# European broadband: investing in digitally driven growth

2010/2304(INI) - 20/09/2010 - Non-legislative basic document

PURPOSE: to present a coherent framework for the attainment of the targets set out in the Digital Agenda with regard to broadband.

BACKGROUND: there are about 124 million fixed and 25 million mobile broadband subscriber lines in the EU, which is one of the **world leaders in first-generation broadband deployment**. World demand for bandwidth has been growing at roughly 50-60 % per year driven by the extension of internet use.

The Digital Agenda for Europe, a flagship initiative of the Europe 2020 strategy restated the objective endorsed by the European Council to bring basic broadband to all Europeans by 2013. **By 2020, all Europeans should have access to internet of above 30 Megabits per second (Mbps) and 50% or more of European households have subscriptions above 100Mbps.**

Next-generation terrestrial wireless services can offer transfer rates of over 30 Mbps and therefore meet the broadband coverage target. They are particularly important in regions with difficult terrain where wired access is impractical. Wireless connections via satellite could also play a role in these regions, but further technological development will be needed if satellite is to contribute to universal coverage at the target speed of 30 Mbps by 2020. To reach these ambitious objectives it is necessary to **develop a comprehensive policy, based on a mix of technologies** and to monitor carefully progress over time. **Substantial investment will be needed**. Recent studies indicates that between EUR 38bn and EUR 58bn would be needed to achieve the 30 Mbps coverage for all by 2020 (using a mix of VDSL and next generation wireless) and between EUR 181bn and EUR 268bn to provide sufficient coverage so that 50% of households are on 100 Mbps services.

With growing internet traffic and rising bandwidth demands, more efficient management of network resources is increasingly seen as important to the provision of high-speed broadband. A public consultation on the open internet and net neutrality was launched by the Commission on 30 June 2010. The Commission will report later this year on the outcome of this public consultation. It will also monitor further the functioning of the market from a consumer perspective (retail prices, choice problems, complaints, etc.).

CONTENT: the main objective of this Communication is to **assist further the actions of national and local authorities.** It is presented as a **broadband package** with the two other broadband commitments made by the Commission in the Digital Agenda action on fast and ultra fast internet. These are (i) the Next Generation Access (NGA) Recommendation to provide regulatory guidance to national regulators and (ii) the Radio Spectrum Policy Programme to improve the coordination and management of spectrum and hence facilitate, among other things, the growth of wireless broadband.

An EU broadband policy should promote concrete measures which could (i) **foster investment** by, for example, reducing investment costs and (ii) **enhance infrastructure competition**, taking into account that the competitive threat of alternative public and private investors (including local administrations and public utilities) would incentivise investments in NGA by incumbent operators. Such actions should be coordinated both at EU and national level.

**1) National Broadband Plans**: all Member States have a broadband strategy but few have fully operational plans for ultrahigh speed networks with concrete implementing measures to realise their

targets, notably as regards the necessary funding. The broadband target will only be achieved if **all Member States commit to it and set out an operational plan defining national targets.** As part of the governance of the Digital Agenda, the **Commission will work with Member States to coordinate the establishment of national targets** and will encourage peer-review processes among Member States in order to accelerate the transfer of best practice between policy makers. Member State plans should comprise a balanced set of policy actions to incentivise and supplement private-sector action.

**The Commission will review the national plans in 2011**.

**2) Promoting investment and reducing investment costs**: it is estimated that around 80% of the costs of deploying new fixed infrastructure are civil engineering costs which can be significantly reduced through a proper coordination by national and local authorities, using town planning rules and remedies mandating access to passive infrastructures. Wireless infrastructure costs can similarly be reduced by such measures.

Moreover, national or local authorities can support broadband deployment through direct public investment or public financing in line with State aid rules. Public financing could help make high-speed networks feasible where costs would otherwise be unmanageable. Such public funding should be targeted so as to alleviate barriers to private investment.

**The Commission will undertake a review of existing cost reduction practices and report in 2012**. It will also will develop and improve mechanisms to enable local actors to obtain relevant information to reduce investment costs.

**3) Promoting wireless broadband**: spectrum has been designated for electronic communication services, technically optimised in particular for wireless broadband access through several Commission Decisions, but in many Member States substantial parts of this spectrum are still subject to restrictions on assignment or parts of it have not been assigned at all.

As demand for wireless services increases, the key priority will be to **make effectively available to users those frequencies that have already been earmarked through harmonised allocations**. Secondly, sufficient and appropriate spectrum for both the coverage and the capacity needs of wireless broadband technologies should be designated and made available to achieve the target set for 2020.Individual Member States could help achieve the broadband coverage target rapidly if they immediately adopted policies to: (i) make available sufficiently large bands of spectrum; (ii) award rights of use quickly; (iii) increase flexibility and competition; (iv) allow secondary trading to adapt to market developments.

**4) Reinforce and rationalise the use of the Structural and Rural Development Funds**: in the 2007-2013 programming period, a total of EUR 2.3bn of Structural Funds was allocated to broadband infrastructure investments, and EUR 12.9bn to information society services. Expenditure figures for the Structural Funds show relatively slow absorption of funds targeted on broadband projects.

To help **expand the usage of Structural and Rural Development funds**, both for broadband and other information society services, the Commission will: (i) publish, in 2011, guidance on broadband investment for local and regional authorities to encourage the full absorption of EU funds; (ii) engage more closely with regions, in view of helping them to reinforce their capacity to absorb funds; (iii) provide guidance on the use of funds from public-private partnerships (PPPs) and other financial instruments such as matching funds complementing the Operational Programmes of the European Structural Funds.

**5) Develop broadband finance instruments**: the European Investment Bank (EIB) is already lending an average of EUR 2bn each year to economically viable broadband projects. EIB involvement is planned to increase as the Bank refocuses its lending strategy on the Europe 2020 priorities.

Local and regional authorities are increasingly exploring alternative financing arrangements, including public-**private partnerships (PPP),** for financing broadband infrastructure. To support such PPPs, the EU and the EIB will make proposals by spring 2011 on ways to mobilise the know-how of the European PPP Expertise Centre (EPEC), an EIB TA/advisory instrument co-financed by the EIB and the EU Budget.

In the context of the preparation of EU programmes under the next Multi-Annual Financial Framework and the role of the EIB, **the Commission and the EIB will also, by spring 2011, set out concrete proposals for financing instruments** to complement existing means of the financing of broadband infrastructure. Such instruments, which could be of debt, guarantee or equity type or a combination thereof, should match to the needs of investment projects in terms of flexibility, maturity and risk. Until such an instrument is in place, the EIB will use available resources to develop and finance pilot projects and innovative funding schemes in duly justified cases.