

The future of broadband: wired & wireless ?

Gainesville (Florida). 24-25 February, 2005

PUBLIC POLICIES FOR BROADBAND
DEVELOPMENT IN THE EUROPEAN UNION :
NEW TRENDS FOR UNIVERSALISATION OF SERVICES

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Overview

- Introduction
- Access as the main cause of the digital divide
- Mechanisms for telecommunication services access universalisation
- European programmes for broadband development
 - ◆ Direct measures: network deployment
 - ◆ Indirect measures: demand aggregation and stimulation
- Conclusions

Introduction

“An information society for all” requires ...

eEurope 2005

Widespread availability of broadband access at competitive prices

Could the market carry out this job ?

Most governments take action on the supply side of the market



Characteristics and specificities of the European
broadband support programmes

Access as the main cause of the digital divide

√ Two are the key factors on which actions should be taken to fight against the digital divide

- ▶ *access* ⇒ providing connection to the appropriate infrastructures
- ▶ *adoption* ⇒ encouraging their usage considering the characteristics of the targeted clients and communities

In developed countries, the access problem focuses on achieving a high degree of penetration of the broadband infrastructures

Isolated and rural areas may have to wait quite some time until they can enjoy, not the arrival of effective competition, but any broadband connection

★ Public intervention is necessary if the universalisation is intended

Mechanisms for services access universalisation (I)

√ Regulated national monopolies \Rightarrow public service

- ▶ Network deployment funded by cross-subsidies
- ▶ The commitment was more implicit than explicit

√ Liberalised markets \Rightarrow **universal service**

- ▶ Reconciles the principles of public service with those of a market economy
- ▶ Availability of specific services for which non-discriminatory access and generalized economic affordability are guaranteed
- ▶ The WTO agreement respects each country's faculty to define its own domestic universal service obligations

Mechanisms for services access universalisation (II)

- The current European concept of universal service faces three problems
 - √ identification with one possible practical articulation
 - ⇒ financing by sector's companies
 - √ improper usage as regulatory instrument
 - √ inflexibility to adapt to conceptual changes
- Qualitative and quantitative (economic implications) changes in the new stage of universalisation plans
- ★ Governments seek for *more flexible* solutions than universal service



Information Society development programmes

National **broadband strategies**

European programmes for broadband development (I)

- ▶ “Natural” way for public intervention in order to help deploy the broadband networks \Rightarrow *universal service* obligations

... but new US Directive not addressing broadband

- ▶ European countries are launching *Information Society development programmes*

★ The boost of the different national strategies comes from the **eEurope** programme



eEurope was set out as a basic piece of the so-called *Lisbon strategy*

European programmes for broadband development (II)

- All national programmes acknowledge the primary role of the market in broadband deployment
- They also admit the role of public policy in complementing the effective operation of the market



Public intervention is moving forward on two separate paths :

- √ contributing to network deployment *directly*
- √ *indirectly*, promoting demand, in order for currently non-profitable regions to exceed the business threshold required by operators for investing and providing service

Direct measures: network deployment (I)

- ★ Most EU-15 allocate (or plan to do so) **public funds** to broadband development
- Possible use of *structural funds* \Rightarrow wherever conditions for their usage apply
 - √ €6.1 billion (over period 2000-2006) in electronic communications and Information Society projects
 - √ “Digital-Divide Quick-Start projects” \Rightarrow broadband deployment in remote and rural areas through a technology-neutral approach
- Participation of **regional/local** governments (within national level programmes or independent)
 - \Rightarrow Increase in the range of possible solutions

Direct measures: network deployment (II)

- Categories of intervention
 - √ direct construction of the infrastructure
 - √ public-private partnerships
 - √ subsidies to network-builders operating in the private sector offered in a tender or a public procurement process
 - √ municipality-driven wholesale networks
 - √ long-term reimbursable or preferential loans to operators for the deployment of infrastructure in selected areas
 - √ *Public Access Points* \Rightarrow network extension, digital literacy promotion and advanced service stimulation
- Technological trend \Rightarrow fibre optic rings, wireless technologies...

Indirect measures: demand aggregation

Adoption is impossible without access

... but access is economically difficult to provide without the prospect of rapid and widespread adoption

Greater penetration of the services would imply an increase in the demand for connectivity



Demand **aggregation** in rural areas

⇒ grouping broadband requirements of all public institutions to pull new networks

Indirect measures: demand stimulation


- Development and use of online e-government, e-health and e-learning services
- Promotion of ICT in enterprises (particularly SMEs)
- Increase in the number of broadband accesses in schools and libraries (public access points complement this strategy)
- Financial incentives (new broadband access; digital TV; PCs)
- Improvement on the confidence in the usage of networks and stimulation of consumers' trust in information society services such as electronic signature and e-payments

Conclusions: the role of universal service

Abandoning universal service implies service uniformity is broken

✓ Various mechanism for universalisation \Rightarrow quality of broadband access heterogenous and not specific

From a **right** (universal service) to a **concession** (service universalisation)

 *Arbitrary* design of digital divide map in developed countries according to the interest of public administrations

Most probable scenario \Rightarrow Once the geographic coverage stage is well underway, universal service will be extended to broadband infrastructures

★ This modification should be used to reform the current concept of universal service (separated from a portfolio of specific services)

Conclusions: new mechanisms for universalisation

Direct interventions

- √ This decision could resolve the problem
- √ But negative impact on competition and would imply a financial risk for the public sector who also needs not only technical but also commercial expertise

Demand aggregation models

- √ Do not imply any financial risks
- √ Although they could represent a barrier for the entry of other operators

In parallel with the actions for access are those concentrating on the **adoption** side



Acting on the factors that can contribute to increasing the usage of services and applications seems to be a requirement

for closing the digital divide

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