

Are governments fulfilling their role in meeting the Digital Agenda?

By Nadia Babaali, Communications Director, FTTH Council Europe

BRUSSELS, 28 JUNE 2012 – In the mid-nineteenth century the French town of Alençon was an important crossroads between Paris and the West of France, similar in size to its regional rival, Le Mans. Then, the train arrived. Or rather, it didn't for Alençon. The railroad between Paris and the West cut through Le Mans and Alençon was side-tracked; the latter town slid into a period of economic stagnation, while Le Mans boomed.

Today it is ultra-high-speed broadband infrastructure that will become a determining factor in ensuring the economic fortune of cities and regions. The European Commission (EC), for example, estimates that every 10% increase in broadband penetration results in economic growth of between 1% and 1.5%. To spur this growth, EU Member States are being encouraged to implement the European Commission's Digital Agenda, a multi-faceted project to create a single European market for digital services.

At the heart of the Digital Agenda (DA) is a broadband infrastructure project to ensure the delivery of the services that will boost Europe's economic development. The EC estimates that if Europe is to remain competitive with other regions globally, by 2020 it will need Next Generation Access (NGA) networks that ensure 50% of European households are subscribing to Internet connection speeds of 100 Megabits per second (Mbps) and that 100% of households have a minimum download rate of 30 Mbps. So far, 21 Member States have defined quantitative coverage objectives for the deployment of NGA with download targets ranging from 25 Mbps to 1 Gigabit per second (Gbps) and with coverage footprints between 75% and 100% of households or population.

However, these objectives are not yet translating into the widespread construction of much-needed ultra-high-speed broadband networks and a correlative increase in Fibre to the Home (FTTH) usage. As a result, Europe is lagging behind other regions. At the end of 2011 the European Union had 4.5 million FTTH/B subscribers, according to IDATE, compared to 54.3 million FTTH/B subscribers in the Asia Pacific region and 9.7 million in North America. And in the major economies of Germany, the UK and Spain, FTTH penetration was below 1% of total households.

To make DA targets a reality, governments will need to be more proactive in creating the right legislation and incentives to ensure that enough NGA networks are built by the 2020 deadline. The pay-off will be a mixture of simplified legislation and new infrastructure that will ease cross-border trade and encourage economic growth.

One of the key drivers of the Digital Agenda is the wish to eradicate potential future digital divides in countries where there could be little or no incentive for commercial operators to build high-speed infrastructure in certain areas. Again, action is still needed. One answer is for governments to develop Public-Private Partnership (PPP) models on a national or local level. This would facilitate the funding of high-speed networks and ultimately provide services that benefit taxpayers.

A survey by the OECD¹ found that cost savings derived from the use of NGA infrastructure in just four sectors of the economy—transport, health, electricity, and education—would justify the construction of a national FTTH network. Certainly, governments that facilitate the construction of FTTH networks will be able to provide key public services more efficiently: for example, delivering online health services will open up the possibility of providing remote consultations using video in rural areas and to patients unable to attend clinics. In addition, citizens with ultra-high-speed network access at home will find it easier to engage in teleworking, which can greatly benefit companies in terms of saving costs and providing flexibility for employees. That in turn, opens up new possibilities to re-invigorate rural or economically depressed zones.

Yet so far the EC describes progress by the region's governments in terms of implementing the Digital Agenda as 'moderate'. Many factors are stalling government action, not least of which is cost. Providing access speeds of 100 Mbps to 50% of European households would cost between 181 billion euro and 268 billion euro, according to estimates in the Digital Agenda's Broadband Communication. The initial results of a cost model, currently being developed by the FTTH Council Europe, show that the cost of meeting the Digital Agenda targets with FTTH would be on the low side of this range, requiring an estimated total investment of 192 billion euro. In addition, there is potential for huge savings, for example through reuse or sharing of existing infrastructure. Coordinating such cost-saving measures must be a key task for governments and regulators.

There are encouraging signs that private and municipal organisations are increasingly taking steps that mean national governments will not have to foot the bill alone. This will result in an increase in wholesale and retail fibre access networks that will underpin future innovative services.

In Europe, a number of cities have already recognised the importance of ultra-high-speed FTTH networks in securing their economic future and have encouraged investment by private companies. In Munich, for example, the utilities company SWM in conjunction with telecoms operator M-net is investing 250 million euro in building FTTH networks and expects 350,000 dwellings, or half of all homes in the city, to be connected by 2013. In Stockholm the municipality created a body, almost entirely funded by commercial organisations, to build a wholesale FTTH network and lease the fibre to private service providers.

In the Netherlands, private investors have teamed with the incumbent KPN to offer FTTH to the vast majority of the population within 5 to 10 years, resulting in 1 million homes already covered, of which 40% are subscribers. Meanwhile in the UK, CityFibre aims to deploy FTTH at speeds of at least 100 Mbps to one million homes and 50,000 businesses in second-tier cities.

But in order to ensure strategic national frameworks, it is Europe's governments that will need to play a crucial role in ensuring coordination between all stakeholders including local and regional authorities, private investors and regulators. Portugal, for example, has invested funds from the European Economic Recovery Plan to deploy Next Generation Access networks in 140 rural municipalities, requiring bidders to connect at least 50% of the population in a region to speeds of 40 Mbps or more. The country has also provided an 800 million euro credit facility to investors in NGA networks. France, meanwhile, has put in place regulation to facilitate inter-operator co-

¹ www.oecd.org/document/58/0,3343,en_2649_34225_44245946_1_1_1_1,00.html

operation on FTTH roll-out with the aim of providing ultra-high-speed broadband coverage to 70% of the population by 2020, spreading to 100% by 2025. And at the end of 2011 the French telecoms regulator foresaw approximately half of the estimated 19 billion euro cost of building nationwide very high-speed broadband networks coming from public funding.

The reality for governments and their partners is clear. As new public and private services and devices are developed that demand increased capacity, priority should be given to a future-proof infrastructure that can accommodate growth and changes in bandwidth usage. Unlike Fibre to the Cabinet (FTTC), which is limited by its reliance on copper networks to transmit data on the last leg to the home, FTTH provides ultra-high-speed fibre connections to the building from the outset.

Ultra-high-speed broadband FTTH networks are set to play a key role in ensuring a competitive and prosperous future for Europe, but those networks can only fulfil their potential for transforming local and national economies if they are widespread. Given the huge scale of such an infrastructure project, governments and decision-makers will need to step in to coordinate private and public investment, so that networks are built in a cost-effective and timely manner.

Unfortunately, many governments are still shying away from getting to grips with the real challenge of deploying truly future-proof NGA infrastructure. Indeed, some of them still question the need for setting Digital Agenda performance targets. But history illustrates that economic transformation depends on infrastructure. If Europe does not begin seriously implementing the broadband networks of tomorrow, it is in danger of mirroring the fate of nineteenth century Alençon and not experiencing the economic growth that it now so desperately needs.

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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.
www.ftthcouncil.eu

Media Contact:

Nadia Babaali

Communications Director

FTTH Council Europe

+33 (0) 6 20 88 72 38

nadia.babaali@ftthcouncil.eu