



Presentation for The Lisbon Council Roundtable

EU telecoms regulation: not a good fit for the public cloud



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Our new report examines the claims of ‘convergence’ between telecoms and cloud, the implications for the regulation of cloud in the EU, and the risks of regulatory overreach on European businesses

EU policy makers and telecoms regulators are actively considering the impact of cloud services and public cloud adoption on electronic communications



The recent white paper on ‘How to master Europe’s digital infrastructure needs’ and subsequent comments allude to the need for a ‘level playing field’ and the perceived convergence of the two sectors



BEREC’s draft report on cloud and edge services is focused on ensuring the regulation of ECS / ECN in the EU remains effective in the context of further cloud adoption

A new report, launched today, examines these concerns in light of the purpose and history of the regulation of electronic communications in the EU

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How do European businesses, including telecoms operators, use public cloud services, and what are the links between public cloud and connectivity services?

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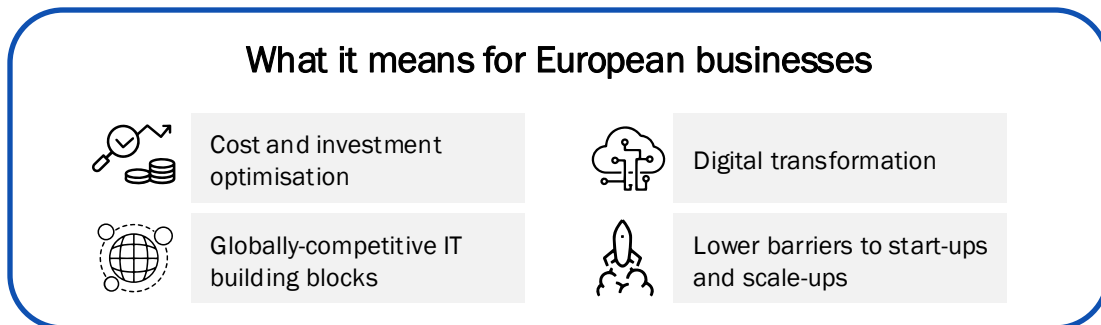
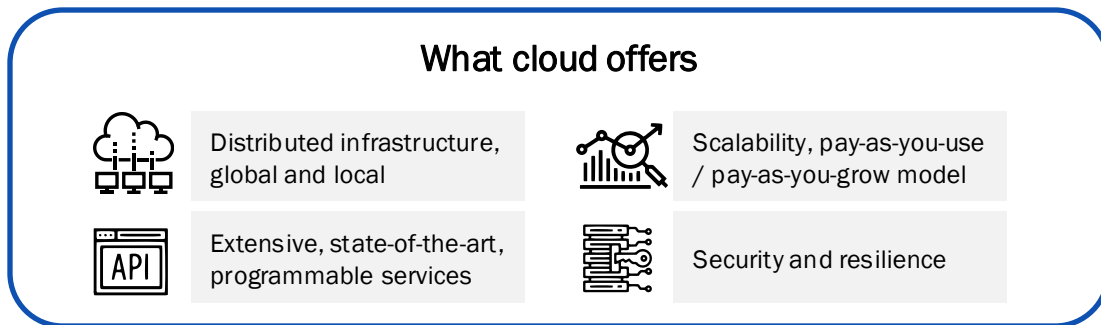
Is the electronic communications regulatory framework in Europe a ‘good fit’ for the public cloud (purpose, justification, proportionality and effectiveness)?

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What could the impact of ‘levelling the playing field’ by regulating cloud like telecoms be?

European businesses use cloud services to mitigate the need to invest in IT infrastructure, whilst gaining access to state-of-the-art, scalable infrastructure and services, including to support AI

European businesses use public cloud to mitigate IT infrastructure investments, whilst gaining access to state-of-the-art, scalable infrastructure and services



The main alternative to cloud remains 'on-premise' infrastructure (incl. private cloud)

Public cloud customers rely on electronic communications network and services, but telecom operators are not adopting public cloud for networking

Connectivity for the public cloud

- Public cloud infrastructure is distributed and interconnected globally through private networks, managed by cloud providers
- Public cloud customers need to be able to access their cloud provider – primarily through the public internet, or through dedicated on-ramps often supplied by ISPs
- Internet infrastructure and net neutrality ensure broad access across Europe, supported by investment in ever more cloud regions in more Member States and globally
- CDNs play an important role in optimising traffic delivery for CAP

