012 in Dubai.

DIGITALEUROPE has a clear purpose in joining this debate. We want to see a governance and regulatory environment that will continue to enable Europe's economies and societies to reap the rewards of an accessible, ubiquitous, fast and affordable internet. We would appreciate that an addition is made to the ITRs to require ITU Member States to foster continued investment in high-bandwidth infrastructures. We further believe that open and transparent multi-stakeholder governance principles and a pro-competition regulatory stance have served the internet and its users well. We see no merit – and potentially a lot of damage - in changing these. This paper briefly describes the economic and social impact of the internet, explains why it has been so successful so far, outlines how the ITRs can be improved and lists the WCIT proposals that are a matter of major concern to our industry.

2- IMPACT OF THE INTERNET IN JOB CREATION AND GROWTH: GLOBAL AND EUROPE

Today over 2.2 billion people are connected to the internet and the internet has become a day-to-day reality for almost a quarter of the world's population. These numbers are projected to grow to 3 billion by 2016 (in the Boston Consulting Group survey "The $4.2 Trillion Opportunity").

It is a well-documented fact that the internet drives economic growth rate up:

- the internet accounted for 21% of the GDP growth in mature economies over the past 5 years. [1]
- other studies show that a 10% increase in broadband penetration rates yields a GDP impact of around 1%[2] and the higher the speed the more conspicuous the positive effects.

---

[1] http://www.mckinsey.com/insights/mgi/research/technology_and_innovation/the_great_transformer

[2] According to the World Bank report, "Information and Communications for Development 2009", access to telecommunications and the internet boosts global economic growth, and for every 10 percentage-point increase in high-speed internet connections there is an increase in economic growth of 1.38 percentage points for developing countries. McKinsey & Company estimate that "a 10 per cent increase in

DIGITALEUROPE
Rue de la Science, 14 >> B-1040 Brussels [Belgium]
T. +32 2 609 53 10 >> **F.** +32 2 609 53 39
www.digitaleurope.org
Transparency register member for the Commission: 64270747023-20

- furthermore, the internet is credited with creating 2.6 jobs for every job lost, in the internet ecosystem itself as well as in other industries.[3] In the EU, broadband deployment has also been a generator of net job creation[4]

Among the positive effects, the internet stands at the centre of fundamental business transformations in virtually all sectors – not just ICT companies - enabling more efficient and productive businesses, and changing the way products and services are designed, produced and distributed. The shift to cloud computing is enhancing dramatically the ability to switch to new business models, particularly for SMEs able to scale up without making huge upfront capital investments.[5]

Above all, the internet has benefited people, empowering consumers, spreading ideas and knowledge, and bringing communities closer through on-line social interaction.

So the internet has no match when it comes to transforming global business and to spurring innovation and economic, social and political development across the world. And this is only the early stage; there is still tremendous room for further internet related growth, particularly in less mature economies.

3- WHY HAS THE INTERNET BEEN SUCH A SUCCESS?

The extraordinary success of the internet is not an accident. In large part, the open and competitive nature of the internet has been instrumental to allowing this platform to grow and to become the most powerful catalyst for growth and innovation, along with the decentralized and multi-stakeholder mechanisms associated with its governance. It is important that such multi-stakeholder mechanisms continue to exist, and that rapidly growing emerging economies are encouraged to participate and inform discussions in these fora.

---

broadband household penetration delivers a boost to a country's GDP that ranges from 0.1 to 1.4 per cent." Booz & Company also found that "ten per cent higher broadband penetration in a specific year is correlated to 1.5 per cent greater labour productivity growth over the following five years." A more recent study also found that a 10 percentage point increase in broadband penetration raised annual per capita growth by 0.9–1.5 percentage points.

[3] http://www.mckinsey.com/insights/mgi/research/technology_and_innovation/the_great_transformer

[4] See e.g. The Impact of Broadband on Growth and Productivity, Micus Management Consulting Gmbh, 2008. The study estimated that in the EU, 440,000 jobs would be created in the business services sector in 2006 in relation to broadband deployment and 549,000 jobs in other economic sectors due to broadband-related innovation in knowledge-intensive activities. This employment creation would compensate for the loss of jobs due to process optimisation and structural displacements within the economy, with a net creation of 105,000 jobs in 2006 in Europe

[5] The UK Broadband Stakeholders Group (BBSG) estimates the online model would save companies £350 a year per person in support costs. If 30% of SME staff made the switch to cloud computing, the savings across the UK would total £620m a year.

