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Annex to the

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN
PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS

Bridging the Broadband Gap

Annex 2

Digital Divide Forum - Summary conclusions of the public consultation

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1. BACKGROUND INFORMATION

The public consultation was open from the 14th of July to the 16th of September 2005. Over 90 replies were received. Some respondents, such as regional/local networks, trade associations and interest groups, provided feedback after consultation of their own members. Few additional contributions, not specifically responding to the consultation, added to the reach variety of visions and examples of the digital divide, but were not taken into account in the summary conclusions.

Some of the respondents requested not to have their reply published. All other replies can be found in the i2010 website¹.

Types of Respondents	Categories	Number of replies
Associations	Consumer/user associations/interest groups and individuals	13
		4
ICT Industry	Incumbent Telecom Operators	8
	Alternative Operators	8
	ICT manufacturing industry	7
	ICT associations and Consultants	9
	Space industry	7
Public Authorities	Regional and local authorities	21
	National Public Authorities including National Regulatory Authorities for electronic communications (NRAs)	14
Total respondents		91

Some respondents limited their answers to the questions that they considered most important. When a mark was required, some respondents preferred to clarify their position on the issue rather than providing a specific mark.

For the questions requesting specific marking, the overall results have been averaged across categories.

¹Available at: http://europa.eu.int/information_society/europe/i2010/digital_divide/responses/index_en.htm

2. SUMMARY RESPONSE TO THE QUESTIONNAIRE

2.1. Question 1: Is there a need for new public policy actions at the European level to stimulate the provision of broadband in remote, rural or sparsely populated areas of the European Union?

- The large majority of respondents are supportive of public initiatives aiming to expand broadband infrastructure in remote and rural areas. A substantial number of replies specify the need to justify intervention on the basis of market failure. However, the type of reasons taken into consideration and the specific definitions of “market failure” vary considerably amongst replies.
- Most respondents among regional/local national authorities and associations justify public intervention in view of their responsibility for development, employment growth, social inclusion and economic cohesion. Easy access to broadband infrastructure and services is considered a necessary precondition to an attractive environment for business and citizens. In their view, the market tends to focus on the most profitable areas while providing a low quality, high priced or even no service in less profitable areas which are more remote, rural, sparsely populated and less developed.
- ICT associations and alternative operators emphasise the need for a greater level of competition among alternative infrastructures with some calling for government intervention for the provision of open passive infrastructure.
- Incumbent telecom operators favour demand-related publicly-funded interventions with some expressing a high level of scepticism for unmitigated supply-side interventions. One respondent expressed criticism over the active role of public authorities (particularly regional and local initiatives) while another call for a more transparent access to open passive infrastructure. In this view public intervention should be limited to areas where commercial deployment is not expected. A more tolerant position is expressed in relation to broadband deployment in the most remote areas and in some of the new Member States.

2.2. Question 2: If YES, which ones? National broadband strategies (NBS), regulatory intervention (RI), exchange of best practice (EBP), other measures (OM)?

National Broadband Strategies:

- Most of the respondents recognise the need for National Broadband Strategies with clear targets (both at national and regional/local levels). Some also highlight the need for national broadband strategies to reflect more precisely regional and local needs. Others stress the need to reflect the importance of broadband in the National Reform Plans drafted in the context of the renewed Lisbon strategy.

Regulatory Framework for Electronic Communications

- Most respondents call for a clear regulatory environment to provide a level-playing field and an increasingly competitive environment. A few respondents call for a more proactive stance of regulators (also at regional and local level) in order to increase competition and facilitate access to local markets. A number of respondents from regional/local authorities and user/consumer associations, some of the alternative operators and parts of the space

industry call for the inclusion of broadband in the scope of universal services. The need for efficient radio spectrum policy including the harmonisation of spectrum at EU level is highlighted by quite a few respondents in view of the increasing importance of wireless communications in remote and rural areas. Manufacturers emphasise the need for increased availability of licensed/unlicensed frequencies, and stress the importance to use the spectrum that will become available from the analogue/digital switch-over to enable a greater range of wireless technologies (also bridging the backhaul) for rural/remote areas.

Best practices

- A considerable number of respondents call for a much wider exchange of best practices at national, regional and local level.

