INFLUENCERS' VIEWS

Interview with Magdalena Gaj, President, Office of Electronic Communications (UKE), 7 October 2014

What is the status of broadband access in Poland?

The Internet access retail market is growing in terms of value and subscribers. In 2013, revenue was up 3.7% compared to 2012. In 2013, 87.7% of households were connected - more than 10 percentage points higher than 2012. Internet services were used by 30.8% of the population.

Compared to other European markets, Poland's position is diversified by network access. Fixed-line penetration amounted to 19.3% in 2013, some 10 percentage points below the European average. However, we're among Europe's leaders in terms of mobile Internet with 76.4% penetration, far above the 57.7% EU average.

In 2013, some 12 million Polish subscribers were using the Internet, 11% more than 2012. Fixed-line access was most common (7.6 million), though the number of mobile services subscribers (4.3 million) increased. The popularity of 2G/3G modems (39.4% of users) is reflected in the market shares of specific technologies. Services based on xDSL (25.7%) and cable (21.1%) also had significant market share in 2013.

Line speeds are also increasing year by year. 2 Mbps to 10 Mbps access speeds are still most common (38.1% of subscribers in 2013). However, the popularity 30 Mbps to 100 Mbps services is growing (35.2%) as that of the slowest lines (144 kbps to 2 Mbps) declines.

How will the role of FTTB and FTTH evolve in Poland over the next 10 years?

The market is seeing consolidation of smaller telecommunications operators. Investments in fibre and NGA technologies are also growing, guaranteeing 30 Mbps access, in line with Digital Agenda targets. Operators are investing in DOCIS3.0, FTTH and FTTB, whilst mobile operators are allocating significant funds to LTE networks. Small and medium-sized operators are making considerable efforts to roll out NGA networks, mainly FTTX, in unprofitable areas.

Investments in cable television amount to 88 million zloty (about EUR 21 million). 77 % of this comes from big operators in large and medium cities. Plans for 2013 assumed more than 840 million (about EUR 200 million) investment in access networks, the declared implementation was 680 million (about EUR 160 million). Plans for 2014 assume about 770 million (about EUR 185 million). 2013 fibre rollout investments exceeded 350 million (about EUR 85 million), including over 53 million (about EUR 13 million) in EU funding. Over 7,000 km of fibre networks were developed. For 2014, 760 million zloty (about EURO 190 million) in investments are planned, including 440 million zloty EU funding.

We will reach smaller towns with fibre, enabling local operators to develop access networks. EUR 200 million is assigned to developing access networks in digitally excluded areas as part of Regional Operational Programmes. We're currently providing missing elements of the transmission network. The next step is rolling out access networks to reach 100% of households with at least 30 Mbps. Funds will be targeted at areas that are not attractive for commercial operators. Over the next decade, growing FTTB and FTTH networks will ensure Polish citizens can use modern electronic services.

A big challenge for Europe is deployment of future-proof broadband in rural areas. What is your view on this issue? Are there specific plans for how Poland will address this?

Inhabitants of rural areas less frequently use global Internet resources and services for two reasons: lack of telecommunications infrastructure and lack of attractive services. This second reason is also linked to the user's age. Initiatives to persuade those uninterested in using the Internet of its benefits are being developed on a large scale. An example is the 'Digital Lighthouse Keepers' project: over 3,000 volunteers encourage different social groups, especially in rural areas, to use Internet services and facilities.

Poland's National Broadband Plan details our objectives and tools for achieving them. To improve the quantity and quality of telecommunications infrastructure a core distribution network is being developed in rural areas. This will first cover white spots, followed by an access network development and financing stage (2014-2020). Mobile network rollout also remains important. UKE has imposed investment commitments on frequency tender winners stipulating quantity,

locations and deadlines for new base stations. In the current auction for 800 MHz and 2.6 GHz investment obligations to cover white spots are also planned.

Open Access models, structural separation and passive infrastructure built by public bodies are hot topics in Europe when it comes to FTTH. What are your views on these issues?

These issues are vital to Poland's telecom market regulation. The guiding principle is to provide non–discriminatory open access to incumbent Orange Polska's network. The open-access principle applies to relevant wholesale markets identified by the National Regulatory Authority, which lack effective competition.

