



BREKO EUROPEAN ELECTION PAPER:

Sustainable fibre deployment to all buildings as the basis for a future-proof European Gigabit Society



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BREKO

United for fibre.

The Internet of Things, Connected Driving, 5G: What do these keywords have in common?

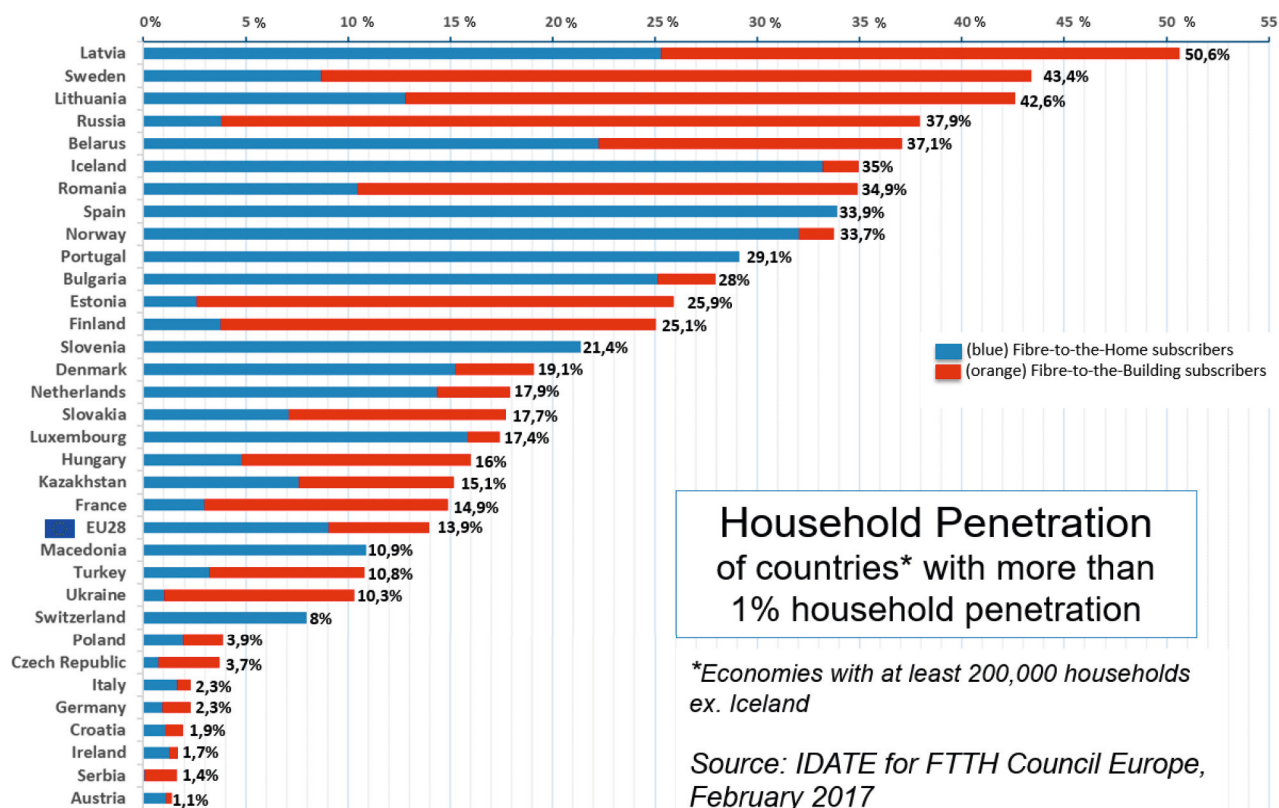
On the one hand, they are the hallmarks of digitisation and, on the other, they all depend on a first-class digital infrastructure: Fibre. Ultra-fast fibre networks are the essential basis for the flourishing development of our digital economy and society. They enable both technological innovations and intelligent future solutions and services in the fields of health, energy and mobility.

European policymakers have come to recognise the importance of providing first-class fibre connectivity. In the speech by Commission President Jean-Claude Juncker on the State of the Union in September 2016, he already stressed the need for a high-speed internet connectivity to ensure a smooth transition to a Gigabit Society. The creation of a fully-fledged digital single market thus became a priority for the Juncker Commission. In order to support this development and to advance digitisation further, the Commission published the common EU broadband targets in the same year with the aim of providing Europe with high-speed connections of at least 100 Mbps, upgradeable to 1 Gbps, by 2025.