State Aid Rules

- Various respondents from the ICT industry, alternative operators, regional authorities and associations and at least one national government call for the clarification of the application of state-aid rules to publicly-funded projects as well as for more clarity and streamlining in the Commission procedure.

The specific position of the Space Industry

- The space industry believes to be discriminated against by the lack of an appropriate public financing mechanism in favour of a truly trans-European infrastructure. It calls for a European Satellite initiative based on centralised demand aggregation and the coordinated use of Structural Funds or other public funds. One respondent from the space industry also mentions the importance of increased allocation of frequencies to satellite use.

Funding issues

- Some respondents, particularly among associations, public administrations, ICT and satellite industries highlight the importance of the availability of public funding to promote the diffusion and take up of broadband with some suggesting the use of various EU funds for such purpose (e.g.: Structural Funds, CAP/Rural Development Funds , ICT fund etc.).
- Various respondents underline the importance of funding complementary initiatives that may create broadband demand, such as telework, PC penetration, and the use of ICTs in schools and in public administrations.
- Quite a few respondents highlight the importance of demand aggregation as a mechanism to reduce uncertainty for investment.

- 2.3. Question 3: On a scale from 1 to 5 (1 Low, 5 High), how do you rate the justification for the need for public intervention for broadband in these areas, in particular the non availability of broadband infrastructure, affordability and quality of service?**

Type of Respondents	Coverage	Affordability	Quality of Service
Consumer/user associations/interest groups	4.4	3.6	3.2
Incumbent telecom operators	3.5	1	1
Alternative Operators	4	3.6	1.6
ICT associations and Consultants	4.8	3	2.4
ICT manufacturing industry	5	1.5	4
Space industry	4.7	3.8	2.8
Regional and local authorities	4.5	3.5	3.5
National public authorities & NRA	4.4	3.4	2.6
AVERAGE	4.4	2.9	2.6

Coverage: With an overall average of 4.4, coverage appears to be a major issue that can justify public intervention under certain conditions. Incumbent operators are at the bottom of the scale with 3.5 while all other categories score above 4 with the ICT Manufacturing industry scoring the highest mark (5).

Affordability: An overall average of 2.9 suggests a good, though not overwhelming, support for public intervention on the basis of affordability. The most vocal proponents are associations and regional/local authorities, some national authorities and the space industry. It must be noted that the argument in favour of intervention often tends to be mixed also with the two other factors relating to lack of coverage and/or quality of service. The issue of affordability is often seen both as a socio-economic inclusion issue that hampers broadband take-up among individuals and SMEs, and as a vital element in the economic development of entire areas/regions.

Quality of service: Although both regional authorities and associations argue strongly in favour of action in this field, the overall average of 2.6 for quality of service represents a medium to low level of support for public intervention. The forthcoming “second generation broadband divide” (difference in available speeds and quality of service between urban and rural/less developed areas, both within and across different countries), is strongly argued by a number of respondents. Prevailing low speeds in rural areas are considered unacceptable and should be considered a “market failure”. Other respondents stress the need to consider the “international divide”, whereby countries and cities across the globe compete for the provision of the most business-friendly environment with state-of-the-art ICT infrastructure and services.

2.4. Question 4: Can you identify further bottlenecks that inhibit broadband deployment in rural areas and corresponding policy options to address them?

The issues mentioned have been classified into three main areas:

Socio-economic bottlenecks suggest the need to support demand for ICT infrastructure and services and highlight the increasing central role that the development of the Information Society has in national and regional/local development as well as in social and economic cohesion. The issues mentioned include: awareness, age, disability, income, gender, education, skills, ease of use, PC penetration, lack of coverage, inner-cities divide issues, lack of policy guidance on e-accessibility, e-inclusion and equal opportunities.

Regulatory and market bottlenecks are related to implementation of the regulatory framework and call on the relevant (regulatory) authorities for actions. Other respondents mention bottlenecks in terms of the lack of backhaul, lack of competition in specific markets, high end user’s prices, high wholesale prices, lack of last mile coverage/access, and low quality of service. Competition and regulatory issues included lack of clarity on state aid policy, lack of open access, lack of access to publicly owned ducts and to passive infrastructure (including rights of ways), recognition of Indefeasible Rights of Use (IRU: long term leasing) as investment in infrastructure eligible to be financed by public funds. A considerable number of respondents see bottlenecks in spectrum due to lack of harmonisation of available spectrum across the EU, scarce availability of licensed/unlicensed spectrum for broadband wireless, and uncertainty about the use of spectrum that will become available from the switchover to digital terrestrial tv.

