

Response to European Commission Consultation: "How to Master Europe's Digital Infrastructure Needs"

Organisation: Allied for Startups

About Allied for Startups

Allied for Startups is a **worldwide network of advocacy organisations** in 5 continents focused on improving the policy environment for startups. We are working together to create a consensus on policies that can positively impact startups and grow digital entrepreneurship and the digital economy at large. Our mission is to ensure that the voices of startups are heard in government.

Introduction

Allied for Startups is a global network advocating for the interests of startups in policy and regulation. We welcome the opportunity to provide feedback on the European Commission's white paper consultation on "How to Master Europe's Digital Infrastructure Needs." From a European startup ecosystem perspective, the existing digital infrastructure framework is effective and fosters innovation. Therefore, there is no need for drastic policy changes. There is no evidence of an EU telecom market failure, nor of a poor state of the European telecommunications market. Accordingly, any justification for such policy changes are lacking. Furthermore, we emphasise the critical importance of maintaining net neutrality to support the EU's startup ecosystem and the broader European innovation capacity.

The Current Digital Infrastructure Works Well

The existing digital infrastructure in Europe has fostered a vibrant and competitive environment for innovation and startups and the current regulatory framework supports a diverse range of digital innovations. Furthermore, the present system has proven effective in creating a level playing field where startups can compete with established players without facing undue barriers.

Proposals for substantial policy changes, and especially a potential implementation of network fees, lack justification as the current system is functioning well. Implementing new regulations or altering the status quo would introduce uncertainties and challenges that hinder the progress and growth of startups in the EU. Maintaining the current framework

ensures stability and continuity, which are crucial for the continued success of Europe's digital economy.

Net Neutrality: The Backbone of Startup Innovation

- **Core Principle of Equal Treatment**

Net neutrality is the principle that all internet traffic should be treated equally, without discrimination based on content, source, or destination. This principle is vital for ensuring that startups can compete on a level playing field with larger, more established companies. By preventing Internet Service Providers (ISPs) from prioritising certain types of traffic over others, net neutrality guarantees that startups have equal access to consumers and markets.

- **Impact on Startups and Innovation**

The introduction of network fees or any form of traffic prioritisation would have a detrimental effect on startups. Startups often operate with limited resources and cannot afford the additional costs associated with network fees. This would create an uneven playing field where only large companies with significant financial resources can afford to pay for better internet speeds or prioritised access. Network fees would also introduce a direct financial arrangement between larger companies and ISPs, both of whom would be reliant on each other, creating a potentially anti-competitive environment which could squeeze out startups. Such a scenario would stifle innovation, reduce competition, and ultimately harm consumers who benefit from the diversity of services and products offered by startups. It would also harm the EU's ability to achieve strategic autonomy on dual-use technologies as the innovation of these technologies are driven by startups.

- **Case Study: South Korea**

South Korea's experience with network fees provides a cautionary tale for the EU. The introduction of these fees in South Korea has led to reduced competitiveness and innovation among startups. The fees have made it more difficult for new and smaller companies to enter the market, leading to a less dynamic and innovative digital economy. This example underscores the potential risks and negative consequences of implementing network fees in Europe.

The Role of Startups as Innovation Drivers

Startups are crucial drivers of innovation within the EU. They are agile, have the ability to quickly adapt to changing market conditions, and lead the way in developing new technologies and business models. Startups play a significant role in advancing technological innovation, particularly in areas such as artificial intelligence, quantum

computing and other dual-use technologies. These innovations not only contribute to economic growth but also enhance the EU's open strategic autonomy and security.

The introduction of network fees, in any way or form, would place startups at a significant competitive disadvantage relative to larger, more established companies. This could lead to a decrease in successful startup innovation and stifle the EU's innovative capacities in dual-use technologies that are critical to the EU's open strategic autonomy and competitiveness while also diminishing the EU's overall innovation capacity. A less competitive startup ecosystem would weaken the EU's ability to compete globally, harming its economic and strategic interests. Therefore, we urge the European Commission to think twice before considering any implementation of network fees in any way or form as this would have detrimental effects on startups and their contribution to the critical innovation necessary to keep the EU safe, secure, and competitive.

Academic research supports the importance of net neutrality for fostering a competitive and innovative startup ecosystem. Studies highlight that net neutrality is essential for ensuring that startups can compete on an equal footing with larger companies. The removal of net neutrality protections in the United States, for example, has been associated with negative impacts on startups and innovation.

Conclusion

Allied for Startups does not identify a market failure that would justify the introduction of network fees. We see precisely the opposite, as there are more startups in Europe today than there have ever been, which demonstrates that an environment where net neutrality principles are respected is the best incubator for European startups. Allied for Startups strongly advocates for maintaining the current digital infrastructure framework and upholding net neutrality principles. The introduction of network fees or other similar measures would be detrimental to startups, stifling innovation and reducing competitiveness. The EU must ensure that its digital infrastructure supports a thriving and dynamic ecosystem for startups, which are essential for driving innovation, economic growth, and strategic autonomy.

We urge the European Commission to consider these points and continue to support policies that promote a fair and open digital economy, where startups can flourish without facing undue financial burdens or regulatory barriers.