

The GSMA and Connect Europe Response to BEREC's Draft Fact-Finding Report: Europe's Telecom Reality Check (2026)

Introduction: Europe's telecom reality beyond prices and coverage

Europe's telecommunications sector sits at the centre of the continent's economic and technological ambitions. High-quality connectivity is no longer a standalone sector outcome; it is a foundational input for productivity, innovation and competitiveness across the wider economy. Against this backdrop, BEREC's draft report seeks to assess the performance of the European telecoms sector relative to global peers. This is a valuable exercise. However, the conclusions drawn do not reflect the full body of evidence now available at EU level and risk understating the scale of the investment and competitiveness challenge facing Europe.

The report presents two core messages: that European connectivity outcomes compare favourably on price and coverage, and that the sector's financial position is broadly sound. While some elements of this analysis are correct in isolation, the overall narrative is incomplete. It places disproportionate weight on short-term consumer price indicators and selected benchmarks, while giving insufficient consideration to investment capacity, network quality and long-term competitiveness. As a result, it's perception of "reality" does not capture the structural pressures that are increasingly constraining Europe's ability to deliver next-generation connectivity.

A growing body of EU-level analysis points in a different direction. Recent work by the European Commission, as well as the Draghi and Letta reports, highlight a widening gap between Europe and global leaders in digital infrastructure and advanced technologies. This is not a marginal issue. It reflects a broader decline in Europe's position in global technology markets, and a growing concern that current market structures and policy settings are not delivering the scale and investment required. In this context, the BEREC report appears anchored in a static view of the sector, focused on past outcomes rather than future requirements.

Europe faces a growing connectivity investment challenge that risks undermining its broader digital and economic ambitions. While significant investment is planned, it is not sufficient to meet future needs, and current performance already points to gaps in advanced capabilities and network quality compared to global leaders. This reflects a structural imbalance between rising investment requirements and limited returns is exacerbated by constraining the sector's ability to scale. In this context, a narrow focus on low prices risks missing the bigger picture: the need to sustain and upgrade Europe's connectivity infrastructure to remain competitive.

We find that the BEREC analysis is a selective summary of cherry-picked external reports as well as a careful selection of benchmarks and data, crafted in a manner to portray the performance of the EU telecoms sector as average. While BEREC's report provides a useful compilation of indicators, its overall conclusions are not aligned with the weight of evidence emerging at EU level. The remainder of this response sets out in detail where the BEREC analysis falls short and how a more balanced and evidence-based perspective can be achieved.

1. Investment and profitability

A. The investment challenge is now well quantified

The recent GSMA's *Mobile Investment Europe* report shows that, while European operators will invest around €270 billion over the next decade to maintain existing networks, an **additional €200 billion** is required to meet policy objectives and restore global competitiveness. This gap is not theoretical. It reflects concrete and urgent needs: expanding 5G coverage, deploying 5G standalone networks, strengthening resilience and enabling new technologies such as AI. Without this step change in investment, Europe will fall further behind leading regions in both network capability and the digital services that depend on it.

Current performance indicators already point in this direction. Europe has achieved broad 5G coverage, but it lags significantly in the deployment of advanced capabilities such as 5G standalone, which are essential for industrial use cases and innovation. Network quality also trails global leaders, with lower speeds and weaker consistency metrics. These outcomes are closely linked to lower investment intensity: for example, capital expenditure per connection in Europe is roughly half that of leading markets (€35 versus €70). Over time, this gap translates into weaker infrastructure, slower innovation and reduced competitiveness across the wider economy.

The underlying cause is not a lack of demand for connectivity, but a constrained investment environment. Revenues in the European telecoms sector have remained broadly flat in real terms, while investment requirements have increased significantly. This has led to a structural imbalance: operators are expected to deliver increasingly complex and capital-intensive networks without a corresponding improvement in returns. As highlighted in the GSMA report, this dynamic has resulted in persistently lower investment per subscriber compared to other advanced economies.

