What’s wrong with the consultation on fair contribution

The EU's public consultation on the contribution to the costs of network development is missing one thing, argues AUGUSTO PRETA – the consumer

Announced some time ago, the European Commission finally launched a 12 week public consultation on so-called ‘fair contribution’ on the 23rd February.

The official scope of the consultation is to understand how the growing demand for connectivity might affect the future development of the sector, taking into account the goal of 1 Gigabit connections for all European citizens and businesses by 2030. In particular, it aims to identify the types of infrastructure Europe needs to keep up with technological developments necessary for the digital transformation in the coming years. In reality the structure and content of the questionnaire seem designed to favour the contribution of Big Tech. The limited playing field means that the issue is reduced to the relationship between those who provide access to the infrastructure (the Internet Service Providers or ISPs) and the providers of content, applications and services (the Content Application Platforms or CAPs). This is in a context where the regulation of Big Tech, (the so-called ‘very large platforms’ or gatekeepers) has become one of the European Union's priorities.

Proponents of interconnection tariffs offer the theory of the quasi-parasitic use of the network – CAPs monetise it without bearing the costs of the strong increase in traffic. ISPs don’t have sufficient bargaining power to define fairer network access conditions, goes the argument, so the solution is regulated network usage fees. Based on the principle of sending party pays, this would entail compulsory payments, linked to the traffic created, from the platforms to the ISPs.

BEREC (the body that brings together the European national telecommunications authorities) issued a preliminary assessment noting that an increase in traffic volume does not directly entail significant incremental network costs. IP network infrastructures are not particularly sensitive to traffic and costs are in any case recovered over time through customer subscriptions. Furthermore, for fixed networks, the access network components closest to the end user generally tend to be sized according to the number of customers served or potentially served.

Mobile networks have a certain degree of traffic dependency, as the cost of building additional base stations to increase capacity is often traffic sensitive. However, the marginal costs of additional data
usage are low, and the mobile network operators (MNOs) reflect this in their prices, which typically include data allowances.

A further consideration is that the demand for data does not usually come from the content providers, but directly from the end-customer, from whom the ISP is receiving revenue. The platforms contribute to creating the demand for telecommunication services, which in turn is paid for by the end users of those services. Under a regulated payment regime, the ISPs would be charging two different parties for the provision of the same service.

Limiting the issue of ‘fair share’ solely to the economic relationship between two players is reductive, ineffective and ignores the broader reality – it is an ecosystem and not separate markets. Imposing regulated interconnection charges could produce negative effects on this ecosystem, firstly at the infrastructural level, since it reduces the incentives of the CAPs to invest in innovation; secondly at the supply level to the end user, since higher interconnection costs would mean higher prices for consumers or less money to invest in content, which in turn would result in less or lower quality content. The loser in all cases would be the consumer, the ‘stone guest’ in this consultation. This would not only be economically irrational as it would be inefficient but also unacceptable from a social point of view, because it might jeopardise the current high quality of media supply in Europe and ultimately media pluralism.

**AUGUSTO PRETA** is CEO of IT Media Consulting and a visiting professor of Media Economics at Urbino University, Sassari University and Università Cattolica di Milano. He is an IIC Board Director and President of the Italian chapter of the IIC. The views expressed in this article are his own.