

## **Funding NGA: A European Perspective**

A central plank of the European Digital Agenda launched last year is the objective – agreed by all 27 Member States – that every EU citizen should have access to 30MB broadband, and 50% of citizens should have access to 100MB, by 2020. This is in recognition that access to Next Generation Networks will be the crucial enabling infrastructure for Member States wishing to both improve their competitiveness and to improve the quality of life of their citizens.

But at a recent seminar in Brussels organised by the EU Commission it was clear that the only Member States likely to achieve these bold targets by the 2020 deadline would be the Nordic states (Denmark, Finland and Sweden) with Belgium, The Netherlands and Luxembourg close behind which, in the main, are countries already on the brink of meeting this objective. So what is to be done if access to Next Generation Networks and delivery of the promise of the European Digital Agenda is to become a reality for all Member States?

Ideally the process should begin by mapping the current status across the EU and identifying the actions that need to be taken at every level –local, regional and national to meet the 2020 deadline. Next, the various stakeholders need to be ready to play their role and be empowered to do so. These will include public authorities, private sector players (including incumbent suppliers but also new service providers), community groups and NGOs. And concurrently, work should begin on sourcing the necessary funding from the financial markets and from government budgets.

Several of the larger states - France, Germany, Italy, Spain and the UK – have national plans in place but are taking very different approaches, especially with regard to providing advanced services in rural, remote or sparsely populated areas where the market is unlikely to meet the demand. In France the Government is planning to offer “soft loans” to encourage operators to invest in extending Next Generation Networks (particularly fibre and 4Gen/LTE wireless) into the countryside. Germany is using a combination of regulatory flexibility to make it easier to use alternative networks and state sponsorship to encourage private sector investment with the clear mandate to cover the rural as well as the urban areas.

But the majority of the Member States are still not on track to achieve the overarching objective of 30MB far less 100MB, by 2020. The southern and eastern rim of the EU is far behind the rest of the pack mainly as a result of decades of neglect under former Communist regimes. Although many of these countries are major recipients of EU structural funds, they are short of the necessary skills to implement the modernisation programmes needed. Greece has a general problem of lack of infrastructure exacerbated by its well-publicised economic difficulties (as has Portugal).

While it is going to be a challenge for the majority of Member States to reach the 2020 objective, the picture is not all “doom and gloom”. Already, there are signs that the private sector is beginning to roll out Next Generation services but not – perhaps – “Next Generation” as many would see it, with the main focus on fibre-based solutions (FTTC or FTTH).

It is a mixed picture. Several Member States have broad coverage by cable networks and the cable companies are starting to invest and upgrade their networks to the EuroDOCSIS 3 standard which is capable of delivering bandwidths far beyond 30MB. There are major LTE networks being rolled out which are capable of delivering high bandwidth services to remote and sparsely populated areas at a reasonable cost. And several incumbent telcos are investing in fibre but few have committed to meet the 30MB and 100MB by 2020 targets. Satellite services – which do provide universal coverage across the EU – are improving their capacity to deliver “minimal” broadband coverage of 2MBs. As can be seen from this short overview, the overall picture is very patchy and there is little evidence that the private sector alone will be able to deliver the promise of the European Digital Agenda within the 2020 timescale. So what needs to be done?

Clearly, if the private sector cannot be relied upon to deliver Next Generation Networks the burden falls on the public sector and/or the third sector. Funding then becomes a potential blocker. This is an issue for all Member States but – again – it is a very fragmented picture. There is no single funding formula that could be applied equally to all Member States. Basically, if a Member State cannot fund the investments necessary to achieve the 2020 target from their domestic resources, they may be able to access two broad sources of EU funding-direct grants from European Commission programmes or loans from the European Investment Bank (EIB).

The largest source of EU funding for infrastructure are the three EU regional funds (European Regional Development Fund – ERDF, the European Social Fund – ESF and the Cohesion Fund) which are intended to help Member States to improve their infrastructure and to create growth-enhancing economic and social conditions as well as cross-border economic co-operation. Basically, these funds are granted to the Member States with the greatest need and in the current EU budget they are heavily slanted towards the CEE countries, but some of the southern EU countries still enjoy significant amounts of funding. The EU regional funds operate under a system of “matched funding” whereby the recipient state shares the cost of a project or programme, usually 25-30% of the total, with the bulk coming from the EU. One drawback to the regional funds is that they are very “rules based” – if a Member State did not identify investment in broadband in their original operational programme, they will have to renegotiate with the Commission and this inevitably takes time.

The next in line is the Rural Development Fund of the Common Agriculture Policy and all Member States have access to this, but this means that it is thinly stretched. Finally, the

Competitiveness and Innovation Framework Programme will consider funding innovative approaches to broadband roll out.

The EIB is the EU's bank and exists to provide loans to Member States to enable them to implement EU initiatives. The EIB has been funding investment in networks for some time. It has recently carried out some initial research into how much it might cost to achieve the 30 MB/100MB targets by 2020 and is in discussion with the Commission about how to proceed.

However, the use of EU funds from both the Commission and the EIB to support investment in Next Generation Networks is subject to the EU's State Aid rules and this is an issue that has been subject to significant controversy. The current situation is that the Commission (DG Competition working with the three funding DGs, DG Regional Policy which supplies the regional policy grants, DG Agriculture which devotes a slice of its' Rural Development Fund to financing broadband and DG Information Society & Media which is responsible for the European Digital Agenda) have agreed a modus operandi that clarifies the ground rules for the use of EU Funds.

In essence, the rule of thumb is that any project using public funds to deliver broadband to an area already served by two or more operators is unlikely be approved; any project to deliver such services to an area with no coverage (a "not spot") is almost certain to be approved "on the nod"; but any project in an area with a single operator (usually the incumbent) has to be considered in the light of the existing operator's future business plan and an independent appraisal of the area's genuine needs.

Many public authorities see Open Access Networks – where they provide the civil engineering and the dark fibre which is then made available to other actors to provide the services – as a viable alternative to relying on the market, especially in rural or remote areas. But given the State Aid implications of this approach, it is essential to ensure that the State Aid rules are being complied with before committing public funds, whether national or EU so the sooner that public authorities notify the Commission the better.

Against this diverse background there is some comfort that a consensus is emerging about the need to involve all stakeholders in the development and delivery of Next Generation Networks policy-particularly the local and regional government authorities, community groups and NGOs. To support this consensus, DG Information Society & Media has extended the role and remit of the European Broadband Portal (EBP) which provides up to date information on EU policies and also acts as a platform for the exchange of good practice. At a practical level, the EBP is developing a "tool box" for local and regional authorities to provide them with practical, proven ways of delivering Next Generation Networks.

The EBP is managed by the European Regional Information Society Association (eris@) a not for profit association of European public bodies operating at the regional level of government.

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For further information, click onto the following link- <http://www.broadband-europe.eu>