In this context, the emphasis placed in the BEREC report on low prices as a primary indicator of success is too narrow. Affordable connectivity is clearly important. However, when sustained over time without corresponding revenue growth, it will undermine the business case for necessary future investment. This trade-off is increasingly recognised in EU policy discussions. The key question is not whether Europe has achieved low prices, but whether it can sustain and upgrade its networks to meet future needs.

A related issue concerns the role of scale. BEREC suggests that existing market structures are broadly sufficient and that consolidation does not play a decisive role in investment outcomes. This view is difficult to reconcile with both market evidence and recent policy analysis. The GSMA report shows a clear link between operator scale and investment levels, with larger operators consistently investing more per operator and delivering stronger network outcomes. In highly fragmented markets, by contrast, investment is diluted across multiple players, reducing efficiency and limiting the ability to finance large-scale infrastructure upgrades. The current debate at EU level, including the review of merger guidelines, already reflects the shift towards a broader understanding of consumer welfare and competitiveness.

More broadly, the BEREC report does not sufficiently reflect the changing role of connectivity in the digital economy. Telecommunications networks are no longer a standalone service but a platform for a wide range of digital activities, from cloud computing and artificial intelligence to industrial automation and public services. The quality and capability of these networks therefore

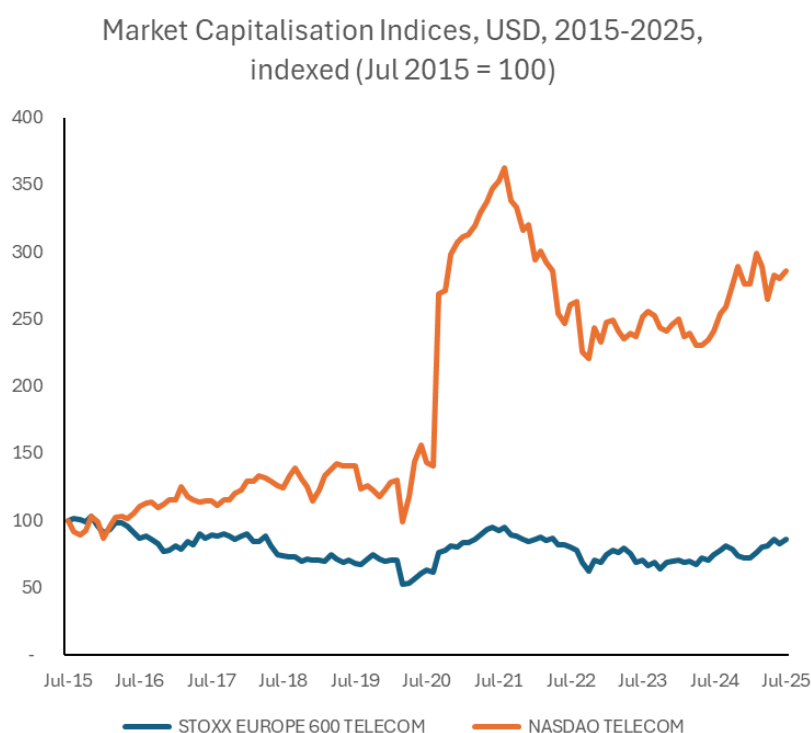
have spillover effects far beyond the telecoms sector itself. Underestimating this dimension risks understating the economic importance of investment in advanced connectivity.

B. The financial/profitability arguments are misleading

Given the importance of the telco sector to drive growth and help restore the EU's competitiveness, it is instructive to look at the attractiveness of the sector for the global investor community. It is important to first acknowledge that investment takes place in a global context in which investors require a certain risk-adjusted return on their investments. Major shareholders of major EU telco groups include private equity investors such as KKR, Middle Eastern investors such as STC and e&, and global telco groups such as America Movil and CK Hutchison Holdings. Major institutional shareholders include global asset managers such as BlackRock and Vanguard as well as sovereign wealth funds such as Norges Bank and GIC. Global investors have a number of considerations to determine how to maintain a diversified portfolio but they all require a risk-based return. Consequently, they focus their funds on investments where they expect the required level of return.

The capitalisation of European telecom companies fell by 41 % between 2015 and 2023, to USD270 bn. This contrasts very unfavourably with the relative performance of global telecom companies.