Despite the Commission's sound approach, this connectivity target should soon be obsolete. It is expected that Europe's data traffic will continue to grow strongly in the coming years as the use of data-intensive internet applications and services increases. According to Sandvine's Global Internet Phenomena Report published in October 2018, the streaming portal Netflix alone accounts for 15% of global internet traffic, while the video platform YouTube accounts for a further 11% of traffic, putting media use at the heart of connectivity requirements.¹ To meet these growing demands on the digital single market, citizens and businesses are increasingly dependent on high quality broadband connectivity.

In order for Europe to continue to cope with competitive pressure on an international level, the EU internal market must not be limited to purely bandwidth-oriented broadband targets. Rather, we must remain open to future technological developments and instead focus on an infrastructure goal. Only a high-performance digital infrastructure will enable innovative services and applications as well as high-quality streaming of audio and video files and electronic government and health services. We therefore need to set the right course today for the network deployment of high-performance fibre connections to all buildings.

¹ <https://www.statista.com/chart/15692/distribution-of-global-downstream-traffic/>



According to data provided by the FTTH Council Europe in September 2017 ², there are still large differences in fibre coverage in Europe: Latvia leads with a penetration rate of more than 50% and in Austria only 1% of the population is using a fibre connection. The European average is just below 14%. At the current rate of investment, Europe will not be able to maintain its competitive edge against the digitally advanced economies such as China and the USA in the long term. In order to remedy this situation and to accelerate the deployment of fibre networks throughout the European Union, politicians must create favourable framework conditions for investment in fibre networks.

Ahead of the upcoming European elections in May 2019, we would like to present the following four core requirements for a sustainable and future-proof European Gigabit Society.

² http://www.ftthcouncil.eu/documents/FTTH%20GR%2020180212_FINAL.2.pdf

1. Strengthen focus on more fibre to the buildings in the implementation of the new Telecommunications Regulatory Framework

The political agreement reached in June on the overhaul of the European Telecommunications Regulatory Framework (Telecoms Code) redefined the rules of the game for future broadband deployment. In the course of negotiations, lasting more than one and a half years, BREKO has clearly advocated for a fibre infrastructure goal and upholding of competition in the telecommunications market. It is therefore important to strengthen the focus on pure fibre connections to the buildings as part of the national implementation.

BREKO particularly welcomes the fibre focus in the definition of very high capacity networks (VHC). In this respect, we support further sharpening the definition in the direction of fibre networks to all buildings (at least FTTB). In addition, BREKO supports the requirements to secure competition as a necessary prerequisite for regulatory relief for incumbent operators in the context of co-investments in fibre networks to the buildings. Any cooperation and investment involving the participation of an incumbent operator, which merely aims at technical upgrades of the copper network and other commercial agreements for network deployment, must not lead to an automatic regulatory holiday or even to the automatic phasing-out of asymmetrical access regulation.

An extension of symmetrical access obligations to non-dominant operators is clearly to be rejected, as such an obligation can lead to an investment restraint on the part of alternative network operators. BREKO therefore welcomes the clear pre-conditions for the introduction of symmetrical access obligations and the exemptions for operators who open their networks on fair and non-discriminatory terms. A voluntary opening of the networks will speed up the roll-out of fibre networks and provide protection against economically inefficient overbuild.

BREKO also welcomes the provisions on the migration process from copper to fibre infrastructure of the incumbent operator laid down in the Telecoms Code. However, there must be no unilateral right to switch off, as this would distort competition in the fibre market. For a proper migration, the same rules and deadlines must therefore apply to all market participants. It is of utmost importance that the interests of the companies investing in the fibre roll-out, as well as the interests of current access seekers for wholesale services on the copper network, are adequately taken into account.

With regard to the new provisions on geographical surveys to improve the availability of information on existing infrastructures for future deployment projects, BREKO criticises the fact that such state control of market-driven fibre roll-out to the buildings is equivalent to a planned economy approach. In addition, deployment enquiries for up to three years into the future linked to sanctions must be clearly rejected.

2. Open EU funding programmes for demand stimulation in the form of vouchers for a fibre connection to the home

The importance of fibre infrastructure for digitisation is indisputable. For BREKO and its members, the focus has always been on market-driven private deployment of fibre networks. Yet fibre roll-out is very costly for the private sector and can be sensibly complemented by targeted state subsidies, especially in areas in which private deployment cannot be commercially realised in the foreseeable future, the so-called “white spots”.

