

Viviane Reding

Member of the European Commission in charge of Information
Society and Media

The Future of the Internet and Europe's Digital Agenda

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

Lunch debate on the future of the Internet and Europe's digital
strategy

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Introduction

The worst financial and economic crisis in living memory continues to have devastating effects within our communities and families, with unemployment in particular continuing to rise. Central to the Commission's response to the crisis as set out in the European Economic Recovery Plan is the need for smart investment. By this I mean investing in the future: ensuring that Europe is well placed to make the most of the growth phase that will follow recession.

It is therefore timely that this forum debates the future of the internet and Europe's digital strategy as these are probably the most important areas of smart investment that will form the basis of future growth and productivity.

The Future of the Internet

In less than 10 years, the internet has grown from being a novel technical gadget application into becoming central to the economic systems of the developed world. This is because of its horizontal nature, it is everywhere, used throughout industry, economy and society whether for business or for leisure. It has driven more than half of the productivity gains in both the EU and the USA. It is the medium through which Information and Communication technologies can be exploited leading to innovation in business and a wide range of economic and societal benefits to citizens and consumers.

Growth of the Internet has been spectacular, we all know that, and it is not just growing but it is also changing. It was designed to support communication between computing systems for communities of expert users and not to cope with an ever growing number of networked and mobile users, applications and business models.

The internet's structural limitations are increasingly being recognized world-wide and the future of Internet is becoming a major theme of ICT policy discussions world wide. The recent OECD ministerial conference on the "Future of the Internet Economy" reaffirmed a *"commitment to a global and healthy Internet development through support to application developments of social and economic significance and through support to initiatives geared at making the Internet more robust, versatile, and ready to embrace novel applications and fitted with optimised governance models"*.

The Commission supports these moves both in policy and in research funding. I will return to policy later but first I would like to set out the contribution of the 7th Framework Programme of Research and Development to future Internet. The ICT programme of FP7 currently supports - with about €400million over 2 years - a portfolio of ICT projects addressing the various facets of the Future Internet. Within the ICT Programme, Future Internet research will remain a very high priority for the period 2011-2013.

Future Internet R&D is driven in particular by the emergence of social networks (web 2.0), by security and privacy concerns, by mobility and broadband connectivity needs, by connectivity of "things" (Internet of Things), by the deployment of distributed server farms (cloud computing for services) and by novel and massively available forms of content (3D, virtual worlds).

These developments bring with them enormous increases in the demands on the capacity of the internet infrastructure. Internet traffic is growing by 60% per year and for mobile smart terminals, the growth rate is 100% per year. In response to this, traffic prioritisation techniques are being developed to optimise network capacity and prevent congestion. However, prioritising some traffic means restricting the rest and it will be essential to remain vigilant as regards the impact this has on competition. **The European Commission attaches high importance to preserving the open and neutral character of the net in Europe, in the interest of fair competition and tangible consumer benefits.**

In general, consumers and service providers in Europe seem to be in a relatively good position overall with regard to Net Neutrality, compared to the situation in the US where the debate is just really starting now. This is because European consumers generally have, thanks to pro-competitive EU regulation, a greater choice of competing broadband service providers available to them than US consumers under the strongly deregulated US telecoms market. The European Commission and national telecoms regulators have jointly ensured over the past years that the market is further opened to competition, that consumer offers are made more transparent and that competition is progressively strengthened.

However, **there are many reasons for being very vigilant with regard to new threats to net neutrality, as they can arise in the course of market and technology developments.** The blocking or discrimination of Voice over IP services by mobile operators in several EU countries is just one example for this.

This is why the reformed Telecoms Package, proposed by the Commission in November 2007 and currently awaiting final agreement of the European Parliament and the Council, will further strengthen competitive and market forces and transparency for consumers on the EU's telecoms markets and provide additional safeguards against anti-competitive behaviour – and this beyond the competition law instruments already available under Articles 81 and 82.

National telecoms regulatory authorities will in particular be required to promote 'the ability of end users to access and distribute information or run applications and services of their choice'. This will contribute to strengthen the "neutral character" of the net in Europe.

