

# Building a European policy on broadband

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**PURPOSE:** to present a Report on “Bridging the Broadband Gap”.

**CONTENT:** this Commission Communication focuses on the territorial divide of broadband access in the EU – i.e. the difference between uptake in the rural communities as compared to the uptake of broadband in the urban areas.. Its purpose is to raise awareness at both a local and national level of the importance that this divide has on the EU’s overall development strategy. The findings of this Report are based on the “Digital Divide Forum Report”, which was available for public consultation up until 16 September 2005.

Broadband enables new applications and enhances the capacity of existing ones. It stimulates economic growth through the creation of new services and the opening up of new investment and job opportunities. Further, the availability of broadband services is one critical element in assisting local communities in attracting businesses, in enabling tele-work, in providing healthcares and in improving education and government services.

Demand for residential broadband services in the EU has been growing fast. The number of broadband access lines has almost doubled in the past two years. In October 2005 there were about 53 million connections in the EU 25 – corresponding to a penetration rate of 11.5% in terms of population and to roughly 20% of households. These developments have been mainly market driven and are enhanced by competition.

Yet, access in more remote and rural regions is limited. This trend can largely be attributed to high costs associated with low population densities and geographical remoteness. Thus, in spite of significant increases in broadband coverage an important gap between urban and rural areas of the EU 15 Member States plus Norway and Iceland remains. There are, as yet, no figures for the ten new EU Member States. The result is that households with access to broadband are concentrated in urban and suburban areas. In January 2005, DSL reached only about 62% of households in the rural areas. Furthermore, in these areas only about 8% of households subscribe to broadband, compared to an average rate of 18% in urban areas. Rural areas also lag behind urban areas in terms of connection speeds. Download speeds between 144 kbps and 512 kbps are common in rural areas compared to average speeds of between 512 and 1000 kbps in urban areas.

To address these shortcomings, the Commission suggests that the local and regional authorities are best placed to plan a broadband project that takes account of local needs and technological requirements.

To address some of the shortcoming identified a number of actions are proposed:

**Action 1: Implementation of the regulatory framework for electronic communications.** The Report proposes that Member States fully implement this framework in order to enhance open access to broadband and to facilitate competitive entry in rural areas.

**Action 2: Public funding.** Public intervention in the forms of loans and grants, often as public-private partnerships, should be further developed in under-served areas. Fiscal incentives for subscribers should be explored, in compliance with competition rules and technological neutrality.

**Action 3: State aids and competition policy.** The Commission will seek to explain and disseminate its practice in order to provide guidance on state-aid rules applicable to broadband projects.

**Action 4: Structural Fund and the Rural Development Fund:** The Commission will organise a conference in the first half of 2007 to bring together the ICT and rural constituencies. The aim will be to analyse the needs of rural users and to create awareness of the potential of ICTs for rural development.

**Action 5: Demand aggregation and procurement.** The Commission will launch a website that stimulates the exchange of best practices and that will facilitate demand aggregation. It will act as a central information platform, publishing calls for tender and providing a one-stop shop for best practice exchanges. As such it may develop into a virtual meeting point between suppliers and local governments. Such an approach will allow very sparsely-populated areas to co-ordinate demands for broadband whilst at the same time establishing a critical mass for technological solutions.

**Action 6: Fostering the creation of modern public services.** Active policies at both Member State and regional level can provide connectivity for public administration, schools and health centres. The Commission will take account of the stimulation effect of e-government services in disadvantaged regions when preparing its Action Plan for e-government in 2006.