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TMT

Why the EU's telecom regulatory framework needs an update

The European regulatory framework needs an update to better reflect the changing times. We've moved beyond the era of telecom monopolies. Regulators should now promote state-of-the-art networks, rather than prioritising lower prices every year



Over the past couple of decades, regulators have focused on driving prices down – a win for consumers, but a challenge for telecom providers

The Times They Are A-Changin'

In the early 2000s, the outlook for Europe's telecom industry was promising. Regulating the sector made sense when former state monopolies were privatised. But times have changed – this is no longer 1999.

At the time, valuations of telecom companies were sky-high, driven by investor optimism about mobile growth and the internet boom, and telecom services were relatively expensive. Governments capitalised on this enthusiasm through spectrum sales, while regulators enforced strict competition rules to dismantle monopolies and open markets.

Over time, tough competition has weakened the credit profile of operators, which is why rating agencies have lowered their credit ratings. European operators now have a relatively low

appetite to invest in next-generation mobile networks.

Fast-forward to today: the European Commission is preparing to unveil its long-awaited Digital Networks Act tomorrow (20 January), designed to bring the regulatory framework up to date.

The Act seeks to address persistent fragmentation among 27 national markets, streamline spectrum licensing and create a single market for connectivity. Its objectives include boosting investment in resilient digital infrastructure, accelerating 5G deployment, and enabling Europe to compete globally in emerging technologies.

Europe's challenge

Today, many telecom business models face significant challenges. TDC and Telecom Italia have been broken up to protect the value of the network, while Altice France had to restructure its debts and TalkTalk faces financial distress.

Regulators have consistently focused on driving prices down – a win for consumers. However, the cycle never ends: each year, another European country finds reason to cut prices, often because consumers compare costs across borders. By definition, half of EU countries remain above the median price level annually, ensuring that regulators always have more work to do.

Technology leaders are to be found outside of Europe

Elsewhere in the world, the focus is on building the most advanced networks and promoting technological progress through a tech sector unhindered by complicating regulations. In countries such as China, leading communication networks are functioning, enabling innovation across the economy through innovative devices and services. The technology sector there is also allowed to experiment with new technology, without big privacy concerns.

In the United States, telecom operators pay a one-time fee for spectrum usage and face relatively few regulatory hurdles. While concerns occasionally arise over monopolistic practices or strict privacy violations, American companies can use their profitability to grow new services in the domain of AI or space.

Meanwhile, European telecom operators have shifted toward asset-light models by outsourcing more business processes. At the same time, competition from over-the-top services like Teams and WhatsApp continues to intensify, while consumers increasingly embrace American digital lifestyles through platforms such as YouTube and Netflix.

European regulations prohibit telecom operators from throttling traffic and selling targeted advertisements, leading to an uneven playing field. Because of net neutrality, telecom operators cannot control internet traffic, while most content creation and ad sales are taking place elsewhere. This is also where profits are being made.

Moreover, there are always three telecom operators competing in each country. Or more than three. Because of this, and the recurring spectrum auctions, telecom profits are unlikely to grow significantly.

The profitability outlook for telecom firms is also often better outside Europe. Examples can be found in the USA and the Middle East. This allows these companies to build scale through M&A. The danger of prioritising low prices is that our companies are left with little financial cushion, making them vulnerable targets for foreign acquisitions.

Digital Markets Act is a positive step forward, but we need a mind shift

In Europe, the Digital Markets Act should promote a more business-friendly environment for telecom operators. Regulators should be paid to promote state-of-the-art technology rather than focus narrowly on price reductions.

Spectrum rights should be auctioned following more predictable, harmonised and business-friendly policies. We deem the combination of strong competition and high auction prices incompatible with solid shareholder returns. And the latter are needed to maintain healthy telecom businesses that foster innovation.

Let's not forget that telecom operators compete with hugely profitable non-regulated tech businesses. So let's bring the regulatory framework in line with the realities of 2026.

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