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Steps Europe must take to achieve a high speed internet economy

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

**EETT's 3rd International Conference on Broadband Internet:
Innovation in Broadband Networks and Services**

Athens, 6 June 2008

Mr Prime Minister, Minister Hatzidakis, Professor Alexandridis, Ladies and Gentlemen,

Introduction

It is a great pleasure for me to address this event. When we met a year ago, I stressed the importance that broadband has for the competitiveness and growth of the European Union. And I applauded the efforts made by industry and the Greek authorities to boost the deployment and adoption of broadband in Greece. These efforts are starting to pay off.

Position of EU & Greece in broadband roll out

There have been very positive developments in **broadband take-up** in Greece. The penetration rate has more than doubled within a year: From almost 4% in January 2007 to 9% in January 2008, making Greece one of the most rapidly developing broadband markets in the EU. We can all be pleased with the progress made so far.

Setting concrete targets through the **Greek "Digital strategy"** has been decisive in achieving this very significant improvement. The Greek Government was very ambitious when it committed to reach the EU average penetration rate by 2009. Currently European penetration stands at 20%, this means that you have to

perform the same achievement of doubling the penetration rate again by next year. I believe you can do it, if you keep on driving forward.

Let me also praise the valuable work that the Greek national regulatory authority **EETT** is carrying out in an independent and impartial manner to ensure more competition on the market: for example promoting co-location and unbundling of the local loop, has allowed alternative operators to invest and develop new services and competition. This is the key to progress: competition, new products, innovation higher access speeds and lower prices.

Take-up is also dependent on the **availability of broadband** networks. Today, around 93% of the European population are able to subscribe to a broadband connection, 80% in rural areas. Again the Greek authorities and industry have made important progress in 2007: the figure has more than doubled over one year to reach 40% coverage of DSL networks.

Impressive progress, but the hardest part remains to be done. Narrowband dial-up connections are functionally obsolete elsewhere in the EU, yet 70% of Greek households still connect to the Internet through narrowband access. Greece is catching up on some measures but it is still some way behind on others.

High speed internet is needed for industry and citizens

But, why is high speed access to the internet so important? Given our high and rising labour costs we Europeans are above all dependent on the productivity gains of the **high speed internet economy**, if we want to keep up our quality of life while meeting the pressures of an ageing population and global competition. This is true for Greece as much as anywhere in the EU, with your inflation running at over 4% per annum, labour costs rising nearly 7% last year and a widening current account deficit that already stands at 14%. More than most Member States a productivity miracle is surely needed.

This is where Information and Communication Technologies (ICTs), including fast broadband connections, can assist as major drivers of economic growth and reform. Let me just give you some examples: 77% of EU **businesses** have a broadband connection. Overall, Greek businesses are performing quite well, it moved up in this respect from 58% last year to 72%, although it still lies back in 19th place.

Public services are also increasingly delivered via broadband connections: the latest data indicate that 48% of doctors and 67% of schools in Europe are subscribers,

while 60% of public services in the EU are fully available online. Here again the Greek performance has been accelerating but there appears to be some gaps: while Greece almost reaches the average EU level as regards doctors using broadband (44% in 2007); the latest survey (in 2006) showed only 13% of schools subscribed to broadband one of the worst ratings in the EU. Fully on-line public services in 2007 in Greece reached about 45%, a figure dragged down by weaker provision of citizen services (at only 33% fully online).

In fact, as regards broadband take-up it is the consumer side that seems to be lagging behind. Whereas 82% of firms are using government services on line (well above the EU average of 65%) and 77% are filing forms electronically (putting Greece in 2nd place in the EU), take up of government services amongst citizens is only at 12% putting Greece in 25th place.

While, nearly 40% of Europeans have never ever used the Internet, in Greece this figure goes up to 62%. Eurostat data show that more than half of Greek households do not have broadband because they don't see the point or find a need. I find this outcome very worrying.

Here then is an essential area of action. Broadband means better, more efficient and effective services to citizens. If we can get this message home, the internet economy will bring a further boost to the economy which would also benefit quality of life: something the Greeks know plenty about.

Is the EU falling behind on speed?

Moving ahead on residential take-up of broadband is the next challenge because the race will not be won even once a higher level of internet connectivity is achieved. For example, if we look at **broadband speeds**, the picture is not so bright. Average EU speeds are about 1 Megabit per second with limited upload speed, our data tells us that Greece is lagging behind on this development. Across the whole of Europe fast access technologies, such as **fibre**, are used by only 1.2% of European subscribers. This is an area in which **Japan** and **Korea** are leaping ahead: In Japan there are more fibre users than ADSL subscribers and in Korea 34% of users subscribe to fibre-to-the-home. Can we afford to be complacent? I think not.

If we want broadband to take off in the home we have to invest in infrastructures that are capable of delivering the new high bandwidth hungry services such as web-TV,

High Definition Television, fast video downloads, machine-to-machine communications for home automation and simultaneous use in households.

The increasing importance of user-created content also calls for improved upload speeds, moving towards demands for more symmetric connections. Working together, we must create favourable conditions for this migration.

That is why the Commission is preparing a package of policy measures on the treatment of Next Generation Access Networks: a Recommendation that lays out a consistent set of guidelines for incentivising investments in these new infrastructures, without chilling competition; and a broadband performance index that tracks all the key factors shaping broadband uptake (coverage, speed, prices, competition, and demand drivers) as part of a Communication that takes the long view on the development of networks and Internet, beyond the migration to high capacity access networks towards services for the future.