Fig1. Market Capitalisations Indices of Stoxx Europe 600 Telecom versus Nasdaq Telecom, 2015-25¹



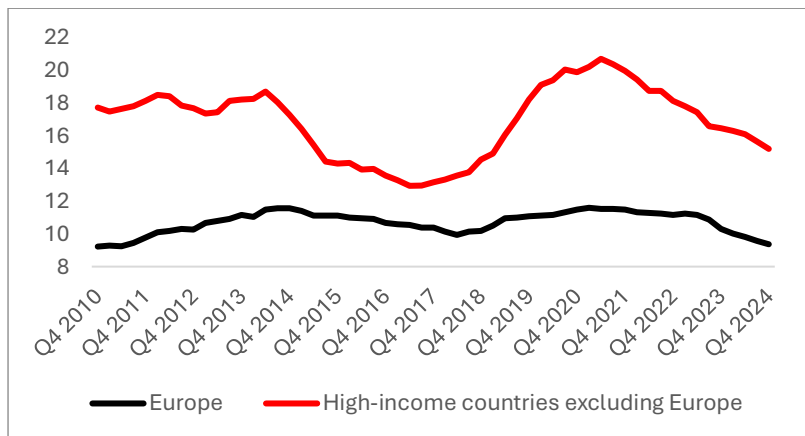
Declining relative capitalisations reflect the increasingly bearish sentiment to the sector in which ARPU is flat/declining but data demand continues to increase.

¹ Each company's weight is based on its total market value, so larger companies have a greater impact on the index's performance. Stock market indices for the telecoms sector cover a wider range of companies than just telecom operators (e.g. equipment companies).

This bearish sentiment is reflected in the capex per capita numbers. Capex-to-revenue can make low-revenue markets appear investment-intensive even where absolute investment levels are insufficient. Capex per capita and capex per connection are more meaningful indicators, unlike BEREC's misleading capex to revenue ratio which fails to capture Europe's relative position accurately given Europe's lower relative revenues². This states that capex per capita in the EU stood at EUR 109.1 in 2022 compared to EUR 270.8 in Japan, EUR 240.3 in the US and EUR 113.5 in South Korea.

That investment per subscriber in Europe has been consistently lower than in other high-income countries over the past 15 years (see Fig.2) which is a key reason why many European markets are lagging in terms of network quality and the deployment of 5G and 5G SA.

Fig2. Capex per capita in Europe and other high-income countries, USD, 2015 prices (mobile)



Source: GSMA, Spectrum Pricing and Renewals in Europe, 2025

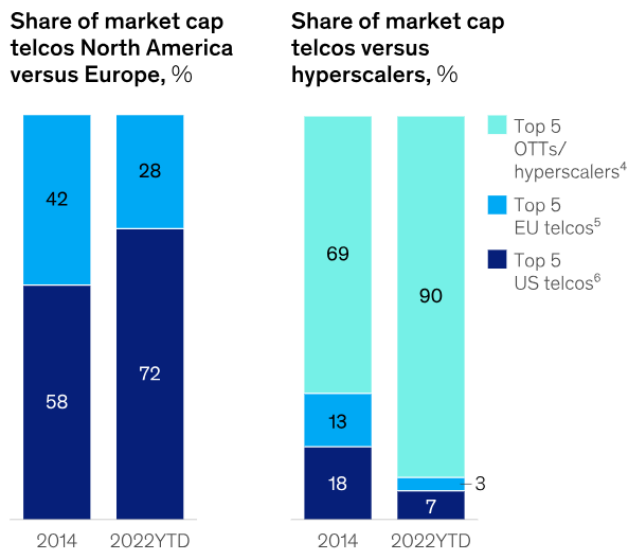
The BEREC report also looks at five-year shareholder returns across a number of telecoms operators to show that EU telcos are not performing worse than non-EU ones and that the gulf with big tech is not enormous. Below, we can see that EU telcos have performed worse than North American peers and that all telcos have performed far worse than hyperscalers^{3,4}. Once again, it should be noted that the relative changes in market capitalisations reflect investor sentiment about the underlying commercial attractiveness of the respective sectors.