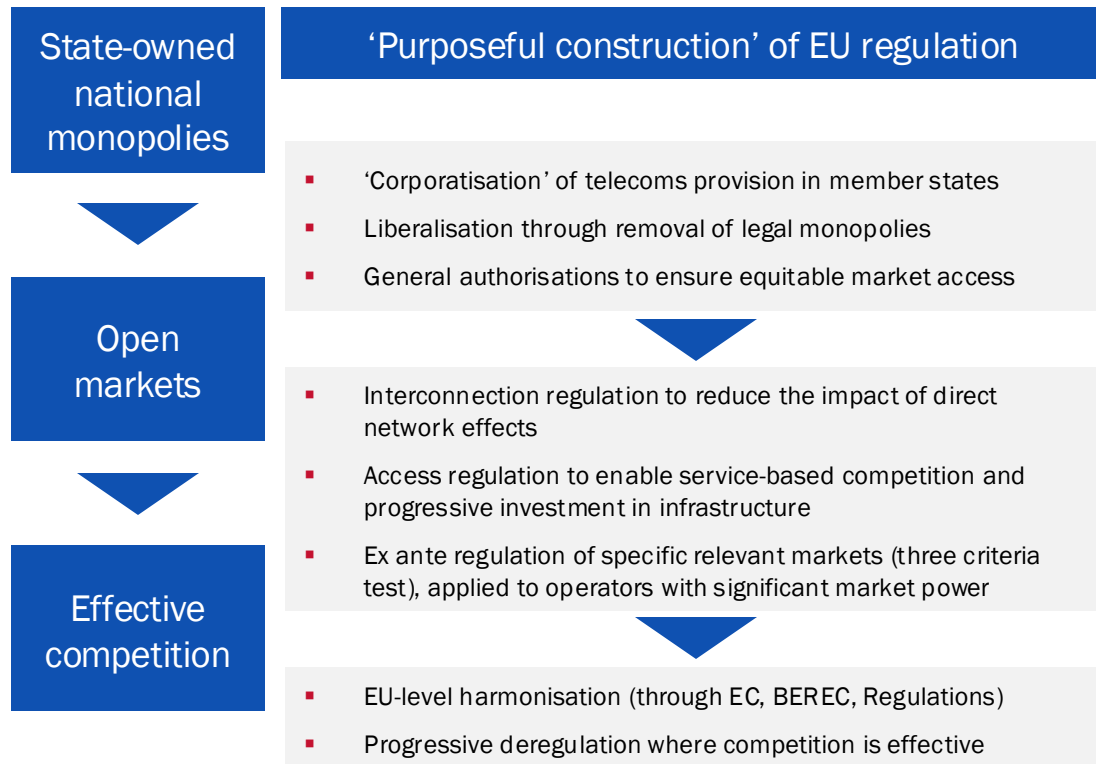
Public cloud for connectivity

- Telecoms is a 'vertical' like any other for cloud providers, with cloud services available through common APIs and ISVs, including telecoms-specific vendors, playing an important role (see Microsoft's retrenchment from 5G core)
- Telecoms operators are progressively adopting public cloud for non-network functions (incl. through SaaS vendors)
- Very little momentum towards migrating network functions for established operators – see limited scope of Telefonica Germany's 5G core announcement, with Nokia and AWS

Without internet connectivity and ISP-facilitated 'on ramps', very few businesses could use the public cloud

The history and purpose of telecoms regulation in Europe has no relevance to the cloud sector

The regulation of telecoms in the EU supported the progressive transition from state-owned monopolies to competition, in a sector with specific characteristics



The cloud sector has been competitive, global and highly innovative from its inception, and does not exhibit the characteristics telecoms regulation addresses



The telecoms regulatory framework was not designed to address the characteristics and potential concerns in the cloud sector, and bringing public cloud under it is unlikely to be effective, proportionate or justified

Expanding telecoms regulation to the public cloud, despite a lack of justification or relevance, would be at best ineffective and most likely harmful to European businesses and competitiveness



Impact on the cloud sector

- Increased cost and complexity of compliance, national regulatory oversight
- Risks / complexity and costs if private networks and CDNs are regulated
- Reduced incentive to deploy infrastructure in more / smaller Member States
- Higher cost for IP interconnection / 'termination' of cloud and CDN traffic ('internet levy')



Impact on the telecoms sector

- More centralised interconnection, leading to higher costs for ISPs
- Smaller ISPs disadvantaged vs. larger ISPs (in particular those with a transit business)
- Risk of self-preferencing of operators' own CDNs through termination rate barriers



Impact on European businesses

- Higher costs be borne by end users of cloud and telecoms services, particularly businesses who use both
- Current challenge related to adoption of advanced IT applications, which cloud enables and makes affordable
- Negative impact of the Digital Agenda and European competitiveness

There is no clear rationale for bringing public cloud under the EU telecoms regulatory framework, but material risks exist. Any such initiative would need careful impact assessment, justification and proportionality.

We believe it would be counter-productive to the EU's broader policy objectives in the digital space, and undermine the success of the EU telecoms regulatory framework in fostering competition and positive market outcomes in telecoms

The report is freely available and we look forward to the discussion today



**analysys
mason**

European telecoms regulation: not a good fit for public cloud

A new report by Analysys Mason, sponsored by AWS

26 September 2024

This new paper:

- > Explains the differences between telecoms and public cloud, and the touch points between them, including the use of cloud in the telecoms sector
- > Concludes that there is no convergence at this stage or in the near future between these two sectors, with very different sector dynamics at play
- > Discusses the purpose and justification for the EU electronic communications regulatory framework and concludes it is not well-suited to public cloud
- > Outlines the impact of regulating public cloud under the EU regulatory framework on firms in both sectors, end users, and the European digital agenda



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Download the paper on the
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