
Response to the consultation questions in the ‘BEREC Broadband Promotion Report’
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## Introduction

The FTTH Council Europe (hereinafter the FTTH Council) welcomes the opportunity to participate in the 'BEREC Broadband Promotion Report' consultation.

The FTTH Council Europe is an industry organisation with a mission to accelerate the availability of fibre-based, ultra-high-speed access networks to consumers and businesses. The Council promotes this technology because it will deliver a flow of new services that enhances the quality of life, contributes to a better environment and increased competitiveness. The FTTH Council Europe consists of more than 150 member companies. Its members include leading telecommunications companies and many world leaders in the telecommunications industry (additional information is available at www.ftthcouncil.eu). Telecoms operators are not members of the FTTH Council and we have our own perspectives regarding the appropriate regulatory policies to accelerate NGA deployments.

The FTTH Council's interest is to see the benefits of FTTH made available to the greatest extent possible and in the shortest possible period of time. A competitive market dynamic is central to achieving our objective both for accelerating FTTH deployment directly where competitive deployment is possible and also indirectly, by driving service innovation and demand, where competitive deployment is not possible.

While the FTTH Council has in the past, and is currently commissioning its own analysis of some of the factors affecting take-up especially for FTTH/B, we find the analysis contained in the Florence School of Regulation (FSR) study both thorough and very interesting. In particular, the Council notes a number of key findings which include the necessity to ensure the networks are in place in the first instance with demand considerations being subsequent. The Council also notes the finding that demand measures will consistently deliver positive results whereas supply side measures are more mixed in their effectiveness. The Council has itself noted that demand in rural areas can by itself drive a whole dynamic which allows such areas to overcome the inherent disadvantages such areas have (such as a lack of competition and indeed lack of basic broadband). The EU Commission Guidelines ('Guide to Broadband Investment') published recently look at a series of case studies the majority of which reinforce this point. One common theme in each of these areas is that awareness of the benefits (normally of FTTH) was driven at a local level such that participation rates soared and deployment costs plummeted through local involvement.

The FTTH Council also notes the FSR finding that on the supply side, the single most effective measure is likely to be making available long term finance at cheap rates. This supports the measures being proposed by Commissioner Kroes in the Connecting Europe Facility (CEF) and is a timely reminder to persuade Member States to support this proposed measure. The FTTH Council believes that Member States need to adjust their national broadband plans to align with the Digital Agenda Europe (DAE) objectives and the Council notes with concern in the report that Member States continue to pursue national agendas which are often less than those DAE targets. The recently issued Guidelines from the European Commission also include a call for Member States to redo their national broadband plans in order to align with the DAE targets and this is a something that the Council endorses.

The FTTH Council believe that BEREC has highlighted some very important issues even though, as discussed below, some emphasis could be shifted to better reflect those dynamics. In particular, while consumer issues and confidence are very important, the issue of advertised versus delivered speeds continues to be a major problem for consumers and is not raised in the document even though such erroneous advertising acts against migration to higher speed services e.g. consumers subscribe to 50mbits service but only get 20mbits and

don’t see the benefit to migrate to a higher speed service even if speeds are guaranteed (as they can be with FTTH).

Finally the FTTH Council believes that NRAs need to put themselves forward as ‘co-ordinator in chief’ in the area of broadband. While the Council understands the constraints NRAs face in terms of resources the Council notes the breadth of experience and responsibilities that NRAs have. Table 1 suggests a list of obstacles to broadband, measures to overcome those obstacles and the responsible parties. While the responsibilities are split, it is clear that NRAs are the most pervasively responsible party and that they are best positioned to co-ordinate activities in general.

The FTTH Council is also a leader in the collection and dissemination of data on the status of FTTH deployments as well as data on costing and technologies. The FTTH Council would like to make clear that we as an organisation wish to support and work constructively with BEREC and that the Council is available to provide input and assistance on technical or policy parameters should a need arise.