Where competitive forces alone are not enough to safeguard the openness of the Internet, national regulators will be able, under the reformed EU telecoms rules, to intervene in the market by setting **minimum quality of service requirements for network transmission services** (Article 22§3 of the Universal Service Directive). This will be supported by **new transparency requirements** vis-à-vis consumers (Articles 21 and 22 of the USD).

As regards instances of **blocking of VoIP applications on mobile broadband networks**, the second EU Roaming Regulation, which entered into force on 1 July, stresses that there should be no obstacles to the emergence of applications or technologies which can be a substitute for, or alternative to, roaming services, such as WiFi, VoIP and Instant Messaging services.

These reforms in favour of net neutrality are therefore a very important, (and often underestimated) achievement of the telecoms reform, and many European Parliamentarians, but also many Ministers deserve the credit for having strengthened the corresponding wording in the package during the legislative process.

I would like Europe to make good use of these new tools for enhancing net neutrality. I have myself already indicated that I would be prepared to act on this basis in case of continued blocking of Voice over IP services by certain mobile operators.

I would in addition like to have, in 2010, a broad debate about how the Commission could best use these new instruments in the interest of an open internet and of internet users.

The new telecoms package is in many instances a quite robust answer to such new threats to net neutrality. However, I also know that technology and regulation will evolve further in the years to come. **And I plan to be Europe's first line of defence whenever it comes to real threats to net neutrality.**

You can count on me and on the European Commission as a whole to keep developments under close scrutiny and report regularly on the state of play of net neutrality to the European Parliament and the Council of Ministers.

Future Commission's Digital Agenda

President Barroso and I have already announced the commitment of the next Commission to define a clear European Digital Agenda aimed at tackling the main obstacles to a genuine digital single market with targeted legislative measures. Consumers must benefit fully from pan-European services and businesses gain access to new markets. An important part of the Single Market nowadays happens on-line.

All our work at modernising the rules of telecommunications, at promoting the take-up of broadband, at developing ultra-fast, competitive and secure next generation networks would be undermined if we didn't also promote the take-up of Internet-based services. But because the best highways will not suffice if the destination is not worth going to, it will be necessary to make it easier to access digital services and digital content.

Today the free movement of digital services is severely hindered by fragmented rules at national level and unless this is solved, businesses and consumers will never reach the full potential of the knowledge economy. In order to help addressing the problem of the lack of confidence on the consumer side, Commissioner Meglena Kuneva and I launched, in May 2009, the **eYou Guide**, a multilingual online information tool that explains to consumers their rights online.

I agree with ICOMP that e-Commerce is a vital force of the internet and that it is important for all stakeholders to cooperate to overcome remaining barriers. To boost the confidence of all operators in the eCommerce market place, the adoption of the draft **Consumer Rights Directive, that adds to the eCommerce Directive**, should be a priority and I renew my call for **support from the European Parliament**. When consumer and single market issues are at stake, as was the case in the adoption of the SMS and Data roaming regulation, the European Parliament has shown us what it was capable of achieving and I mean by that, a rapid adoption of European legislation for the benefit of all European consumers.

But the gaps of the Single Market for Digital Services become even more evident if we look at **cross-border provision of digital content**. As digital technologies make communication of creative works ever easier, traditional practices for licensing rights seem to have reached their limits.

Digital technologies bring new actors and new roles in the value chain and are changing the conditions for the production and distribution of the creative content. The content sector is no longer limited to "traditional players" such as authors, producers, publishers, collecting societies and distribution companies. Consumers are increasingly becoming so-called "prosumers" producing content themselves, playing an important role in online media and are delivering services to the benefit of media pluralism and of democracy in general.

