

EUROPEAN COMMISSION BROADBAND STRATEGY

Comments by BT Group plc

The Broadband strategy being developed by the European Commission needs to be based on a shared vision of a connected society and a connected economy. The Commission can best add value by facilitating the sharing of national strategies and best practice, and by linking the Broadband Strategy to the renewed drive for an effective Internal Market.

The policy approach needs to be based on shared principles, not prescription – divergence within and between member states is too great, and technology developing too rapidly, to impose one central vision. The starting point should be to evaluate the desired social and economic benefits and outcomes, and consider the most effective use of resources, rather than favour a specific technology or plan to build a specific number of parallel physical networks. Customer demand and market evolution (including intra modal competition between cable, wireless and fixed telecom networks) will be key factors in determining appropriate bandwidths and applications.

Maximising market efficiencies.

Open networks foster competition and choice for consumers and business, avoiding islands of local monopoly.

Availability of active wholesale access products on equivalent, non-discriminatory terms, allows greater levels of innovation and competition by alternative operators, with consequent benefits for end-users. In the UK such an approach is driving acceleration of fibre deployment.

Reliance on purely physical access and network duplication will come at the cost of less investment and innovation at service level, and will reduce the number of market entrants and exclude competition in pan-EU business service provision. Provision of services to businesses is a key driver of productivity gains which needs to be enabled in line with a renewed momentum for the Internal Market.

Targets for deployment of higher-speed fibre-based broadband are a challenge and an opportunity in terms of economic scale, and need a pragmatic response, taking account of customer demand and market evolution. The UK for example will not see a 'one size fits all' fibre deployment, but rather a mixed economy with 100 Mbps is an achievable goal for the vast majority.

Targeting public interventions.

Public financing together with local partnership is needed to achieve deployment to rural areas, with the scale of support varying across geographic regions. The traditional concept of USO cannot simply be transposed to broadband.

Availability of first generation broadband (fixed or mobile) is high in many EU countries, and it is appropriate to set targets such as 2Mbps in the UK, France, Finland and others. New market, technology and regulatory developments will further contribute to this. Where there is no economic case for providing access to the relatively small percentage of households unable to access the target bandwidth level, then public funding is appropriate. Any contributions from industry should be broad-based and proportionate.

Availability of high-speed 'next generation' broadband, offering up to 100Mbps, is of course a greater challenge given the uncertainties of demand and the high investment costs. Again, the traditional concept of USO in this context would be completely impractical and disproportionate, as such networks are only just being deployed, and large scale public funding may be needed in the regions where there is likely to be no economic case.

While national deployment is a priority for operators such as BT, inevitably it is not commercial to go everywhere. The Commission as well as national / local authorities, needs to stimulate exemplar models of local pro-activity and solutions.

- The planned deployment of next generation access in the Cornwall region of the UK illustrates the positive potential of local partnership and public funding in bringing the benefits of higher speed broadband to users in a rural area. The proposed solution will be based on an open, competition-ready network.
- Another recent example of community-based solutions is in the UK county of Kent, where local residents in the village of Iwade are set to benefit from super-fast fibre broadband, following an innovative partnership forged between BT and the local Parish Council. BT is very keen to work with other parts of the country on similar projects.

Digital Single Market: Economic Productivity and the Internal Market

ICT can enable companies to remain competitive and enable growth and jobs through improved efficiency, but this requires a policy and regulatory approach which encourages competitive provision of innovative services for businesses. The EU Broadband Strategy needs to link to a renewed drive on the Internal Market, and to the forthcoming Communication on Industry Policy, encouraging Member States to recognise the benefits such competition brings to their own economy, rather than seeing it only as a threat to domestic national champions.

The potential benefits are considerable. Services currently account for about 70% of EU employment and value-added but only 20% of intra-EU trade. Against this background, research published in 2008 estimated that availability of better, cheaper cross-border business communications could boost EU GDP by between 1.6 and 2%. Ubiquitous high-speed access networks are a necessary but not a sufficient condition for realisation of these benefits. EU strategy on broadband must therefore take account of the need for major investment in the software platforms which work together with IP networks in order to provide "business-grade" services. It must also promote the pan-European deployment of such platforms.

Open competition and open markets – beyond traditional telecoms bottlenecks

Ultimately, the economic success of new networks and services also hinges on the ability of operators and service providers to offer innovative and attractively priced content. The Commission needs to take full account of this in setting its broader policy agenda on areas such as privacy, net neutrality, access to premium content. While the telecoms framework addresses telecoms bottlenecks, other bottlenecks such as Pay-TV are increasingly relevant in driving up broadband take-up.