² How to master Europe's digital infrastructure needs: [EUR-Lex - 52024DC0081 - EN - EUR-Lex](#)

³ [Europe telco growth: Organizational overhaul | McKinsey](#)

⁴ [Tech, media, and telecom spur Europe's comeback | McKinsey](#)

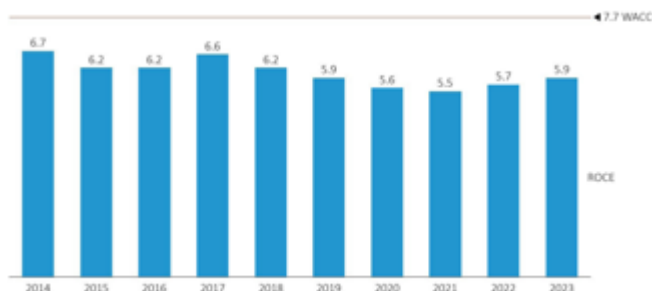
Fig3. Market capitalisation value, 2014-2022Capex per capita in Europe and other high-income countries, USD, 2015 prices



Source: McKinsey, 2023

The ROCE/WACC case made is similarly a mischaracterisation. BEREC quotes the CEPR blog post, which contains a number of errors in its methodology problems⁵. In fact, the industry's ROCE is below its cost of capital.

Fig 4. ROCE versus WACC, 2014-23



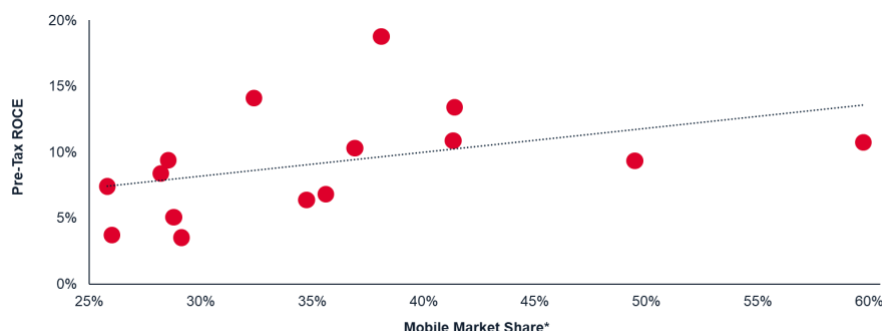
Source: Barclays Equity Research, Network Operators of the Future, Apr 2024

More importantly, the debate on WACC versus ROCE has been focused on technocratic areas such as the treatment of goodwill while overlooking two important issues.

Firstly, average ROCE masks the heterogeneity of ROCE across operators and the data shows that scale is a key determinant of ROCE.

⁵ [GSMA CE on the profitability of the EU telecom sector.pdf](#)

Fig 5. Europe ROCE versus Mobile Market Share, 2015-2024



Source: GSMA Intelligence Analysis

*Data for the 15 Operator Groups analysed. Average mobile market share across the operator global footprint (weighted based on the contribution of each country to total group mobile revenues).

Secondly, ROCE is a backward-looking metric and is therefore useful for assessing the financial health of the industry, but only informative for future investment if the future returns resemble past returns. However, in capex-intensive infrastructure sectors such as mobile, ROCE combines the returns from many investment waves made over several years or decades, such as 2G, 3G, 4G and 5G. The ROCE of older investments will be high as the capital employed in these investments, based on their depreciated historic costs, is very low. But the most recent investments in 5G will show a very different picture because, over and above general inflation, the cost of deploying 5G stand-alone networks is significantly higher than 4G networks. 5G investments, when viewed in isolation and in terms of their incremental revenues and incremental costs over and above the existing coverage and capacity footprint of previous generation technologies, have not delivered returns. The Capex costs are significant (as the BEREC study acknowledges) while mobile ARPU has been flat/declining. Faced with signing off fresh investments with a similar financial profile, CFOs will balk as such investments will have a negative NPV and as such, will destroy shareholder value. (NPV is effectively the same as ROCE minus WACC except it is calculated at the level of individual investments rather than at a level of a company's overall financial profile).