**Question 1 (section 5): What elements do you consider essential for the successful definition and implementation of governments' strategies to promote broadband:**

**a) Overall at the national level? What role, if any, could NRAs play to enhance the effectiveness of those strategies?**

The FTTH Council believes that a successful national programme to promote broadband would have a large number of different elements.

Clearly, no one actor can achieve such a project by itself and many different elements need to be managed in a co-ordinated way. The FTTH Council would like to see NRAs act as a co-coordinator across Europe.

In practical terms, the FTTH Council believe that a successful programme will contain many of the elements described in BEREC's report. A clear target in terms of network capacity as well as coverage and take-up targets need to be set in advance. Such plans should at a minimum align with the Digital Agenda Europe targets and should be consistent across the EU.

The FTTH Council firmly believes that competitive markets will be the single most important success factor in driving investment and delivering the benefits of those networks to end users. NRAs will be clearly central to ensuring that the regulatory regime supports competitive outcomes. Other important supply side factors concern the rate of return. The rate of return can be impacted by either increased users prices (see demand below) or lowering deployment costs. Deployment costs can be lowered by effective sharing of existing infrastructures (including the mapping of existing assets) and through sharing of deployment costs in the case of co-investment. The FTTH Council believe that co-investment projects will not happen without the active facilitation of such initiatives by NRAs.

On the demand side, ensuring that citizens understand the benefits of broadband availability is very important and is a key enabler of demand. Many Government services could be moved online and much more could be done to move aspect of education and Health to online delivery platforms. While such aspects are outside the scope of NRAs responsibilities, NRAs have an important role in advocating, identifying and sharing best practice as well as documenting bad practice including reporting on National broadband performance.

**b) Specifically at rural and peripheral areas? What role, if any, could NRAs play to enhance the effectiveness of those strategies?**

The experience in rural areas suggest that end-users actually benefit more from ICT adoption than urban peers. A study by Ovum for the FTTH Council and other reports looking at the socio-economic benefits of fibre found that the provision of fibre at a municipal level is regarded as having positive benefits on health, education and other public services. These benefits range from reduced telecom costs to more efficient and new services. This is particularly true in rural areas where limited resources and distance are barriers to service quality

There is a strong belief reported that there are a number of indirect benefits derived from fibre rollout. This is particularly true in more isolated areas where end-users face

significant travel requirements and even more pronounced inability to engage with others and consume public services off-line. In terms of usage, the study found that users largely consumed the same services and used fibre in much the same way but importantly, that users of fibre used much more of these services. For instance those tending to work from home spent over 20% more time working from home once they had upgraded to fibre.

The FTTH Council also note that where rural communities become aware of the benefits of FTTH and indeed broadband in general, such that demand is stimulated, the other notional difficulties such as density and cost profiles are quickly overcome. The recent guidelines on NGA funding and financing published by the EU Commission is full of examples like Nunen in the Netherland where rural communities that wanted FTTH were able to achieve it.

**Question 2 (sections 6 and 9):**

**Among the main supply-side obstacles to broadband promotion, NRAs have perceived the low expected return on investment, the lack of access to financial resources and the access to spectrum. In addition, NRAs have considered, among the main demand-side obstacles to broadband promotion, aspects such as the citizens' lack of perceived need to adopt broadband, the high price of broadband, the fact that NGA is still in an initial stage of the product life cycle and, mostly in rural areas, the lack of choice between operators.**

**2.1. What of the above mentioned factors, if any, would you not consider as obstacles?**

The FTTH Council believe that each of the factors identified are obstacles but would note that there is a significant degree of difference between the impact (and associated solution) of each of these elements. If demand for services is not strong(er) then there will be no derived demand for network access. In the absence of such demand the cost of deployment becomes a second order consideration. If demand is strong then cost will become a more critical consideration.

**And what other factors, if any, would you add to the list of main obstacles to broadband promotion? Please reply with specific regard to:**

**a) Supply-side obstacles;**

While a lot of work has been done to specify in-building wiring solutions, moves which the Council supports, more could be done to ensure a consistent EU approach.

