

## Europe should choose future-proof broadband NOW!

*By Karin Ahl, President of the Board, FTTH Council Europe*

BRUSSELS, 4 OCTOBER 2012 - Internet, broadband and next-generation information and telecommunications are the pillars upon which Europe will be built. We must make the right decisions today in order to create a future-oriented Europe. The EU can come out of the current crisis as a strong player on the global telecommunication and broadband services market, but getting there is challenging. Strong leadership is required to support decision-makers in their choice for the only future-proof broadband access solution: Fibre to the Home!

FTTH Council Europe is aware there is a long and difficult road ahead. Let me give you an example of what we're facing today. The local government of Lower Austria - the country's largest federal state with over 1.6 million inhabitants - recently sent a letter to rural municipalities, informing them that their broadband will be upgraded with the 'latest wireless technology', allowing 'up to 8 Mbps in downstream'. This means 5 million euro of public money will be spent on a technology that doesn't even support the European Commission's lowest Digital Agenda for Europe 2020 target!

This is a prime example of how decision-makers across the European Union deal with ICT and broadband. Since the European Commission published the Digital Agenda (DAE) in 2010, there are voices that say the broadband targets are ambitious. But given the ambitions and plans of strong economies outside Europe, the targets are merely appropriate, or even low.

After two years of escalating crisis, Europe's governments and decision-makers are questioning the DAE targets, to delay steps and bring down targets, instead of facing the challenge and leading Europe into a competitive future. Let's subject their main arguments to a reality check:

- There is no market evidence that higher speeds are needed
- Financing networks is not possible
- Europe has more urgent problems than broadband

### No evidence?

Many larger operators admit Fibre to the Home is the 'end game' solution, yet claim that there is no proof of broadband demand. The FTTH Council Europe has investigated take-up rates of fibre networks that have existed for several years. The result? Consumers WILL subscribe to high-speed fibre products, even at a premium price. Take-up is a question of time and consumers who have experienced high bandwidth and quality of services are very loyal. However, many Europeans mistrust advertised bandwidth as studies show huge differences between promised 'up to' speeds and what is actually delivered.

When someone tells you 'nobody will need 100 Mbps in the next 10 years', consider this: a century ago, governments claimed there was no evidence that more cars would ever be sold, and therefore no need for more roads. In 1958, IBM CEO Tom Watson stated "there is a world market for about 5 computers". Back in 1981, Bill Gates claimed that "no personal computer will ever need more than 640 kB of memory".

Just ten years ago, consumers didn't know about HDTV on demand, big-screen LCD-TVs, tablets, smartphones, online business or digital cameras. The first 4k devices, with four times the resolution of HDTV, will be on sale in time for Christmas this year. European consumers will soon be demanding services widely available in many other parts of the world, but operators won't be able to deliver.

### **Impossible financing?**

A significant – albeit solvable – challenge is the investment size and lack of infrastructure project financing. We've conducted several studies on this topic and set up a special 'financing of fibre networks' project to support making funds available.

Many studies look at the European or national level and come up with terrifying figures - but without publishing the underlying model, making verification impossible. Therefore, FTTH Council Europe started its own 'cost project'. Instead of extrapolating rough cost estimations, our model is based on bottom up cost calculations of existing fibre projects and real geographical information data.

The surprising result: delivering fibre to nearly all European households will cost (less than) half of many other cost estimations, at just over 200 billion euro! (Germany alone spent over 80 billion euro on telecommunications infrastructure over the last 10 years...)

Furthermore, over the last 18 months, pension funds, institutional and private investors and regional investment banks have started examining the possibilities and making investments. A special 'Investors Day' during the February 2013 FTTH Conference in London will bring investors and fibre projects even closer together.

In addition, the European Union's 'Connected Europe Facility' (CEF) in the 2014-2016 budget foresees 7 billion of a total of 9.2 billion euro for broadband. Innovative financing tools and private-public-partnership models will leverage a much higher investment from this budget.

### **More urgent matters than ICT?**

Although 9.2 billion isn't that much compared to the total 1,000 billion European Union budget, the CEF is under heavy attack. Decision-makers in several countries question even the smallest budget reservations for broadband, preferring to invest in streets, railways or airports - even though there's already an infrastructure budget proposal four times larger than the CEF. The CEF budget may well be substantially cut in the next months. However, European decision-makers and economic studies on broadband often fail to mention there is a global competition going on, and the winners will need sufficient broadband access. Today, most key brands in ICT and broadband applications and services are based outside Europe.

The FTTH Council Europe strongly supports the DAE objectives as there is clear evidence that only Fibre to the Home can provide the necessary upload and download speeds and Quality of Service, now and in the future. FTTH-enabled applications and services in healthcare, teleworking and home entertainment will ensure Europe remains a global economic leader, but weakening DAE targets will lower its global competitive power.

According to Arthur D. Little, every 10 % increase in broadband penetration generates 1% GDP increase. For every 1,000 new end customers, 80 new job opportunities are created. Even though they only look at direct effects of broadband availability, studies from OECD, European Investment Bank and others show future-proof fibre networks have a positive impact on productivity and economic growth. They can help beat the crisis and prepare Europe for the post-2020 world.

## The way out

The conclusion is simple: Europe simply must roll out future-proof fibre broadband networks as soon as possible. This will ensure successful developments for our economy, society and environment. But getting there requires significant changes in Europe's telecommunications market, which might not immediately find support with the markets and the public, but do serve the long-term success of Europe. Some big players may even disappear - but protecting them can endanger the entire European Union.

The EU needs strong leadership and decision-makers that understand the long-term impact of broadband and ICT. If they make the right decisions today, they will ensure Europe gets the broadband it needs to succeed on the global market by 2020 and beyond.

Next year, elections will be held in Lower Austria. The local government may hope to win votes from citizens that have even less than 8 Mbps 'broadband' today. But they may have underestimated end-users, who are already complaining that an 'upgrade' from the current 'up to 6 Mbps DSL' is insufficient and the 5 million euro public money could have been invested more effectively.

We need to work together to make sure European decision-makers understand the importance of ICT. Let's work towards making future-proof fibre-based networks available to as many European households as possible. And by doing this, let's create a bright, successful future for Europe.

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### About the FTTH Council Europe:

The FTTH Council Europe is an industry organisation with a mission to accelerate the availability of fibre-based, ultra-high-speed access networks to consumers and businesses. The Council promotes this technology because it will deliver a flow of new services that enhance the quality of life, contribute to a better environment and increase economic competitiveness. The FTTH Council Europe consists of more than 150 member companies.

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