BEREC also takes a highly optimistic and rosy view of meeting the 2030 Digital Decade Policy programme goals despite the European Commission having a very different perspective in its 2024 paper on Europe's digital infrastructure needs⁶ in which it states that "current trends concerning the trajectories for the digital infrastructure targets laid out in the Digital Decade Policy Programme 2030, i.e. with a core network separate from previous generations. Prospects for deployment of 5G stand-alone networks ensuring high reliability and low latency, which are key enablers for industrial use cases, are not good."

With a growing consensus among institutions and organisations such as the European Commission, infrastructure vendors and communication service providers on the need to address Europe's infrastructure challenge, BEREC is leaning in the other direction, deciding that business-as-usual will address the infrastructure challenge and not only will capex intensity decline but that it is a positive outcome.

⁶ [White Paper - How to master Europe's digital infrastructure needs? | Shaping Europe's digital future](#)

C. Misunderstanding about scale and consumer welfare

Section 6.1 of the BEREC report gets into a state of confusion between in-market and cross-market scale. Cross-border scale can support procurement, branding and some corporate efficiencies, but the largest network cost synergies arise locally, where spectrum, sites, radio access networks and customers are combined. So called 'strategic exit' by Telefonica and Vodafone is cited as proof that scale is not that important but it in fact proves the opposite. The focus on core markets by large telecom groups in which they have critical national scale and exiting markets in which they were sub-scale show why in-market scale is important. Large groups like Deutsche Telekom, Orange, Telefónica and Vodafone have reduced their footprint in Europe in the last two decades and have publicly stated that the reason for their strategic exits was their inability to achieve sufficient in-market scale in those markets where they exited.

In fact, the last two decades demonstrate two things:

- 1) There is no problem for network operators to enter new markets (i.e. cross-border mergers), but there is no incentive due to lack of synergies
- 2) Cross-border mergers in which operators do not have critical scale do not result in stable cross-border operations in the currently fragmented markets.

In a context of flat-rate pricing and competition driven more by price than value, achieving scale depends primarily on expanding the customer base in national markets—that is, increasing take-up. Operators therefore need to secure sufficient customer uptake within their national network footprint to remain commercially viable and sustain investment. However, this objective is becoming increasingly difficult to achieve in a highly fragmented market.

Approximately 80% of the cost of running a mobile network is the Radio Access Network (towers and associate equipment), which is inherently local. Scale benefits arise from cost synergies. The combined effect of integrating cell sites and pooling spectrum shifts the supply side cost function. This makes investments that were previously commercially marginal much more viable. There is empirical evidence showing that post-merger market structures comprised of three scale mobile operators can lead to increased investment and greater quality with adverse price effects. BEREC instead refers to its previously published report to assess the impact of mobile mergers in Austria, Germany and Ireland, the shortcomings of which have already been highlighted⁷.

The debate stimulated by the EU's review of merger guidelines points to the need to assess mergers holistically, weighing both pro-competitive and anti-competitive effects rather than focusing too narrowly on short term static⁸ effects⁹. A broader view of consumer welfare needs to include factors such as quality, choice and innovation and long term investment incentives.

The empirical evidence is backed up by economic literature. Academic papers¹⁰ on the effects of consolidation take a broader perspective of consumer welfare and find that higher post-merger scale leads to greater investment per operator and that regulatory authorities should look

⁷ [BEREC Study Fails to Contribute Robust New Evidence on Mergers - Public Policy](#)

⁸ [New study outlines a dynamic, long-term approach to EU merger assessments - Newsroom](#)

⁹ [The Three Criteria Test: It's not all about price - Public Policy](#)

¹⁰ [Evaluating market consolidation in mobile communications | Economic Policy | Oxford Academic](#)

seriously at the trade-offs between market power effects and efficiency gains. Other studies^{11,12} find “strong evidence that market concentration in Europe is below optimal levels that would maximize investments”, that “the dispersion of fixed costs and assets among a greater number of players can result in diseconomies of scale and a less efficient use of resources”, and that “consumer surplus is maximized in markets with 3 symmetric operators.”