The Internet is certainly not a domain that is not subject to any form of legal control but it is worth noting that it has never been regulated under legacy telecommunications regulations. The Internet has 'grown-up' and transformed the world outside of traditional telecom regulation or ITU jurisdiction.

4- IMPROVING THE ITRS

The ITRs, lastly revised in 1988, created the framework for the international network for international telecommunications services; safety of life and priority of telecommunications; and created the basis for charging and accounting for international telecoms services. True to the ITU's focus on open and transparent regulation, the ITRs, in combination with other international policies, including the WTO Agreement on Basic Telecommunications Services, and in the EU, the European Regulatory Framework for Electronic Communications, have brought about increased competition, dramatically higher adoption rates and significant consumer and economic and social benefits.

Any revision of the ITRs that the Dubai conference may consider should build on the successes of the last 24 years such as introducing competition into telecom overseen by independent regulators. Although the 1988 ITRs did not include the word "competition," we have learned over time, particularly from the explosion of mobile telephony, that competition among services, technologies and companies is essential in providing value and driving adoption. And independent regulators, of which there were fewer than a dozen in 1988 and now nearly 160, are essential for an open, transparent and stable regulatory process.

The revision of the ITRs should be an opportunity to make explicit the guiding principles that have transformed our industry over the past two decades. Namely, the promotion of telecommunications liberalization by introducing competition overseen by independent regulators, the focus on private sector leadership and relying upon market based agreements for telecommunications services.

This responsible attitude would be in line with the important role that the ITU has played over 150 years to extend telecommunications both wireless and wired to almost 5 billion people around the globe. And no doubt the internet has benefited from the growth of telecommunications networks.

5- ELEMENTS OF WCIT PROPOSALS OF CONCERN

Members of the ITU should be careful not to impair the characteristics that have allowed the internet to grow and become such a success. However, some proposals made by certain members of the ITU would expand the ITRs to include new internet regulations that risk forfeiting the gains achieved to date.

Some of the most problematic proposals address a range of issues related to the scope and definitions, standards, IP interconnection agreements and security.

5- 1- Scope and Definitions

A number of proposals aim to expand the scope of the ITRs and the current mandate of the ITU, including ICT and the internet, as well as areas such as internet traffic or content related issues. Other proposals aim to replace “Recognised Operating Agency” with “Operating Agency”, unhelpfully expanding the scope of the ITRs to cover more entities or organisations.

Additionally, new and very wide definition of personal data might be counterproductive when it comes to protecting privacy in the international context. We also feel that the proposed new text creates an unclear situation for quality of service parameters and lacks definitions for the proposed future quality of service requirements.

DIGITALEUROPE believes that the current scope should not be changed to explicitly include ICT and the internet, and that the ITU lacks the institutional knowledge, experience, and structures that existing multi-stakeholder organisations possess regarding these internet matters.

As mentioned above, it is precisely the existing multi-stakeholder and decentralized governance model, incorporating industry and civil society that has resulted in the extraordinary success of the internet. These mechanisms have functioned effectively and will continue to ensure the continued vibrancy of the internet and its positive impact on individuals and society.

5- 2- Standards

The success of the internet has been driven by open and consensus based standards, as well as processes embedded in organizations such as the internet Engineering Task Force and other critical parts of the internet ecosystem that rely on “openness and transparency”.

Some of the proposals made by member countries of the ITU would mandate ITU Recommendations in the ITRs, adding a new level of bureaucratic complication and cost to doing business across national borders.

5- 3- IP interconnection

Some proposals have been submitted that would effectively mean regulating internet peering. They run the serious risk of fragmenting the internet, cutting off the developing world from internet content and thereby widening the digital divide.

Similarly, application of telecom accounting rate / settlements systems to the internet replacing negotiated peering and transit agreements would increase the costs of connectivity to end users and dampen the growth of the IP data demand.

In addition to the detrimental effect on innovation, all these proposals for a “new” interconnection model are mostly based on the circuit-switching model that is clearly outdated and unworkable in the context of the internet.

