

Press Release

Stance of European Regulators Calls i2010 Readiness into Question

Current EU Regulatory Framework for Electronic Networks and Services is a barrier to investment in new generation broadband, says FTTH Council

Brussels, 10 August 2005: The Fibre to the Home (FTTH) Council Europe calls on European regulators to re-consider the European Regulatory Framework after it emerged in a Brussels meeting last month that the current rules do not allow national regulators to remove uncertainties surrounding investments in 'deep' fibre deployment.

In June, European Information Society commissioner Viviane Reding unveiled a strategy to create a single European information economy (i2010), underpinned by mass availability of affordable, faster broadband services. While the FTTH Council and national regulators reached broad agreement on the obstacles preventing the achievement of i2010, the regulators deemed the development of new legislative frameworks to overcome them a low priority.

In a public debate hosted by the FTTH Council last month, senior regulators from the Commission, the UK, France and the Netherlands explained that they see no scope for intervention under the current regulatory regime.

It is commonly assumed that optical fibre will migrate deeper into broadband access networks, supporting the rollout of higher speed and symmetrical broadband services. All DSL technologies are hampered by a trade-off between copper line-length and speed. Shortening line lengths, by placing fibre closer to homes¹, is advantageous for any broadband deployment capable of supporting 'high definition video' as the Commission's i-2010 strategy requires.

¹ This approach is commonly referred to as 'fibre-to-the-node', or FTTN

"If we look at the US and Asia, where investments in deep fibre deployments for new generation broadband services have passed €100 billion, what we see is supportive public policy that has recognised the fundamental importance of fibre and acted to remove ambiguity and uncertainty from the regulatory process," said Meni Styliadou, chair of the Council's regulatory affairs committee. "In Europe, by stark contrast, the great majority of investments in fibre in access are being supported by regional authorities or utilities who are themselves supported by the public sector. Established operators do not seem to be interested. And one can see why... Would you invest billions in a long-term, fibre optic infrastructure investment which can provide services that cannot be provided as efficiently and effectively over any other platform, when, as the Framework stands, your new assets could be unbundled to competitors?"

The i2010 strategy aims to close the gap between Europe and the world's leading information economies. That is no mean challenge, as the statistics bear out. In the US, Verizon and SBC are both investing heavily in new generation services following changes to FCC regulations that provide a positive framework for deep fibre deployments. SBC's services, based on bandwidths of around 25 Mbps, will be available to 18 million homes by 2008. Verizon's services and coverage ambitions are broadly similar.

NTT of Japan is investing €38 billion in FTTH infrastructure and has targeted 30 million subscribers, or 50% of its PSTN subscriber footprint, by 2010. China is reputed to have at least 5 million FTTH connections.

By contrast new generation broadband services in Europe pass no more than 500,000 homes today.

"The development of broadband services in Europe could stagnate at the ADSL stage, whilst key competitor economies continue to race ahead," said Thierry Lepercq, Senior Advisor at Nicominvest, a Paris-based fund which backs telecommunications service providers, including one of Europe's first FTTH pure plays. "Europe needs rules that protect competition whilst encouraging private sector investment in deep fibre networks. Investors don't like to aim at moving targets."

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About the Fibre to the Home (FTTH) Council Europe

The FTTH Council Europe www.europeftthcouncil.com is a market development organisation with a mission to accelerate the availability of fibre-based, broadband access networks to consumers and businesses. With few exceptions, Europe lags well behind the US and Asian tiger economies in the availability of high speed broadband services (10 Mbps and upwards). The Council believes that the development of fibre-based access networks is fundamental to the deployment of such services, and hence to reaping their benefits for European citizens and businesses.

The Council's charter is to work with European governments, policy-makers and opinion leaders qualify and quantify the benefits to be gained from fibre-based broadband access networks, and to identify and help to erode the barriers to their development. Council members are drawn from the telecoms (vendors), broadband content and academic sectors.

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