BEREC’s report “*Protecting competition in a changing world*,” presented by the European Commission in June 2024, concludes that there is a direct relationship between market concentration and rising prices, while its findings on investment remain inconclusive (acknowledging increases at the firm level, but not across the market as a whole). The report has received substantial criticism, for example regarding the selection of countries and cases, the use of ARPU as a measurement metric, and the chosen time period.

It is important to note that other studies, such as the one by Compass Lexecon, found no evidence of price increases and instead indicated that 4-to-3 mergers have led to higher levels of investment, reflected in greater network capacity and quality. The Draghi report also emphasised the need to stimulate investment to raise growth and increase Europe’s competitiveness. It stated that “to digitalise and decarbonise the economy...the investment share in Europe will have to rise by around 5% of GDP to levels last seen in the 1960s and 70s”. It refers to the new geopolitical context and shift in paradigm that is required to close the productivity and growth gap with the USA. This changed context is missing from the BEREC report which seems stuck in a previous paradigm.

2. Methodical flaws in the analysis

The comparisons are cherrypicked

The method of comparing the EU average to the USA and one chosen Asian country allows for selective narratives. This is exacerbated by the choice to select three of the best-performing EU countries for each metric, ignoring the fact that there are also very poor-performing EU countries, much below the average.

The consumption baskets considered for the EU vs USA pricing bear no resemblance to consumption patterns in either geography. Data for the most common baskets consisting of very low (1GB), low (5GB), medium (10GB) are available but BEREC considers the most representative to be (i) 20GB and (ii) 50GB. For the 20GB basket BEREC captures a matching time evolution, from 2019 to 2022, while for the 50GB basket only data for the year 2022 are presented, as this indicator was developed in coordination with the technological advances.”

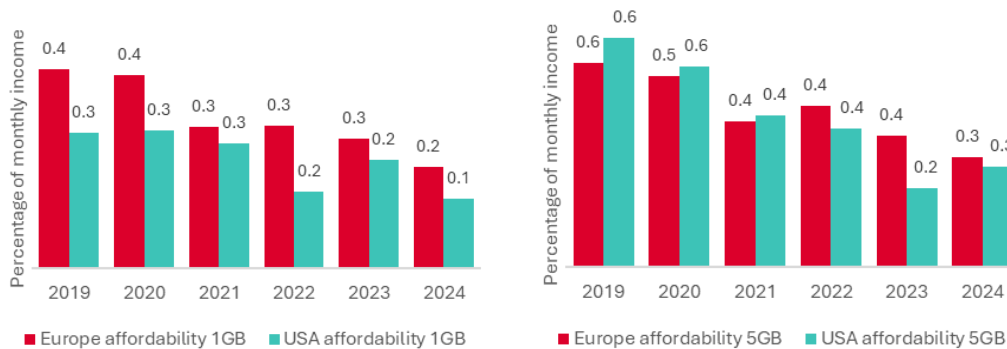
In fact, based on data from operators in an analysis by GSMAi, mobile data usage of the median consumer in 2024 was around 1.6 GB in Europe and 2.0 GB in the US, respectively (data traffic per connection in the US and Europe was 15 GB and 12 GB per month respectively but 10% of subscribers generated 65% of total data traffic).

A more realistic choice of baskets would use 1 GB and 5 GB to assess relative affordability. Affordability analysis should, by definition, take account of spend as a proportion of earnings and this shows prices in Europe and the US are at similar levels of affordability.

¹¹ [The Dynamic Effects of Competition on Investment: The Case of the European Mobile Communications Industry | Journal of Information Policy | Scholarly Publishing Collective](#)

¹² [Investment and market power in mobile mergers | Journal of Industrial and Business Economics | Springer Nature Link](#)

