

# Eastern Europe & the Nordics take lead on fibre networks

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Latest figures unveiled at the FTTH conference in Lisbon on 24-25 February show Lithuania leading the way in the penetration of fibre-to-the-home at year-end 2009, followed by Sweden, Norway, Slovenia and Estonia. Interviewed by *IT Europa*, Director General of the FTTH European Council, Hartwig Tauber (*right*) explains why Eastern Europe and Scandinavia are the most dynamic, and warns Western European countries, particularly Germany and the UK, about the risks of not keeping up-to-date with the recent broadband infrastructures.



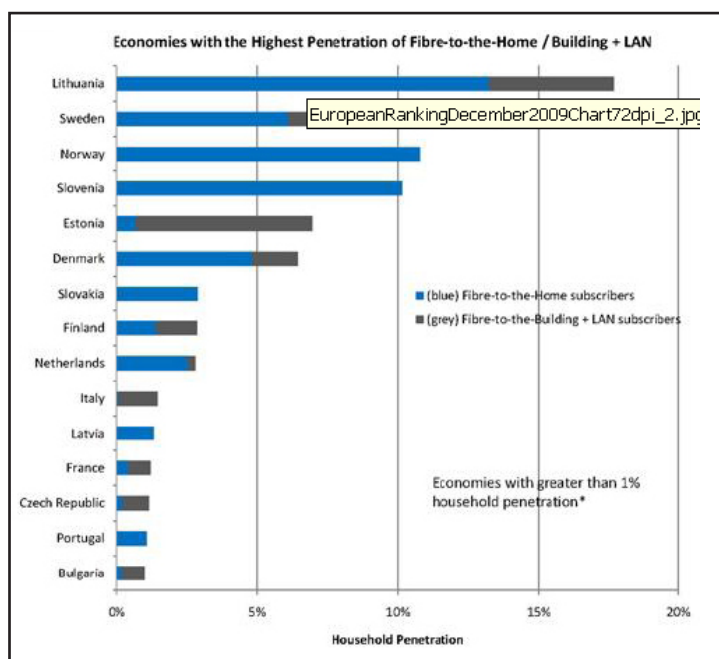
“That Lithuania is suddenly number one in Europe was also a big surprise for us,” begins Tauber, “but there are several reasons for this.” The first reason is that the way the ranking is put together is by taking the percentage of households connected to FTTH. So it makes it

easier for a smaller country like Lithuania to get a higher percentage, compared to bigger countries such as France or Italy. “That’s a mathematical effect and doesn’t obviously reflect what happens in Lithuania.”

“What happened there is that the incumbent but also several alternative authorities did very big efforts in the last 18 months to deploy fibre networks in the country; it was a quick rollout, and in the next months, and of course in the last 12 months, they also started to connect fibre households and the result is that today they’ve now really exceeded the 15% and nearly going to 17% of households already using FTTH infrastructures.”

But where would Lithuania get the money from? Tauber seems clear that “It doesn’t come from the government.” As mentioned by a Lithuanian journalist, there are several infrastructure programs for Eastern European countries – of course, they’re not fully financed, but it can be a small trigger. Also, due to the tough competition in these markets, operators have to invest to survive; “They see the business plan in it and want to increase the customer base, so the rest is private money.”

Lithuanian economists would also agree on the fact that it was an absolute necessity to put in place an infrastructure that fulfils broadband demands.



"Due to last 50 years' history, it was absolutely necessary to renew the infrastructure there, partly to rebuild it; that's something that you see everywhere in Europe, that if somewhere a communication infrastructure is built today, then it's built on fibre. And so that was of course a big jump forward."

To Tauber, the fact that Eastern European countries or former communist countries are now number one in Europe isn't so surprising. "It really reflects the situation that due to their history, these countries had a lack of good communication infrastructures and now they take the big chance in saying, 'If we have to renew, if we have to upgrade it, we really do it on a fibre way, because this is a future-proved solution.'" In the 15 countries part of the FTTH ranking 2009, they're all there: Lithuania, Latvia, Estonia, as well as Slovenia, Slovakia, the Czech Republic and even Bulgaria.

FTTH being recognised as a key economic driver, this could become a quite challenging situation for Western European countries. "The fact is that many of the countries that we've always called 'developed countries' have quite good copper networks in place (so that they can build DSL for example), and the incumbents try to use their existing infrastructure as long as possible. But if they wait too long – and already today, a lot of applications and demands for bandwidth can only be fulfilled with fibre – as it takes some time to put in place, that could even lead to economic problems."

This was proved in Lisbon by the OECD, which presented a very sophisticated study clearly showing that the availability of fibre networks as broadband networks has a direct positive effect on the whole economy. All the countries that are not in the European ranking, which should consist of the 27 EU countries, plus Norway and Switzerland, therefore are at risk.

This is true mainly in Germany, as "Deutsche Telekom is reacting extremely slowly and the competition in the German market is not very strong". However in this fragmented market, some utility companies, alternative operators and municipalities have started to deploy the fibre networks of their own initiative, as they realised they couldn't wait longer to move forward.

Another slow country is the UK, as British Telecom isn't doing much about it. "We see a lot of discussions on the political level about broadband and all this, but when it comes to the implementation of broadband networks or fibre networks, there is no real progress." Although the situation could change a little, thanks to Virgin which seems to be acting very aggressively on the market and which just recently announced it now had 100Mbps services

available, the UK still needs to make very important efforts to move forward.

In Spain, if Telefónica had made good plans for fibre, it suddenly changed its mind back mainly to VDSL, which of course according to the FTTH Council is a pity.

And Telcom Italia isn't really progressing either, although ahead of France in the rankings, thanks to 'Fastweb', a big fibre network deployed in Milan in the beginning of 2000-2001; but if the network is still operational, fulfilling the bandwidth demands, there was no progress since then. "But for Italy, we expect a different push, as we will have the next FTTH conference in 2011 in Milan, and normally when we move our conference in a country, it always has some positive effects on it regarding FTTH," Tauber concluded.

Finally, the FTTH Council welcomes the entry of Portugal in the rankings, as it proved that a joint effort of all players can push forward a country within just one year.

It remains that the UK and Germany, the two biggest European IT markets, are still missing, due to the main telecom companies there sitting on their gains, maybe explaining why in the first Global Ranking of the G-20 states published by the FTTH Councils, while North-America and the Asian economies seem to head in the right direction, Europe does not figure in the ranking.

"We welcome the latest update of the Global Ranking with mixed feelings," commented Karel Helsen, President of the FTTH Council Europe, "On one hand, we are happy to see European newcomers like Portugal, Bulgaria and Czech Republic in the Ranking, and of course France, one of the European G-20 states. On the other hand, the new G-20 Ranking shows that countries such as Germany and UK, and of course the European Union as a whole are still lagging behind."

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