Open-access obligations have been imposed on the Significant Market Power operator, instead of the structural separation considered over a decade ago.* Networks developed from public funds must also provide open access. Currently, local authorities are building 14 large regional backbone and distribution networks to facilitate access in 'white areas'. These will provide regulated wholesale services. Operators won't be allowed to offer retail services, to ensure structural separation. A number of similar projects for development of modern, local NGA networks are in progress. This includes FTTH for digital inclusion wherever network development isn't profitable.

Non-discriminatory open access will also apply to local NGA networks. This should stimulate development of a competitive telecommunications market and prevent the occurrence of potential local monopolies. In my opinion, the principle of open access is an absolute priority whenever public funds are involved in network development.

When considering investments in infrastructure, how do you perceive the role and contribution of Public-Private Partnerships?

Wherever huge expenditure in NGA networks is required, especially where investments by private investors are not profitable, the Public-Private Partnership model seems to be the best solution. Much depends on the objectives pursued by the investment. Each party has different goals but they have one common target – to complete the effective network that is needed by the region and society. In Poland, the PPP model is often adapted to current needs. One example is a backbone distribution network in Lubuskie Province.

Developing broadband Infrastructure is widely considered crucial to the progress of the information society. However, some argue that creating and stimulating demand for broadband services is equally important. Do you agree? What other actions are necessary to advance deployment?

High-speed network development alone is insufficient, delivering services that society wants is equally important. Given the experience of recent years, we can easily prove that delivering services, creating demand and developing high capacity networks are all linked. A few years ago nobody had heard of social networking or e-health services. We do not know what the future holds, but one thing is certain – the world has changed for good and communication will require ever-increasing bitrates.

We must also teach more people how to use modern services. Some will want services related to business or accessing public administration resources, others need to be drawn in with other services, such as telemedicine or e-education. We should not forget those who are not 'digital natives'. Stimulating demand for services is necessary for two reasons: it eliminates the effect of social exclusion and makes life and contacting other people easier in various ways.

Stimulating demand is very important in all age groups. The young and the elderly should be guided in how to use the Internet in the most beneficial and safe way. This is a task for the state, but it is also one for telecommunications entrepreneurs, who want to attract users for the modern networks in which they invest. Good examples of demand stimulation and awareness building are the Digital Lighthouse Keepers project and the UPC – Coalition "M@turity in the net", both realised with a PPP model.

Poland has a remarkable number of creative people in the ICT sector, e.g. the gaming industry. How do you see future potential for this sector in Poland? Do you think FTTH availability could be a driver for further development?

Electronic entertainment and the creative industry are important to Poland's domestic economy. Computer science is among the most popular university degrees. Educational projects aim to develop children's digital skills, for example by introducing coding in schools. Polish programmers recently won the First Coding World Championships and our creative studios' ingenuity is recognised by the international gaming industry.

Access to high-speed connections remains limited, so these results are only the beginning. We need to tap available human resources and create possibilities for talented young people to work and stay in our increasingly innovative and

ICT-oriented country. Examples of creative clusters being founded across Poland include the new MMC Brainville business centre in Nowy Sączl.

FTTH availability would surely drive our economy, leading to development of many sectors. It enhances video-communications, business applications, online gaming, content uploads and enables real teleworking. It contributes to a better quality of life for citizens and draws investors.

The FTTH Conference 2015 will take place in Warsaw in February 2015. The FTTH Council Europe aims to bring to Poland a positive message about the importance of FTTH. Do you have expectations or recommendations on how the event can deliver a maximum benefit to the country?

Hosting the FTTH Conference 2015 is a great honour and recognition of our country's achievements and potential. We can't compare our FTTH network development results to Scandinavian or Asian countries - but we only recently began investing.

EU support allows us to build infrastructure in commercially unattractive regions, and our National Broadband Plan and other strategic documents allow us to define and pursue directions. Our country needs to offer the latest communications systems to attract foreign investments. As a regulatory authority, our task is to conduct activities that will ensure constant development and maintain a competitive market.

Poland's key advantages include our high labour and knowledge standards. Through the FTTH Conference 2015 we hope to convey that our country has great growth potential and many opportunities for development.

* *This separation model could be regarded as 'operational separation'. It can be characterised by the accounting separation obligations and restrictions on information flow between the operator's retail and wholesale parts. It also incorporates cost orientation of wholesale services, margin and price squeeze tests and non-discriminatory access terms and conditions specified in a reference offer published by the operator.*