Fig 6. Europe vs USA affordability as percentage of monthly income



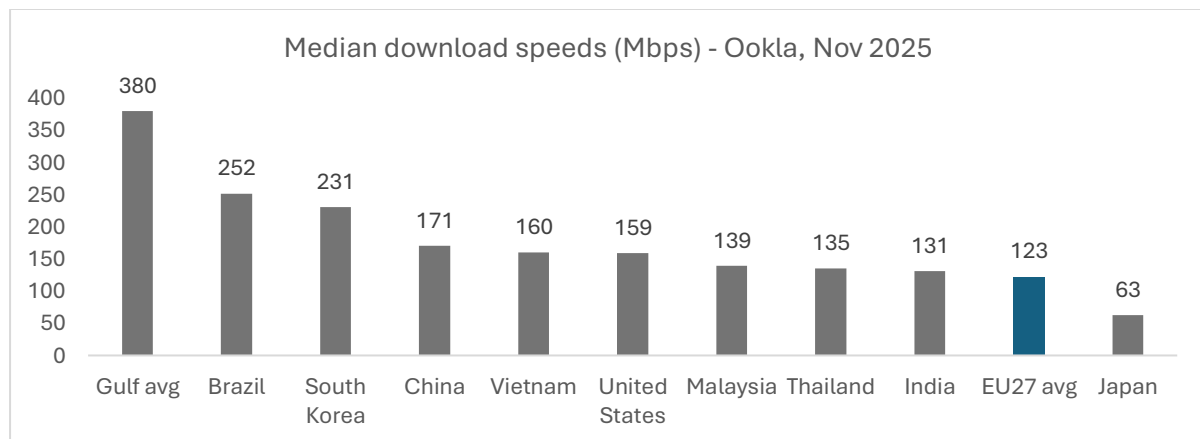
Source: GSMA Intelligence Analysis

Whereas ARPU is higher in the USA than in Europe, data usage per connection and bundling of additional services is also higher. All operators in the US have launched 5G Standalone and made considerable progress with 5G Advance which is crucial for specialised services and applications such as XR, cloud gaming, interactive live events and smart home integrations. Data from Ookla shows that the proportion of 5G usage on Standalone in the USA is at 25%, compared to barely 1% in Europe.

Mobile performance is worse than portrayed

In fact, it is not just the USA that is significantly ahead in network quality. The inclusion of Japan makes it seem like the EU27 is doing reasonably well in mobile speeds but in a global comparison, the EU is lagging behind, even when compared with many other less-developed countries with the poor performance being particularly pronounced in terms of 5G Standalone.

Fig 7. Median Download Speeds

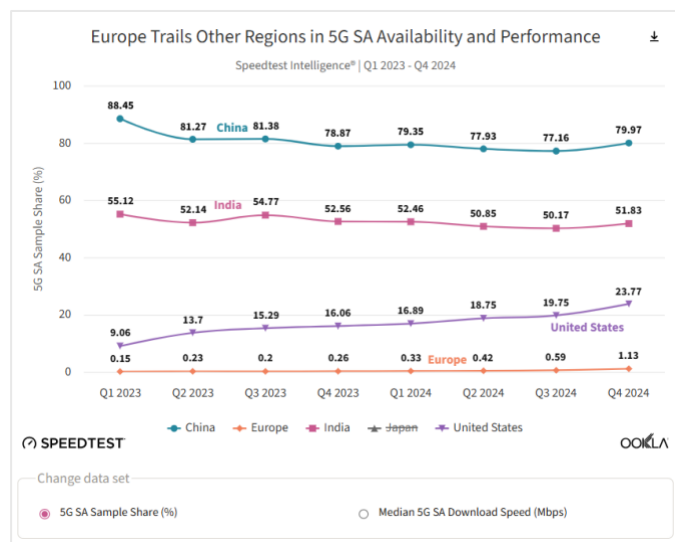


	Median download speed (Ookla, Nov 2025)	GDP per capita (World Bank, 2024Q4)	ARPU (€) (GSMA, 2025Q4)
EU27 average	121 Mbps	€ 42,507	€ 14
Rest of world average	100 Mbps	€ 16,945	€ 9

Source: Ookla

The BEREC report obscures this lack of investment in quality of services by focusing on 5G coverage but does not consider the quality of this 5G. Europe trails other regions by a long way for 5G SA¹³.