Also, proposals to introduce a wide-ranging requirement of a right to know how/where traffic has been routed are problematic and will be difficult if not impossible to be implemented.

These IP interconnect issues, handled today through private and technical agreements, are not best handled in a global intergovernmental treaty like the ITRs, and in our view, are not a constructive way to make progress.

5- 4- Cyber security

A number of proposals aim to extend the ITU’s remit to include security matters (including cyber security), and suggest the ITU should develop technical standards and legal norms, including those regarding territorial jurisdiction and sovereign responsibility.

While DIGITALEUROPE recognizes that cyber security and defence against cyber-attacks are critical issues and should be addressed appropriately at international level, an international telecom treaty is not the correct instrument.

There are already many on-going activities to promote international cooperation on cybersecurity, including UN agencies, the internet Governance Forum, the OECD, and legal frameworks such as the Budapest Convention. Moreover, any attempt to impose strict and coercive measures on spam and cyber security would severely limit the private sector’s ability to continue innovating on driving security products.

6- CONCLUSION

DIGITALEUROPE believes it is critical to preserve the global multi-stakeholder, market-based and decentralized nature of internet governance. This will ensure that the substantial benefits already gained will be maintained and reinforced. The ITU will have a role to play in this context, together with individual governments, industry and civil society.

We believe the ITRs should enshrine high-level principles of international telecommunications, which have underpinned the success of telecoms liberalization and expansion, and the development of the internet. They should not be revised in a way that grants the ITU authority over the internet or develops an international regulatory treaty for the internet.

All of the proposals commented on above seek to impose inter-governmental treaty control over the internet and will forfeit the gains achieved today and fragment the internet.

In short, the participants to the WCIT-12 should look at how to improve, not to expand, the ITRs. DIGITALEUROPE looks forward to engaging in a constructive dialogue with the ITU Member states on the proposals to be considered in Dubai and their impact for Europe.

DIGITALEUROPE

ABOUT DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies.

DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. DIGITALEUROPE's members include 60 global corporations and 33 national trade associations from across Europe. In total, 10,000 companies employing two million citizens and generating €1 trillion in revenues. Our website provides further information on our recent news and activities: http://www.digitaleurope.org

THE MEMBERSHIP OF DIGITALEUROPE

COMPANY MEMBERS:

Acer, Alcatel-Lucent, AMD, APC by Schneider Electric, Apple, Bang & Olufsen, BenQ Europa BV, Bose, Brother, Canon, Cassidian, Cisco, Dell, Epson, Ericsson, Fujitsu, Hitachi, HP, Huawei, IBM, Ingram Micro, Intel, JVC Kenwood Group, Kodak, Konica Minolta, Kyocera Document Solutions, Lexmark, LG, Loewe, Microsoft, Mitsubishi Electric, Motorola Mobility, Motorola Solutions, NEC, Nokia, Nokia Siemens Networks, Océ, Oki, Optoma, Oracle, Panasonic, Philips, Pioneer, Qualcomm, Research In Motion, Ricoh International, Samsung, SAP, Sharp, Siemens, SMART Technologies, Sony, Sony Ericsson, Swatch Group, Technicolor, Texas Instruments, TP Vision, Toshiba, Xerox, ZTE Corporation.

NATIONAL TRADE ASSOCIATIONS:

Belgium: AGORIA; **Bulgaria:** BAIT; **Cyprus:** CITEA; **Denmark:** DI ITEK, IT-BRANCHEN; **Estonia:** ITL; **Finland:** FFTI; **France:** SIMAVELEC; **Germany:** BITKOM, ZVEI; **Greece:** SEPE; **Hungary:** IVSZ; **Ireland:** ICT IRELAND; **Italy**: ANITEC; **Lithuania**: INFOBALT; **Netherlands:** ICT OFFICE, FIAR; **Poland:** KIGEIT, PIIT; **Portugal:** AGEFE; **Romania:** APDETIC; **Slovakia:** ITAS; **Slovenia:** GZS; **Spain:** AMETIC, **Sweden:** IT&Telekomföretagen; **United Kingdom:** INTELLECT
Belarus: INFOPARK; **Norway:** IKT NORGE; **Switzerland:** SWICO; **Turkey:** ECID, TESID, TÜBISAD; **Ukraine:** IT UKRAINE.