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The Toll of Deregulation in European Telecommunications

The European Commission's deregulation agenda, outlined in the Call for Evidence for the Digital Networks Act (DNA) and related initiatives, risks dismantling the very foundations of competition in Europe's telecommunications markets.

Competition has been the driving force of Europe's telecom success since liberalisation in 1998. It has delivered lower prices, higher quality, greater consumer choice, and strong private investment. It has also made European companies more innovative and competitive globally. This success was only possible thanks to a clear regulatory framework based on ex-ante rules for Significant Market Power (SMP) and the Recommendation on Relevant Markets.

Deregulation, presented as simplification and flexibility, would come at a high cost: it would weaken SMP-based enforcement, undermine National Regulatory Authorities (NRAs), and erode safeguards that protect fair competition. **The toll would be borne by consumers, businesses, and Europe's digital ambitions** — while leaving only one clear winner: entrenched incumbents such as Deutsche Telekom.

Prices at risk

In competitive markets, operators must remain efficient to compete on price and attract customers. Yet in Germany, Deutsche Telekom still controls around 70% of all broadband connections and holds a similar share in the retail B2B market. **Without SMP-based rules**, the incumbent would face little pressure to keep prices in line with costs. Deregulation would replace enforceable safeguards with symmetric measures too weak for markets where dominance persists – **inevitably leading to higher costs for consumers and businesses alike**.

Erosion of quality and choice

Competition drives operators to improve reliability, customer service, and technology. Without the SMP framework and the Recommendation, regulators would lack the means to act swiftly against abuses of dominance – undermining regulatory predictability and certainty. **In a deregulated environment, incumbents could continue operating legacy infrastructure without meaningful incentives to upgrade,** while alternative access seekers would not be able to compete on fair terms. **The result: consolidation of market power and steady erosion of consumer and business choices** - **ultimately weakening Europe's attractiveness as a place to invest or relocate.**

Stifled innovation

The race to win customers has spurred operators to innovate — driving fibre roll-out, 5G deployment, and the development of new digital services. VATM members now provide the majority of gigabit-capable connections in Germany, proving that competitors are the real innovators. Removing regulatory safeguards would reduce their ability to invest and innovate, handing even greater power to incumbents. Innovation would stagnate, harming consumers, businesses, and Europe's digital ambitions.

Deteriorating prospects for a true Single Market

A reliable and stable regulatory framework is the foundation for long-term investment in advanced infrastructure and innovative services. By discarding the current SMP-based system, the Commission's deregulation agenda will **jeopardise** not only national competition but also the development of a genuine EU-wide Single Market for telecommunications. **Without predictable rules and regulatory safeguards, integration will stall and fragmentation will persist – undermining one of the EU's core objectives.**

Germany: A case in point

Germany remains a leading example of entrenched market power in Europe: around 70% of retail broadband connections still run over Deutsche Telekom's platform, while its share in the retail B2B market is similarly high.[1] Removing SMP-based rules and the safeguards of the Recommendation would be disastrous, leaving the incumbent free to act without effective oversight. Competition in both retail and wholesale would collapse, private investment would suffer, and deregulation would serve only to favour the dominant operator.

The wider risk

If adopted, the Commission's approach would trigger re-monopolisation of telecom markets, particularly in Member States such as Germany and in Southern and Eastern Europe where dominance remains entrenched. NRAs would be left unable to intervene effectively. Consumers would face poorer service, and fewer choices, while **European operators would be less innovative and less competitive globally — undermining the EU's broader competitiveness and digital sovereignty.** Most critically, abandoning a stable regulatory framework would **jeopardise the future development of a genuine EU Single Market** for telecommunications services, as **uncertainty would weaken investment and slow cross-border integration**.

VATM urges the EU institutions to preserve and reinforce SMP-based ex-ante regulation as the cornerstone of telecom oversight. Symmetric measures can play a complementary role but must never replace SMP remedies.

Only a **predictable and effective regulatory framework** can safeguard competition, attract private investment, and ensure that European consumers continue to benefit from competitive prices, high quality, wide choice, and ongoing innovation.

Abandoning this foundation would sacrifice the gains of 25 years of liberalisation and risk returning Europe's telecom markets to monopoly — with consumers, businesses, and Europe's digital future paying the price.

[1] VATM, DIALOG CONSULT (2025): *The 26.Telecommunications Market Analysis Germany 2025*, P. 5, 15 (https://www.vatm.de/wp-content/uploads/2025/06/VATM-Market-Analysis-Germany-2025.pdf, last accessed 11. July 2025).