Policy and technological bottlenecks mentioned include issues such as lack of EU, national and regional broadband targets, lack of policy to encourage/facilitate operators to invest in infrastructure, lack of online public services and content, lack of best practices and knowledge sharing; lack of security, trust and confidence (e.g.: e-payment), IPRs issues, lack of consideration in national policy for inter-infra regional and urban/rural disparities, and failure to recognise the information society as a crucial factor in regional and local development. Other respondents point to the lack of public funding and incentives (particularly in less developed/remote/rural areas and the new Member States), including poor information on the opportunities to use public funding for broadband. Technological bottlenecks included lack of interoperability and open standards. Other issues such as “second generation broadband divide” (differences in speed between rural and urban areas), and “international divide” (difference in broadband deployment among different countries and cities) appear instead to point to the need for a clear policy addressing these global and technological issues in a long-term developmental, social and economic cohesion perspective.

2.5. Question 5: On a scale from 1 to 5 (1 Low, 5 High), how do you rate the usefulness of such a site for regional or local authorities and network operators in terms of assessment and aggregation of demand, exchange of best practices, etc?

Type of Respondents	Usefulness for Loc/Reg. Authorities	Usefulness for Network Operators
Consumer/user associations/interest groups	4	4
Incumbent telecom operators	3	3
Alternative operators	4.8	4.6
ICT associations and consultants	3.3	2.5

ICT manufacturing industry	4	3.3
Space industry	4.6	4
Regional and local public authorities	3.8	3.4
National public authorities & NRA	4	3.4
AVERAGE	3.9	3.5

Conclusion: An average of 3.9 on the usefulness of the web-site to local authorities and 3.5 on the usefulness to network operators reveal a fairly high level of interest from all parties. The interest from incumbent telecom operators is more limited (rated 3) while both alternative operators and space industry (respectively 4.8 and 4.6) are among the most enthusiastic supporters of the initiative. Some respondents nevertheless highlight the need to accompany this networking action with national and above all regional and local initiatives through regional campaigns for demand aggregation, demand registration schemes, awareness and demand stimulation actions.

2.6. Question 6: Can you suggest an alternative mechanism (to the website) to aggregate demand, without distorting competition and private incentives, in areas where satellite is considered to be the best solution for broadband delivery?

- As a follow up from the previous question a number of respondents highlight that the demand aggregation mechanism needs to rely also on the use of regional/local campaigns with the active role of other local actors (local and business associations, professional associations, chambers of commerce, etc). Respondents indicate additional mechanisms such as consumer registration schemes, the setting up of a user consortium for remote and rural areas, access to the website through difference associations, the involvement of national administrations or even NRAs as suitable actors that could aggregate tenders on the basis of a technology neutral approach.
- A number of respondents question the need for demand aggregation for satellite, pointing out its technical limitations, and call for a technology neutral approach.

2.7. Question 7: Which other activities could be undertaken by the website?

Among the additional tasks that the web site could entertain the respondents mentioned five kinds of activities:

(i) General promotion and local/regional information activities

- Showcases
- General information on broadband benefits
- Sponsoring regional/local events
- Information on the suppliers present in a specific area/Mapping of existing infrastructure

- Bulletin board for broadband events

(ii) Best practice and benchmarking activities

- Broadband score cards
- Awards for projects addressing the digital divide
- Description of experiences of deployment through emerging technologies

(iii) Policy/Regulation information activities including guidelines

- Information on EU, national, regional and local funds available for each area.
- Guidelines for satellite deployment: Common implementation templates for best practices.
- Forum for discussion on policy and other issues: e.g. user comments on broadband strategies and availability and reliability of broadband services
- Support of open standards and interoperability
- Link to other initiatives in the area of the Information Society

(iv) Additional demand aggregation activities

- Demand aggregation and common tenders for equipment
- Aggregation of demand for next generation services and for mobile services e.g. 3G.
- Registration of broadband demand for infrastructure and services

(v) Technical information

- Inventory of publicly owned ducts and mapping of existing infrastructure
- Information on the costs and features of alternative broadband technologies suitable for rural areas