Internet

Investment bottlenecks hamper network improvements

By Natalia Kurop | Monday 07 October 2013

Investment in the development of high-speed internet networks in Europe remains a bone of contention. Incumbent telecom network operators are dragging their feet, offering feeble excuses for still operating on antiquated copper networks when more advanced technologies, such as fibre, exist.

In an interview following the Fibre to the Home Council's (FFTH) Investors' Day last week, which explored the problems of financing the roll-out of fibre access networks in Europe, Hartwig Tauber, FTTH Council's director-general, summed up the challenges: "Europe needs a fibre solution to stay competitive. Copper delivers slower speeds, particularly for uploads, which are around ten times slower than fibre. But most telecoms companies are short term-oriented. They want quick returns and high dividends. They are not interested in future-oriented investment," he explained. Tauber pointed to Europe's limited fibre roll-out as a case in point. "Only 3% of households in Europe use fibre connections, so we are far below the 10% target. There are multiple benefits from accelerating investment in and deployment of fibre to the home at 100 Mbps or a gigabit in both directions," he said.

BILLIONS OF EU FUNDS UNSPENT

Through its three funds - the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund - the Union's cohesion policy is investing a total of €347 billion in 2007-2013 in the member states. A percentage of this money has been allocated to improving telecoms infrastructure. However, significant sums remain unspent. According to Tauber, one reason for this is that the money was made available too early. "Public-private partnerships would have been the easiest way to use this money, but there are always conditions attached. For example, if an operator agrees to take the money to build a network, then other market players also have to be able to benefit from the funds. This is not what the incumbents or other strong market players are interested in," he pointed out.

Meanwhile, the other main instrument focused on broadband investment, the Connecting Europe Facility (CEF), has had €8 billion out of €9 billion reallocated to due to the absence of equitable projects in the pipeline and a distinct lack of interest from telecoms companies in accessing the funds.

According to the FFTH Council, telecoms operators are themselves hampering investment in networks. "Incumbents [telecoms operators] are not willing to invest in fibre because they have inherited copper networks and they want to milk out as much money as possible from the existing networks before building new ones," said Tauber.

There are some 200 fibre projects currently underway in Europe, but they are too small for typical investors. "The regional fibre projects worth €60 million do not find financing because they are too big for the local banks and too small for big investors," Tauber said. One opportunity to access investment discussed at the Investors' Day was to aggregate regional projects to create large-scale projects. This was recently the case in Germany, where a local bank brought five regional projects together, which then won investment from the European Investment Bank.

Part of the challenge of accessing finance is the complexity of the investment deals and the time required for the return on an investment. "Laying down fibre means opening up streets. This means that there is a 10-15-year wait before return," said Tauber, adding that "this, clearly, is too long".