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How Europe can Bridge the Broadband Gap

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Brussels, 14 May 2007

Ladies and Gentlemen,

Introduction

Welcome to the « Bridging the Broadband Gap » conference! Bringing all Europeans into the Information Society is an important subject. Our aim for this conference is clear, to create a clear understanding of the importance of getting broadband for all and of the means at our disposal to achieve this fundamental goal. Which is why in Commission we have joined forces across policy fields between my area (telecommunication and technology policy), Mariann Fischer Boel (rural development), Danuta Hübner (regional development) and Neelie Kroes (state aid): all of whom will address you tomorrow.

The economy runs on broadband

Leaving regions out of the digital economy is not an option. ICT is the key for competitiveness and economic growth. Indeed. ICT drives 50% of Europe's productivity gains. Broadband means better access to business services, faster and cheaper ways of doing business, overcoming the disadvantage of distance, attracting inward investment and retaining jobs. A study from the MIT last year showed that broadband stimulates growth in employment and in the

number of businesses if available on a large scale. Let's go for it.

Think of the extra growth we could see in Europe if the remote and rural regions could take part in the information revolution. Obviously disadvantaged regions need to facilitate technology diffusion and adopt an active ICT policy. **Regions cannot talk competitiveness without talking ICT.** But this is a potential gain for overall European competitiveness, it should also be a national just as it is a regional and a European-level priority.

Next generation services

Nowadays internet users want communication, entertainment and high-quality services. **Next generation services are of two types: high definition audio visual services, like IPTV for example, and interactive web 2.0 services**, like YouTube and MySpace. Communication increasingly involves images and videos. All this requires higher speed and more symmetry between up and down links.

Next generation services are not just for consumers. SMEs as well as larger firms increasingly do a large part of their business on-line: core activities such as purchasing,

accounting, bidding for contracts not to mention updating and protecting vital information systems. These services are increasingly delivered over the web, and without high quality, fast and symmetric connections, these businesses will in a few years be in trouble!

Broadband means European creators can distribute regional and local content on a global scale or in niche markets. **Diversity** is one of Europe's competitive advantages - broadband can make it fly.

Broadband is also the carrier wave of open and efficient public services. **eGovernment on-line** can deliver high quality, low cost services to all citizens. **eHealth** can deliver healthcare at a distance, with life saving online access to records and visual images. These IT health applications are becoming increasingly sophisticated and bandwidth hungry, they need broadband

Finally, **educational** access problems are one the major barriers for people in remote and rural areas. Online services can give access to specialist teachers and learning communities. Web 2.0 applications in this domain will create knowledge communities that build on Europe's most vital assets, its human capital.

<u>Broadband statistics</u>

Where are we today? Overall Europe is not doing too bad on broadband availability and take-up. In January 2007, we had around 80 million connections in the EU25, 20 million up on 2006. The penetration rate is about 17% of the population, which compares favourably with the USA. Five countries are world leaders (Denmark, Sweden, the Netherlands, Finland and Belgium) ahead of even South Korea and Japan.

But there is a lot of variation in this picture at national level there are 26.5% points difference between the leader and the last placed. And most worrying: the gap is widening.

Below this national picture, rural areas and disadvantaged regions are struggling. Today at least 10% of EU population (or 50 million individuals!) are still excluded from the benefits of broadband: it is simply not available in the areas they live in. This is as much as 30% of the population in rural areas: 20 percentage points above the national average.

Take-up is lower at 20% of households compared to the European average of 35% of households. Data from some of the new Member States are not yet available, but this number certainly underestimates the true dimension of the divide.

Also, what do we mean by broadband? These figures refer to a very basic concept of "broadband" anything above 144 kilobit per second. And you know that to deliver next generation services like IPTV and high definition we need much high speeds: around 2 Megabits and above. In rural areas, the most common speed is 512 kilobit per second, with very many users going much slower, half the average speed in the cities. This gap shows no sign of closing as operators push towards next generation networks.

So, yes, the cost of putting in broadband is generally higher in less densely populated areas. Yes, there are long distances to reach isolated communities. And yes, rollout is held back by weaker demand because of lower income and poorer education in disadvantaged regions

But, we have a structural problem and it is getting worse. **We cannot be complacent about this: Lack of broadband access widens not only the digital but also the economic and social divides.**

State support for broadband networks

Local and regional authorities are key players. They understand the local needs and the requirements of infrastructure, training and related services. I call on them, to

put together policies that build demand through rural development and cohesion policies and to encourage the private sector to invest in under-served areas. Where all else fails they should make their own infrastructural investments.

These policies have to respect state aid rules, especially now that telecom operators are planning investments in next generation networks. **Government needs to take care not to pre-empt the market or to distort competition.** But, if a government believes that gains from deployment of advanced networks are certain and that current services are inadequate, it can step in.

The Commission is trying to make the conditions for such actions clearer. Neelie Kroes will explain this in more detail tomorrow, but please talk to your operators first. Take their intentions into account. Do not duplicate an investment credibly announced to be made within a reasonable time frame. Do not forget that the private sector is better placed to deliver innovation than the public sector is.

