

ETNO WELCOMES THE EUROPEAN COMMISSION'S PROPOSAL FOR A CONNECTING EUROPE FACILITY



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In October 2011, the European Commission put forward a proposal to establish the "Connecting Europe Facility" (CEF) as a new financial instrument in the context of the multi-annual financial framework. The total proposed allocation is 50 billion EUR, to kick-start European infrastructure development in the areas of energy, transport and ICT. As for the ICT sector, the proposed initiative is complemented by a draft Regulation on Guidelines for Trans-European Telecommunications Networks (TEN) and a Regulation for Financing Telecoms Infrastructure (project bonds).

Regarding the electronic communications sector, the overall proposal of 9.2 billion EUR includes 2.2 billion EUR to boost the development of broadband-based pan-European digital service infrastructure within the areas of e-health services, cyber security, intelligent energy networks and a coordinated effort to remove online child pornography. The amount would be available in the form of various financial instruments such as grants, guarantees, investment/venture funds and project bonds, as defined by the CEF.

Well-functioning cross-border infrastructure is essential for Europe's competitiveness. **Therefore, ETNO welcomes the Commission's proposal for a Connecting Europe Facility.** A solid development of the ICT sector across EU Member States will help advance the objectives of EU 2020 and of the Digital Agenda for Europe. The proposed instruments, to be used as financial leverage by lowering investment risks of public and private organizations, may have the benefit of further supporting new projects for infrastructure development.

The negotiations that are currently ongoing within the Institutions regarding the CEF should be mindful of the positive economic effects that a well-functioning ICT industry can provide to society in terms of growth, efficiency and jobs. Thus, ETNO urges the Member States and the European Parliament to maintain the Commission's proposed funding levels for ICT during the forthcoming Institutional process.

The proposed funding and the related processing procedures under the CEF should be implemented to encourage private development projects and never used as a

means to crowd out private initiatives. To maximize the CEF's impact on sustainability, competitiveness and growth, projects that show a higher impact on GDP (e.g. NGA roll-out), green growth (e.g. smart grids) or on quality of life (e.g. e-health) should be prioritized.

ETNO would like to point out that the eligibility conditions of the CEF must clearly differ from those of the Structural Funds, if the CEF is to make a comprehensive private sector contribution to the achievement of the Digital Agenda targets. Consequently, the allocation of funds should be based on less bureaucratic, more flexible and more transparent rules. In this context, the successful schemes ELER and EFRE play an important role. These schemes should therefore be continued in addition to the CEF.

Regarding the yet-to-be-defined rules determining the eligibility for CEF funding, NGA projects that allow for a higher use of synergies and existing infrastructure should be prioritized, in order to minimize the amount of support needed. In this context, ETNO recalls that the telecoms sector is a highly regulated industry and that criteria regulating access to networks are already enshrined in the sector's regulatory framework and access obligations implemented by national regulators. In the case of projects developed under CEF funding, it is important to ensure that standard network access interfaces and conditions nationwide are respected. Apart from such obligations, the Guidelines to be implemented under the CEF initiative should concentrate on defining the best way to help infrastructure projects in areas where investments are needed, and not impose yet additional, non-standardized network opening rules that are already provided by other EU instruments.

Even when considering that the ambitious goals of the Digital Agenda for Europe will be achieved by a mix of technologies, there are still areas with less opportunity of being addressed by private investments. Where market failures are clear and persistent, public funding to support private initiatives may be necessary. Various financial instruments exist which might strengthen the commercial interest to invest in suburban and rural areas which are not profitable for the private sector from an economic point of view. Credit enhancement tools on the other hand could be useful and particularly in adverse macro-economic conditions, and in both profitable and unprofitable areas (in combination with grants in the latter).

The difficult NGA business case, due to the high costs associated with nationwide roll-out, is further aggravated by a lag in demand. The kind of services that customers demand changes with time and there may not be huge market demand for ultrafast NGA. Customers today largely do not see the benefits of high-speed broadband (if more costly than "standard broadband"), nor do they perceive the benefit of future services. It is therefore critical to support early adopters in order to accelerate the take-up of very high speed broadband connections. This will create a virtuous circle where higher demand will improve the business case, and thus accelerate rollout. This, in turn, will trigger the development of services, which themselves will attract new consumers.

In order to stimulate demand for broadband services and completion of the Digital Single Market, the European Institutions should support cross-border services while simultaneously removing regulatory barriers (e.g. combine eID with the European Health Passport; stimulate e-government services). At present, such services are limited to national markets and are not interoperable.