However, business models and licensing practices are struggling to adapt to this new context and this not only limits the availability of legal content online, but also stifles the development of new media services. Our future will be full of new types of media but today new media services are confronted with overly complex, costly and time-consuming procedures to clear rights. As a result, they often decide just to offer services in only certain EU countries (often the big ones to the disadvantage of smaller country users). Let's be honest: when it comes to the provision of digital content, Europe cannot claim to be the largest marketplace in the world, it is 27 separate markets. This clearly contributes to the competitive advantage of the U.S. Targeted legislative measures will aim at tackling these issues.

The challenges of books digitisation

My first priority will be to address the issue of mass scale digitisation of books and orphan works. It is unacceptable that our cultural heritage remains inaccessible to EU citizens. It could and should be just "one click away". We should create a modern set of European rules that encourage the digitisation of books, including a **European Rights Registry** or a European System of Rights Registries able to guarantee that publishers and authors' rights are respected and fairly remunerated. This will require a stronger recognition of the role of existing innovative projects like ARROW (the Accessible Registries of Rights Information and Orphan Works) and Europeana.

Content Online Initiative

Secondly, we need a harmonized market with clearer rules enabling users to be free to buy and enjoy anywhere, anytime and on any platform, the content they paid for. Taking into account the results of the discussions within the Content Online Platform, before the end of this mandate, Commissioner McCreevy and I will stimulate a public debate with a reflection paper over a set of possible policy and legislative options aimed at paving the way for a **Digital Single Market for Creative Content for the benefit of rightholders, internet service providers and consumers.**

We will work to reassess the balance between the needs of consumers of digital content and the rights holders. The key objective will be making it easier and more attractive to access the Internet for digital content, wherever produced in Europe. In cooperation with other Commissioners, we will ensure that the rights of content creators are respected while meeting consumers' high expectations. The best way to achieve a balanced approach, will be for service providers, consumers and right holders to work together and I would like to ask ICOMP to participate in this process and come forward with ideas and possible solutions.

Privacy in the Information Society

But the European Digital Agenda should not be limited to content issues: there are other important issues at stake that the next Commission will address.

One issue that is getting my full attention is the **protection of privacy and of personal data in the online environment**.

I will cite three technological and commercial developments that have particular implications for privacy: social networking, behavioural advertisement and RFID 'smart chips'.

Firstly, **social networking** has a strong potential for a new form of communication and for bringing people together, wherever they are. But is every social networker really aware that all pictures and information uploaded on social networking profiles can be accessed and used by anyone on the web? Privacy must, in my view, be a high priority for social networking providers and for their users. I firmly believe that at least the profiles of minors must be private by default and unavailable to internet search engines. The European Commission has already called on social networking sites to deal with minors' profiles carefully, by means of **self-regulation**.

I am ready to follow this up with new rules if I have to. But only if there is no other way.

Another privacy concern repeatedly mentioned to the European Commission these days is **behavioural advertisement**: systems that monitor internet users' web browsing to better target them with advertisements. **Now, European privacy rules are crystal clear: a person's information can only be used with their prior consent. Transparency and choice are key words in this debate. The Commission is closely monitoring the use of behavioural advertising to ensure respect for our privacy rights. I will not shy away from taking action where an EU country falls short of this duty.** A first example is the infringement action the Commission has taken with regard to the United Kingdom in the Phorm case.

The latest technology trend that is affecting privacy is **smart chips**, the famous RFIDs. While they can make businesses more efficient and better organised, I am convinced they will only be welcomed in Europe if they are used **by** the consumers and not **on** the consumers. **No European should carry a chip in one of their possessions without being informed precisely of what they are used for, with the choice to remove or switch it off at any time. The "Internet of Things" will only work if it is accepted by the people.**

We are currently reinforcing European privacy laws with the reform of the EU's telecoms rules and we will come back with new initiatives when they are needed to ensure citizens' control over their personal data, in particular in cooperation with third countries where this data may be affected.

More trust in European websites

The Digital Europe strategy could also give a new impetus to the development of a self-regulatory system for European websites to build consumer trust. Consumer confidence can be built up through European trusted authorities or trustmarks that guarantee the reliability and quality of digital services. The success of the European top domain name **dot .eu** is significant in this respect because any firm registering in the .eu domain has to comply with European legislation. Looking out for .eu gives some form of basic protection and European firms with high standards could differentiate themselves by adopting .eu.