But I repeat where the market failure is clear, public authorities <u>should</u> step in and equip their territory with the appropriate broadband capabilities.

No-one left behind.

Broadband is increasingly emerging as a service of general economic interest. I face the question whether broadband should not be part of **universal service** obligations.

Today broadband is not included. But as we come to rely ever more heavily on broadband for economic and social services we have to rethink what are our objectives in mandating universality. How can we implement the slogan "broadband for all"?

I believe that the current funding model, designed for national monopolies, is no longer suitable to today's market? Does it still makes sense in a world where in some countries fixed penetration rates are low, where mobile penetration has now far outstripped fixed, especially amongst many of the vulnerable users that the USO is supposed to protect, and where broadband is the most cost effective means of delivering many public services? We need a fundamental reflection on this. Which is why, I will publish a Green Paper next year to launch a wide ranging policy debate among all stakeholders on this issue. This could in turn lead to legislative proposals in 2009.

Reforming the EU telecom rules

I am convinced that the European broadband market has developed because of competition. The strongest performers are countries where there is infrastructural competition and/or where regulators have acted effectively to promote access to the networks. Competition drives investment and innovation in new services. This is why I am against regulatory holidays for fibre investments.

What can we do to encourage such competition in disadvantaged areas and especially in remote areas? I give you three answers: open up access to the ducts and the dark fibre; reinforce still further non-discrimination; free up the airwaves for wireless broadband.

The key bottleneck to access competition is the local loop. In upgrading the local loop up to 80% of the costs are civil engineering. That is why – where it is physically feasible - regulators should open up access to the physical infrastructure, the ducts, the manholes and street cabinets. In many areas local authorities have powers to open these key access bottlenecks or they have alternative ducting networks. I see with interest municipal projects in rural areas where the public authority has opted for open access networks managed by independent entities. These networks are open to all providers on the same terms and encourage

the entry of new service providers. To my mind, this is a pro-competitive approach and I am glad to see some examples on show in today's exhibition. I would like to see more such initiatives.

Secondly, where – due to physical or economic considerations - there is no real scope for infrastructure based competition, we have to make sure that access is offered on a completely non-discriminatory basis. That is why I have become very interested in the "functional separation" model.

Many of the countries that are behind in broadband coverage and take-up have endemic problems of discriminatory behaviour by the incumbent: favouring its service providers over competitors. Therefore, I believe that, as an exceptional measure, an independent regulator should have the power to force an organisational separation of the management of the infrastructure from the management of service provision. This will create clear and separate incentives for the firm offering access to do so in a way that treats all competitors evenly. I believe such policies will help in a general way all European users because it will open the floodgates for new services and put pressure on incumbents to upgrade their core and access networks.

Thirdly, wireless technologies are crucial for rural areas. However, wireless solutions will become reality if and only if radio spectrum is available and accessible to market players ready to invest. We need a spectrum policy that is more flexible and market driven. Today the process for allocating spectrum is slow, bureaucratic and rigid, attaching technology and service constraints to spectrum usage rights. In the forthcoming reform of the EU's framework for electronic communication, that I intend to initiate this summer, I will propose a change of approach: lets make flexibility the default, not command and control.

I am in parallel working on practical targets for flexibility such as opening up the **2.6 Giga Hertz band** for both mobile cellular communications (UMTS) and for innovative fixed wireless access applications such as WiMax so that services can be delivered in both urban and rural areas. By the way remember that I am proposing a big windfall of potentially billions of euros a year for the mobile communications community by making the GSM spectrum flexible for use by 3G services, although the mobile operators never seem to acknowledge this when they talk abut my policies!

I am also working on new approaches to the **digital dividend**, that is, spectrum in the VHF and UHF bands that

will be liberated by the transition from analog to digital broadcasting. We have to think how we can use this once in a generation opportunity, to make the best out these very valuable spectrum bands. I am looking at more and better high definition television, especially in the VHF bands; and allocation of dedicated EU-wide UHF bandwidth for mobile TV services running on the DVB-H standard.

But we should also take seriously the opportunity to reserve a part of the digital dividend in the UHF bandwidth for wireless broadband. Even a relatively small part of this spectrum range could provide the basis bridging the digital divide in rural areas in a scaleable and cost effective manner as well as providing the basis for an alternative infrastructure competition in both urban and rural communities. This would mean more competition, more services and more choice. But this would have to be done on the basis of the public interest. I do not believe that high stakes auctions in which only those with the deepest pockets can take part would be effective. This would deter investment and competition – we need cheap, wide band services for all.

Conclusions

Ladies and gentlemen,

Today and tomorrow you will hear much about what has been done and what can be done to bring the benefits of broadband to all of Europe and to all Europeans.

This is not a dream, it is a joint work in progress. You can see this with the presence of four commissioners and the support of many others. You can see it in the exhibition projects outside that centre on the deployment of broadband services in rural areas and disadvantaged regions. Let me congratulate all those local and regional authorities that have made broadband and ICT one of their policy flagships, in recognition of the fundamental role new technologies play for economic development and for a better quality of life.

This conference brings the together the actors from the different worlds that are converging and working together. Let us make this the start of something big. Meanwhile I wish you a great conference and two busy and productive days in Brussels.