

**Petition to the European Parliament
From the European Metalworkers' Federation (EMF) and European Works Councils
of European telecoms infrastructure vendors**

Improving the competitiveness of the European telecoms infrastructure industry

The ICT (Information and Communications Technologies) industry is critical to Europe's future, both as a major industrial sector in its own right, and as a driver of productivity and improved service quality in virtually all other activity sectors (such as transport, healthcare, and education) as well as in public services. The ICT industry is a key asset towards a greener Europe and towards the knowledge-based economy, two of the most important objectives of the EU.

- ICT represents more than 5% of total employment in the EU.
- In 2007 the market was over €400 billion (services: €328 billion; infrastructure: €69 billion).

The basis of the European ICT industry is an efficient and reliable telecoms infrastructure. However this sector is under serious and unprecedented threats. This petition details them, evaluates the industry's strengths and weaknesses and proposes steps to foster the European telecoms infrastructure industry. The petition has been prepared by trade union representatives in major European telecoms equipment vendors.

1. Threats

Loss of market share of the European telecoms infrastructure manufacturers

Wireless telecoms represent roughly half of the infrastructure market. In Q3 2008 the European vendors LM Ericsson, Nokia Siemens Networks and Alcatel-Lucent had 82% of the market share in Europe, the Middle East and Africa. Chinese vendors such as Huawei and ZTE had 12%. In Q3 2009, just one year later, the market share of Chinese vendors had doubled to 24%. The share of European vendors had decreased accordingly from 82% to 70%.

In the area of fixed telecom networks, optical systems represent the most advanced technologies. Regarding optical networking a comparison between 2008 and 2009:

Q2 2008: Europe 52.2%; China 19.5%
Q2 2009: Europe 48.4%; China 23.3%

Europe is losing ground to China. The trend has drastically accelerated in 2009 with Chinese vendors replacing European vendors in several major networks in Belgium, France, Italy, Norway, Portugal, Sweden as well as in most Eastern European countries.

Loss of export position

In 2006 for the first time, China overtook the European Union in hi-tech exports (ICT accounts for 67% of total exports). The development of world market shares of hi-tech exports is shown below:

2001: USA: 23% EU-27: 17% China: 5%

2006: China: 16.9% USA: 16.8% EU-27: 15%

This led in 2006 to a trade deficit of €34.5 billion for EU-27 and unfortunately this has probably worsened since then.

EU lagging behind the USA in R&D

In terms of R&D investment the EU fares poorly compared to the USA. In 2009 ICT represented 35% of the total R&D investment of €159 billion in the USA, but only 18% of the total investments of €122.3 billion in the EU. Chinese R&D investment figures are not known.

Loss of jobs

R&D investment figures have a direct negative impact on employment. In OECD countries, there are 15 million jobs in the ICT industry today, but 6 to 7% are lost every year. Most of these jobs are lost in the equipment industry since the growth in services is currently flat or only slightly positive. Looking at the European market leaders, the following was announced in 2009:

- 3000 job cuts in the Alcatel-Lucent European workforce (1 job out of 8)
- 5000 to 6000 job cuts in the Nokia Siemens Networks worldwide workforce
- 2000 job cuts in the related semi-conductor activity of ST Ericsson
- and, in addition, 950 jobs have been cut at LM Ericsson (most of them in Sweden).

European telecom vendors have already announced more job cuts in 2010.

Loss of technological independence

All European manufacturers have implemented massive policies of outsourcing to third parties or off-shoring mostly to India and China. On the other hand, Chinese vendors have passed agreements with major European operators providing them access to key know-how.

This reinforces the attraction of some of the best brains of the European R&D staff for Chinese vendors (acknowledging that these Chinese vendors are able to develop skilled workers on their own). This is on top of the well-known attraction of the USA. In the worldwide competition for technical skills and conceptual design, EU is on a losing streak.

Security threat

Finally, telecommunication networks represent a major element of national security. Member States must rely on their networks in the case of a crisis (whether political, environmental or following a natural disaster). This aspect, including its possible military impact, must be considered in Europe as well. There is a risk to granting network control to non-European staff.

2. Strengths and weaknesses

The European telecoms industry still holds major trumps cards but also faces big challenges.