The issue of trustmarks has been on the agenda for a very long time and I see very little progress towards a European system. That is why industry and consumer associations, I am thinking of the BEUC in particular, must get together to establish a **sustainable European trustmark**, which I believe, could give our users the confidence needed to "surf abroad" and profit from our large market online. – The Commission stands ready to act, if needed.

Broadband Internet

The Digital Agenda will be further developed by the new Commission and I need to be careful not to pre-empt their decisions. One risk I will take, however, is to confidently predict that broadband will play an important part of the future agenda. I say this partly from my experience as Commissioner for Information Society and Media for the past 5 years but also because of the high priority placed on Broadband in the European Economic Recovery Plan.

We do not have time today for an extended discussion of broadband strategy but let me introduce our thinking and how broadband plays a key role in economic recovery by answering three questions: Why? What? and When?

First Why broadband internet? We know that there is a direct link between the investment in ICT and economic performance, as it raises the innovation capacities of all industrial sectors in a horizontal way, improves productivity and helps us optimise the use of natural resources. It is also a key driver of efficiency and effectiveness of our public sector and is essential for raising the quality of life of our citizens.

ICT provides us with unique solutions for more energy efficiency and precise environmental monitoring, for better health services and for improving the conditions of our ageing population. It is a known fact that those Member States that are leaders in deploying and using ICT innovations have higher growth economies, establish world benchmarks in the services they offer to their citizens and are driving the move towards lower carbon economies.

So, the answer to the question, 'why broadband?' is simple. A fundamental precondition for the best use of ICT is the deployment of a high speed broadband infrastructure.

Next question, What do we propose? As part of the recovery package we have already secured funding to extend and upgrade high-speed internet in rural communities. This support is targeted at the 23% of the population in rural areas who do not have broadband access.

The aim of this proposal was twofold: to secure the benefits for broadband internet for all Europeans regardless of where they live and to give an immediate stimulus to the economy by spending the money as quickly as possible. In this latter regard, outcome has been a little slower than hoped. The latest returns show that only €315 million of the €1.02 billion made available in Rural Development Plans has been earmarked for broadband.

I am disappointed that some Member States have not yet decided to take advantage of these new funds in the Rural Development Plans they have submitted to the Commission. But I will continue to work and convince them. In addition, a series of regulatory measures and guidelines to support very high speed broadband roll-out are under way.

Promotion and take-up of broadband also must be stimulated from the demand side which requires favourable conditions for advanced cross-border web-based services. In other words, a Digital Single Market which is the main aim of the Digital Agenda of which I spoke earlier.

And finally, 'When will we have results?' The first ail is an immediate injection of funds to stimulate the economy.

But we also need to look beyond the short term towards the further horizon. ICT is a sector where modernisation continues at a solid pace, despite the inevitable fluctuations caused by the business cycle. I am not talking about the green shoots of recovery. I am talking about long-term technological progress which will continue to allow us to reap productivity benefits, to grow our economy and to achieve higher standards of living. That is why I would suggest that just as important for Europe's recovery are the long-run economic benefits of high-speed broadband, that is the gains stemming from more productive businesses and organisations on the one hand, and from product innovation and more choice for consumers on the other.

Conclusion

I am confident about Europe's prospects. Not just because of our immense strengths: our stable democracies; our single market; our successful single currency and because of what this Commission has achieved in the past five years, namely making a success of the biggest enlargement in our history and becoming the first region in the world to implement far-reaching, legally binding energy and climate change targets. And please don't forget the cheap phone calls home from your mobile phones.

But, in a strange way, I think that we have been strengthened by the crisis. It has taught us just how interdependent our economies are at European and global level. We now know that, to safeguard our prosperity, we must co-ordinate our policies better and earlier in future. We have emerged with a renewed sense of purpose. I believe that we will now go from strength to strength and that, with resolve and imagination, Europe will be a leading player in the 21st century economy.