However, the existing EU funding programmes are all aimed at supply-side financing of digital infrastructure. While this type of aid provides financial support to the operator deploying infrastructure for fibre connections, it does little to encourage homeowners to connect their buildings to a fibre network. As a result, there is still a lack of available high-speed connections in many European regions. Against this background, we strongly advocate for creating incentives for demand-driven subsidies for direct fibre connections to the buildings, in addition to the supply-side subsidies, thus making connection costs affordable for citizens and companies.

We therefore propose to complement EU funding programmes with measures, in form of vouchers, to stimulate effective demand of building owners for high-capacity fibre connections to the buildings. The idea is to motivate building owners to connect their building to a fibre network that is already completed or still under construction. Within the scope of this funding project, every building owner would receive a premium for the deployment of fibre on the property from the street to the building. The value of the voucher depends on the civil engineering work involved and amounts up to 1,000 euros per private household. Such a voucher is also highly attractive for companies located in mixed industrial-residential areas. In order to maintain fair competition, a property owner should be able to choose freely and independently between a telecommunications provider or a civil engineering company for the provision of a fibre connection. Connecting a building to a modern fibre network will also greatly increase the value of the property.

In view of the current negotiations on the Multiannual Financial Framework for 2021-2027 (MFF), the demand-stimulation model could be included in the funding programmes for the digital single market. The Connecting Europe Facility (CEF) which, inter alia, provides funding for the development of new and existing infrastructures in the telecommunications sector, including the funding of the WiFi4EU programme, would be particularly suitable for this project. The inclusion of such demand stimulation for building owners in the EU support programmes could further accelerate the competitive deployment of fibre networks across Europe.

3. Adapt EU Broadband State Aid Guidelines to promote fibre to all buildings

In order to achieve comprehensive nationwide broadband coverage, BREKO considers state aid to be merely a complementary measure to the private deployment of fibre networks. In light of a potential revision of the EU state aid rules under the new legislative phase, BREKO argues in favour of funding pure fibre connections to all buildings. It is our clear belief that there must be no further financial subsidisation for interim technologies in the sense of a forward-looking infrastructure policy. The Federal Government has thus taken the right step with its decision to focus the German support programme on FTTB/H-only funding.

With view to future funding measures, we support the possibility of raising the aid threshold to 50 Mbps for regions, in which all “white spots” are already connected with NGA speeds of at least 30 Mbps. This gradual increase will ensure that areas that are worst served are connected first and will make more efficient use of the limited civil engineering capacity available as well as reduce the risk of a further increase in civil engineering prices. In addition, attention must be paid to ensure that this approach does not lead to a premature devaluation of existing NGA investments. In addition, a regionally staggered funding plan strengthens competitive private deployment and thus prevents “overfunding” by flooding the market with subsidies. In order to connect under-served areas directly with the best-in-class digital infrastructure, we consider an adaptation of the Broadband State Aid Guidelines at EU level with focus on fibre to the building to be indispensable.

4. Ensure diversity and competition for the next mobile standard 5G

For several years now, the 5th generation mobile radio standard has been regarded as a technological revolution. Modern 5G networks, for example, are expected to enable new digital transformations in areas such as transport and medicine due to their high data transmission rates and low latency times. These advanced services are dependent on a seamless 5G mobile radio coverage, which in turn can only be realised by a comprehensive nationwide fibre connection of mobile base stations. In this way, the high-performance fibre infrastructure is used expediently for the construction of 5G networks and complements the fibre connections in the fixed network as “mobile fibre”.

Unlike fixed broadband connections, mobile frequencies are a limited resource, so an efficient roll-out of 5G infrastructure is essential. For this reason, BREKO has been advocating for a service provider and MVNO obligation in view of the upcoming 5G frequency allocation in Germany. Both providers are dependent on the infrastructure of the mobile operator to become active at the service level, with the difference that an MVNO (mobile virtual network operator) takes over many of the technical and administrative aspects itself, whereas a service provider further markets the mobile operator’s product as a white label product.

By introducing this access obligation, competition on the retail market would be significantly strengthened, in the interest of consumers, through provider, quality and price diversity in the mobile market, making the deployment of a parallel 5G network infrastructure superfluous. Furthermore, BREKO also strongly favours regional frequency allocation. The reservation of certain frequency ranges allows local providers to implement campus solutions, location networking and machine-to-machine (M2M) applications. This would further promote the digital economy and increase Europe’s competitiveness.