In addition, ensuring that access is granted between the network connector and the building itself (the drop cable) would lower deployment costs considerably.

There is still a lot of scope for lowering deployment costs by infrastructure sharing. More detail below in Question 3 (section 7) (c).

**b) Demand-side obstacles.**

The FTTH Council believe that awareness of the benefits and the capacity to engage through sufficient training are crucial enablers. To that end subsidies for end user devices bundled with short training modules should be considered.

The Council also see scope for moving certain services exclusively on-line to raise awareness.

**2.2 Taking into account namely your assessment of the existing and potential obstacles to broadband adoption, what elements do you consider essential for the successful definition and implementation of NRAs' strategies, in particular from a demand-side viewpoint, to promote broadband?**

**When replying to question 2.2 above, please mention also what core strategic differences, if any, should be weighted regarding the consideration of those elements in rural/peripheral areas and in urban areas.**

It is important to strike an appropriate balance between supply and demand-side measures. Both are complementary and should be addressed to promote a virtuous circle in ICT availability, adoption and use. There is often a shift from supply-side measures which are more prominent in the first stages of any information society strategy. Once the infrastructure is in place, the focus tends to move gradually to demand-side measures. According to the FSR study commissioned by IRG, this is the appropriate sequencing of measures, first to ensure that the necessary networks are in place and then to actively pursue appropriate demand side measures.

From a demand perspective the FTTH Council note that awareness of the benefits of access, affordability and the ability to make use of the products seem to be the most important elements. The ability to use a network connection contains a number of elements which involve end-user device availability, the knowledge to use those devices and perhaps the most important single element which is the availability to useful and necessary content and services which impact citizen's lives.

The FTTH Council believe that NRAs do play a critical role in stimulating competition and ensuring access for service providers which should help in the context of pricing and service availability. However the FTTH Council also believes that NRAs can play an important role within the broader public sector as an advocate to ensure that critical public services are moved on-line as quickly and as exclusively as possible.

**Question 3 (section 7): What elements do you consider essential for the successful definition and implementation of operators' strategies, in particular from a demand-side viewpoint, to promote broadband, with regard to:**

a) Fixed broadband? See NGA broadband below.

b) Mobile Broadband?

The FTTH Council see Mobile broadband as being complementary rather than substitutable, with fixed broadband. Enabling spectrum, particularly in the lower frequencies should be released as soon as possible.

c) NGA Broadband?

The FTTH Council believes that the future needs of broadband users can only be met by bringing fibre directly to the subscriber. Thus, Fibre to the Home (FTTH) is perceived by the FTTH Council as the clear end game. While other solutions including fibre hybrids and even wireless solutions will play an important role as complements, they will in no way act as demand substitutes. The need for a FTTH solution relates to the realistic future needs of end users in terms of capacity and is entirely consistent with the need for technological neutrality. A growing body of work coming from the Commission, from the State Aid Guidelines and the NGA draft Recommendation to Article 7 cases acknowledge the unique position of fibre speeds in future markets. A growing body of research shows the economic and societal benefits of very high speed internet access (particularly high upload speeds)[1] and that the availability of such connectivity changes the way consumers react to the internet. The biggest difference between FTTH and DSL options is the potential upload speeds. The many business cases put forward by different analysts rely on a variety of services which require radically different upload speeds (e.g. home security, home health-care for the elderly etc.)[2].

The FTTH Council believes that competitive markets will deliver NGA for the mass market. The FTTH Council believes that, where feasible, competition based on access to passive infrastructures offering all operators the ability to make NGA investments is the best mechanism for ensuring an appropriate and timely NGA deployment. The FTTH Council recognises that other remedies will need to be applied in a gradated manner but where it is viable; the primacy of physical access competition must be maintained. Giving regulated access to non-replicable passive infrastructures creates the possibility for any operator to initiate network deployment starting a dynamic which may stimulate other operators to make their own investments in NGA.