Strengths

- The largest single world market
- A tradition of excellence for more than 100 years
- Mastery of the complete telecoms chain including fixed and mobile; optical, satellite and submarine transmission; knowledge of services and complex architectures.
- Openness to share this knowledge with telecom operators. This is a key difference compared to other vendors.
- Worldwide leaders Alcatel-Lucent, LM Ericsson and Nokia Siemens Networks nourishing a wide array of small and medium enterprises.
- The quality of engineering schools and training institutions

Weaknesses

- The single market is fragmented between 27 regulators.
- The number of students in engineering schools is decreasing.
- But mostly, the game is not fair between all vendors. Europe is the only open market for telecommunication systems in the world.
- European vendors have significantly entered the Chinese telecoms infrastructure market. However this has been paid by local know-how transfers, which significantly reduces the market impact. In addition the Chinese government supports its local champions through the promotion of national standards and the purchasing power of the state-controlled operators.

In India and in the USA, the government has a strong say on telecom infrastructure because of national security requirements. There has been opposition to Chinese companies' penetration (see: Huawei offer to buy 3-COM rejected in the USA and Huawei-BSNL wireless deal cancelled in India).

In Europe the market for Chinese and American vendors is totally open, but competition is not fair as all parties do not play by the same rules.

- Heavy Chinese state subsidies to export companies (for instance 50 billion US\$ credit lines to Huawei and ZTE).
- Different appreciation of immigration laws (reported examples of telecom engineers flown as tourists)
- Different environment protection requirements
- Different approaches on intellectual property, sales practices and ethics
- Different requirements on accounting (the European vendors are listed companies, which need to openly report their quarterly results)

Returning to fair trade rules is a central condition to revive the European telecoms infrastructure industry. There is still time to act before telecoms follow a long list of activities where the EU has lost its traditional supremacy. Without purposeful measures, European telecoms vendors are at risk.

3. The way to recovery

The European Union has taken some very positive initiatives to develop ICT. The recent approval by the European Parliament of the "Telecoms Package" paves the way for development of the industry in Europe. The i2010 initiative evaluates the main issues and the EU2020 project will give a framework for progress in the coming years. The trade unions support and will participate in these actions but it is also necessary and possible to supplement them with further steps.

Support R&D at the EU level

A good example is the allocation of an EU package of €18 million for R&D in hi-speed wireless networks in Q3 2009. More must be done in the spirit of the 1990s programmes like RACE and ESPRIT, which gave Europe a major lead in GSM technology development.

Support standardization

This is a mandatory complement to the single market. EU needs European standards in hi-speed wireless, in mobile television and in Web 2.0 technologies.

Invest in networks

There should be an objective of 100% broadband coverage of the EU. The digital dividend offers a unique opportunity to develop wireless infrastructure. Several member states have announced national programmes. However this falls short of the 6 billion US\$ programme launched by the US government in 2009. A political initiative is needed. Telecoms represent "productive spending", where one euro invested in infrastructure is multiplied in the overall economy.

Promote fair trade

The development of a fair competition environment requires three levels of action:

1. To foster implementation of the rules and processes that will put international laws and regulations into force.
2. To develop regulations that will address asymmetrical market conditions where international laws do not apply. Such regulations may for example be in the field of work and social conditions, protection of intellectual property rights (IPR) in relation to research and education policy.
3. To foster adoption by private companies of internal rules and processes that will organize fair competition practices in day to day business (supplier choice, bid criteria, contracting rules, execution control).

As trade union representatives we protect the rights of workers with regard to employment, decent salaries and working conditions. We also hold ourselves accountable for the growing rate of unemployed workers, including skilled workers in the ICT industry. We believe that in the current market organisation unfair trade is harmful to European industry, to European workers and more extensively to the European Union as a whole.

We acknowledge we only have a partial view of the issues and we are aware they must be tackled in the broader frame of EU policies. We are therefore ready to include the European Parliament and European Commission in the discussions on these topics as part of our normal trade union mission.

Signed by:

The European Metalworkers Federation

Nokia Siemens Networks - European Employee Representatives (Jari Nummikoski, Georg Nassauer)

Alcatel-Lucent - European Works Council (European Committee for Information and Dialogue) (Philippe Saint-Aubin)