Fig 8. 5G SA availability



Source: Ookla

There are huge spillover benefits of having high-quality mobile networks as they drive innovation and investment in the wider digital economy which rely on high quality 5G networks to scale up their own services. 5G standalone is not merely a telecom upgrade. It is a prerequisite for industrial automation, logistics, connected manufacturing, smart energy systems and public-sector digitalisation. A benchmark report that omits this dimension underestimates the strategic relevance of network quality. Europe is missing out on this growth and the excessive focus on price/value overlooks this despite the importance attached to it by policy planners as articulated in the Draghi report.

3. BEREC's message is at odds with key EU-level findings

The likes of Draghi (2024), Letta (2024), and the DNA impact assessment (2026) are in agreement that Europe is falling behind in telecoms and investment more broadly, emphasising that Europe needs to regain its competitiveness. It is evident that limited scale and weak profitability are constraining investment and innovation, particularly in the long term. BEREC's report contradicts these findings on a number of fronts, but without a robust evidence-based alternative case being made.

On global competitiveness, BEREC fails to realise that Europe is losing its edge: *"Europe's position in the advanced technologies that will drive future growth is declining... the EU's global position in tech is deteriorating: from 2013 to 2023, its share of global tech revenues dropped from 22% to 18%, while the US share rose from 30% to 38%"* (Draghi, Part A, p.14).

On the Single Market, BEREC argues that cross-border mergers are already possible and that scale can be achieved if needed. Letta, Draghi, and the DNA argue that the Single Market is

¹³ Ookla® | Omdia | Europe 5G SA 2025 Report

needed: *“Allowing EU companies to scale up within the Single Market is not just an economic imperative but a strategic one” (Letta, p.9).*

On investment, BEREC does not mention future investment needs and implies that current capex levels in Europe are sufficient. As the DNA acknowledges, significant investment is needed to deliver on 5G SA, 6G, secure/resilient networks, etc.: *“The deployment of 5G SA networks in the mid-band is significantly more expensive than of basic 5G networks”* (DNA IA Part 2, p.157) and *“Security, defence and economy rely on the existence of cutting-edge fixed and wireless systems ... the connectivity infrastructure of the Union is not ready to address the current and future challenges of the data-driven society and economy, growing geopolitical tensions and conflicts”* (DNA IA Part 2, p.11).

Finally, **on prices and quality**, BEREC treats low prices as unambiguously positive. However, long-run investment can be stifled by these low prices, as suppressed revenues undermine future network upgrades and advanced 5G deployment: *“Europe has increasingly lagged in the adoption of new technologies... for 5G, it has lagged the US, China and the GCC, as well as developed APAC markets”* (DNA Part 3, p.156) and *“In recent years, return on capital has been lower than the weighted average cost of capital, making the financing of future investments problematic”* (Draghi Part B, p.71)

A balanced and equitable perspective is required:

BEREC should be externally commissioning this report to ensure an independent and objective assessment of European telecoms. Given BEREC’s central role in the development and application of the EU telecoms regulatory framework, this is essential to avoid the appearance of a self-evaluation.

With this in mind, the following are some of the changes required to ensure this report fairly represents the performance of the EU and focused on indicators that make a real difference to stakeholders:

- 1) A consistent, wide range of benchmark countries should be used for benchmark comparisons.
- 2) Network quality should be assessed based on meaningful technologies. For fixed, that means including cable that is capable of Gigabit speeds and for mobile means considering 5G standalone coverage.
- 3) Level of efficient investment (per operator and per connection) should also be assessed and benchmarked across countries (with reference to GDPs), rather than simply considering capex to revenue ratios. In this context, metrics such as capex per capita provide a more meaningful indication of investment intensity, as they enable more robust cross-country comparisons by normalising total investment by population size and reducing sensitivity to differences in pricing, ARPU, and market structure. Future investment needs should be considered (5G SA, 6G, security/resilience)
- 4) The ROCE section should not rely on the CEPR blogpost, which has a number of flaws. It should include comparisons with other industries for context.
- 5) The shareholder returns chart should make distinct how much of the gains are from stock dividends, which is a sign of a sector that is not investing or thriving.

- 6) The scale discussion needs to consider in-market consolidation, rather than simply cross-border, as this is where network duplication efficiencies are made.