The FTTH Council would like to see non-replicable infrastructure being shared as much as possible (ducts, trenches, the drop fibre including in-building wiring etc.) in an effort to facilitate a competitive dynamic in the market

Much of the co-ordination work that is necessary to enable effective sharing of passive infrastructures needs to happen now, ahead of network deployment. NRAs have a significant role to play in order to co-ordinate investors and to give a clear understanding when and where the market will rely on competing infrastructures, where it will be a single commercially deployed infrastructure and where public finance may be available.

**Question 4 (section 8): What elements do you consider essential for the successful definition and implementation of public-private partnerships strategies, in particular**

[1] See for example http://www.ftthcouncil.eu/documents/studies/Socio-Economics_Study.pdf
[2] See for example http://www.ftthcouncil.eu/documents/studies/Analysis_of_Service_Portfolios.pdf

**from a demand-side viewpoint, to promote broadband? What role, if any, could NRAs play to enhance the effectiveness of those strategies?**

The FTTH Council believes that NRAs could act as a major co-ordinator of activities not only between operators but also by Government agencies. Public Private Partnerships (PPP) have many aspects but at a minimum such projects need to (a) properly identify economic and social targets; (b) effectively match the resources and competences of the different partners; (c) design a network in line with the area's geographical constraints (also adopting the most suitable technology solution); and (d) define the expected demand and the services required.

While it would not be feasible for NRAs to become involved directly in managing these aspects, NRAs could give important advice and direction on the form of PPP that could be considered or identify elements to facilitate PPP deployment.

NRAs could promote demand aggregation by Government agencies and private actors to promote adequate backhaul deployment in rural areas. In rural areas, the profitability of NGA roll out by operators is a more acute issues since capital expenditures may be too high to be invested in a profitable manner in all instances so a subsidy e.g. from EU or national are required.

**Question 5 (section 10): In addition to the initiatives already taken by BEREC with regard to the promotion of broadband from a supply-side perspective, what other initiatives do you perceive it is important that BEREC develops in the future from that perspective?**

The FTTH Council believes that NRAs need to adopt a holistic approach which looks at both the demand and supply side enablers to ensure the overall project is a success. This seems to be the theme of this current document and it is very welcomed. In particular, the research commissioned by FSR validates the FTTH Council's long held view that new network build needs to be put in place first with other aspects being subsequently addressed. The FTTH Council has long held that the network is critical whilst other aspects are often facilitative.

In terms of network build we see two main aspects which need far greater emphasis which are lowering costs (and speeding deployment) through access to duct and poles which should be not only mandatory but heavily specified. BEREC has already identified this but if the Council were to add a caveat it would be to emphasise the importance of the drop cable access.

The second aspect concerns the availability of finance at appropriate rates. The availability of long term (cheap) finance was considered in the study to be the strongest supply side measure. The Council believe the Commission is doing great work through its Connecting Europe Facility proposal which it is hoped BEREC will support. The next steps will be to facilitate the effective deployment of what is a potentially very large quantum of money. The FTTH Council believes NRAs can intervene at a Member State level to ensure that these funds are drawn down effectively by helping to design mechanisms and procedures and to specify key parameters.

**Question 6 (section 10): A list of potential measures was identified, in the present document, that could be adopted or reinforced in order to promote broadband from a demand side perspective.**

**a) Are there any identified demand-side measures that you consider innapropriate?**

**b) What other demand side measures, if any, would you consider particularly important to promote broadband?**

While FTTH Council agrees that transparency regarding contract terms are important, the Council would stress that transparency measures are at least as important in terms of the network performance.

While some NRAs such as Ofcom in the UK and CMT in Spain have tested network delivery speeds against advertised speeds and these have highlighted the persistent underperformance of DSL networks, a more systematic and Europe-wide assessment would be a good complement to the current proposals on transparency regarding contract terms. Well informed consumers with a choice of suppliers will enable a more dynamic and responsive market to the benefit of consumers and industry. We look forward to a more systematic measurement of network performance in the future[3] to complement the work being done today by certain regulators to inform and protect consumers.

Yours sincerely,

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[3] http://www.samknows.eu/