

**European Commission
Europe 2020 Project Bond Initiative**

Brussels, May 2nd 2011

Consultation on

“Stakeholder Consultation Paper Commission Staff Working Paper on the Europe 2020 Project Bond Initiative”

We thank you for the invitation to respond to the above mentioned consultation. Kindly find herewith enclosed the official reply of the FTTH Council Europe.

If there are any queries please do not hesitate to contact us.

Yours sincerely,
FTTH Council Europe



Chris Holden
President of the Board



Hartwig Tauber
Director General

The FTTH Council Europe (hereinafter the FTTH Council) welcomes the opportunity to participate in this 'Stakeholder Consultation Paper Commission Staff Working Paper on the Europe 2020 Project Bond Initiative'.

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 enhances the quality of life, contributes to a better environment and increased competitiveness. The FTTH Council Europe consists of more than 130 member companies. Its members include leading telecommunications companies and many world leaders in the telecommunications industry (additional information is available at www.ftthcouncil.eu). Telecoms operators are not members of the FTTH Council and we have our own perspectives regarding the appropriate regulatory policies to accelerate NGA deployments.

Introduction

The FTTH Council believe that the widespread deployment of FTTH will facilitate enormous benefits for the economic and social development of Europe. Many of the potential uses of FTTH such as home working, have significant impacts with them which can be classified as positive externalities. In the case of home-working this could be relief of traffic congestion allowing other commuters to save time as well as positive environmental impacts. In these circumstances, the benefits accruing to society often go far beyond the direct economic benefits identified by investors. Research undertaken by the FTTH Council¹ shows that the positive benefits or economic externalities arising from FTTH networks are extensive and widespread. The FTTH Council agrees therefore with the European Commission that positive externalities justifies the active promotion of such infrastructure investments by Government.

The FTTH Council sees FTTH investments as sharing the characteristics identified in the consultation of lengthy pre-construction and construction periods without revenues, that they are often built and managed under concessions with transfer of risk to the project company and its private shareholders and while FTTH projects do require long-term financing, the timing of such investments are often shorter and financing costs represent a significant proportion of the total project costs.

The FTTH Council's perspective is clear. The FTTH Council's sole interest is to see the benefits of FTTH made available to the greatest extent possible and in the shortest possible period of time. The FTTH Council believes that the current initiative will act as a catalyst for to the re-establishment of capital markets as a source of financing for funding to large infrastructure projects including large FTTH projects and is therefore to be welcomed.

¹ <http://www.ftthcouncil.eu/>



The FTTH Council is concerned however that the consultation paper makes it clear that the focus of these initiatives are on transport and energy TEN projects rather than on ICT related activities. Reviewing the proceeds of the workshop on 11 April 2011, this impression is greatly reinforced. Clearly, while the infrastructure financing requirements cited in the Consultation paper in absolute terms are significantly larger than those required for the achievement of the EU2020 network targets for broadband, there is nevertheless every reason to believe, as indeed it would appear that the Commission does, that the returns to society in the form of positive externalities from FTTH investments can be far greater than in the TEN networks. Care needs to be taken to ensure that this financing mechanism is fully available for large scale communication network deployments.

The FTTH Council will not reply to all questions, only those questions indicated below

General questions

1) Is the chosen mechanism likely to attract private sector institutional investors to the sectors of transport, energy and ICT in particular? If you are an investor, would you be prepared to buy such project bonds?

The FTTH Council believes that by offsetting the risk attached to investments in long term and large scale investments, finance will be both more readily available and cheaper to obtain for investors.

The FTTH Council believes that the mechanisms indicated both via credit enhancement and guarantee facilities will provide support for credit mechanisms without distorting the market adversely in any way. It does not appear likely that other forms of financing will be crowded out by the application of this mechanism.

In particular, the LGTT mechanism may have specific application in the case of broadband network deployments were such networks to be financed in this way. The residual concern of the Council remains the fact that the references in the consultation document refer to 'certain ICT-related projects' while there are no similar qualifications applied to TEN-E or TEN-T projects.

2) Are there other sectors with large-scale infrastructure financing needs that should be included?

No. The FTTH Council believes that the focus should remain firmly anchored to the EU2020 Strategy for Europe document and that the focus of the EIB and EU should remain in financing the basic general purpose networks only.

While the creation of a well diversified portfolio of projects will be an important aspect of the overall project risk, such diversification can be achieved within the identified network areas and over a wide geographic area within Europe.

Specific questions

3) Would the credit enhancement facilitate/accelerate the conclusion of financing packages?

The FTTH Council believes that the support proposed at the subordinated level will mitigate much of the risk that may arise. In turn this risk mitigation will close the gap between return and risk and attract private finance to these large infrastructure projects.

The FTTH Council believes that this will facilitate the conclusion of financing packages.



6) Which impact would the Initiative have on financing costs and on maturities?

As noted above, the support proposed at the subordinated level will mitigate much of the risk that may arise implying that these projects will attract more finance (at lower rates) and that there will be greater flexibility available in terms of maturities even by means of refinancing.