Competition to achieve a high speed internet

The most important step, however, for policy makers in making the internet economy fly, whether at EU level or the Greek national level is to promote open competition

and to reap the benefits of a Single Market in electronic communications for EU businesses and citizens.

This is sadly not yet the case, which is why the Commission tabled a **legislative reform package** in November last year. One major aim is to create greater consistency in regulation in order to achieve better and cheaper connectivity for business customers across borders. This is essential because the internet does not know borders and mobile services are born to roam. This is because major firms are inhibited from investing in Europe because of the complexity of doing business here. For example one large automobile maker recently revealed that it has to manage 827 different telecommunications contracts to operate its EU business! In our system of national regulators we need as a basic minimum to make sure that there is a consistent and competitive service offering for these firms to do business. This is the aim of the proposed European Communications Market Authority: to give a real impulse to Europe's internal market for e-communications. In particular, this body will improve consistency in the application of EU rules, by advising the Commission and assisting NRAs in their activities on the analysis and the implementation of regulatory measures and on cross-border regulatory issues. I am convinced that such a new

body will make possible substantial cost savings and efficiency gains, by speeding up decisions and encouraging best practice.

Let me be clear, I did not propose the Authority for the sake of the telecom sector and the telecom regulators, but for the sake of countries like Greece – for example – that might want to act as a regional economic hub or to attract international firms to drive inward investment by being part of an efficient European Communications Market that gives them a competitive advantage. Please bear that in mind when you listen to the debates on this issue.

You may wonder about **ENISA**, the European Network and Information Security Agency. Of course, the legislative work is still ongoing, but I can tell you that the Commission attaches a lot of importance to the work that ENISA does, because network and information security is fundamental to the internet economy. That is why the interim measure to extend the duration of the Regulation for an additional three years is welcome, but I tell you clearly that this is not the signal to relax and forget the discussion of the mandate and efficiency of ENISA. The security threats are growing, we need a proper European response and – despite ENISA's efforts – we have neither the manpower nor the competence to meet these threats.

Let me take another part of the reform: **spectrum**. Today, deployment of many innovative and dynamic radio-based technologies is constrained by 'artificial spectrum scarcity' created by the current inflexible system. We are faced with increased costs, lost opportunities for operators and manufacturers and reduced investment in and take-up of new innovative applications and services. There is also a risk that the European wireless industry's competitiveness might erode vis-à-vis the rest of the world where spectrum is more effectively managed. In the debate on the digital dividend we risk losing out on the chance of closing the broadband gap in rural areas but not having enough spectrum to deliver low-cost wireless broadband services to remote islands and mountain communities where fixed lines will never reach.

We need to simplify access to radio spectrum. I am proposing more use of market mechanisms by allowing general authorisations that permit licence holders the flexibility to deploy technologies to provide services that meet demand. Rather than staying locked into a command and control culture in which bureaucrats decide when and how innovation will take place.

Wireless services also inevitably spread across-borders. Services have footprints that span different countries and

communities. Technologies achieve scale economies if spectrum policy making is coordinated.

Most of all we need streamlined decision making on spectrum. Today we can count between two and ten years to make a spectrum allocation decision of any significance, look for example at the debate on **pan-European satellite services**. If we want to reinforce Europe's money spinning leadership in mobile communications, this is an area where national policy makers should put down their nationalistic tendencies look towards our common European goals of leading the way to the wireless internet. Also, we need to be strong on these issues in external players.

Let's remember above all, the innovation possibilities are endless not just for mobile manufacturers and operators but for new services providers from around Europe and for business that want to keep their business on the move and in touch.

What needs to be done by government, regulators and industry

During these three days, you will be discussing about tools and strategies to promote innovation in broadband networks and services, on the common understanding

that broadband is a building block of the knowledge economy.

2007 has been the year when Information and Communication Technologies moved to the top of the **Lisbon agenda** for growth and jobs. Governments now understand the need to invest in broadband and ICTs.

The Lisbon Strategy structural reforms are starting to pay off. I am pleased to see the prominence of ICTs in this structural reform agenda, in which all Member States now recognise the importance of ICT strategies and at least half of them have acted to strengthen their R&D and ICT policies.

Broadband plays a key role in many of these strategies. Last December the Commission called on Member States to set national **targets for high-speed internet usage** aiming at a 30% average penetration rate of the EU population and connection of all schools by 2010. At the last European Spring Council, Member States agreed to set ambitious national targets for broadband access as part of their National Reform Programmes. I am looking forward to assessing the implementation and impact of this commitment.

I believe that governments, regulators and industry will all benefit from continuing their coordinated efforts in trying to meet these targets.

Conclusion

So let me return to the remarkable progress shown by Greece. I am sure Minister Hatzidakis will explain the Greek government's strategy for electronic communications in detail. The strategy for cabling urban areas beyond the few big agglomerations with fibre optic networks and connecting remote areas with wireless.

Our aims are aligned, to make broadband available to all Greek and all European citizens. This is the next main target of the EU **i2010 initiative**. Policies designed to meet this objective can count on my support. Your efforts, our joint efforts are clearly starting to bear fruit, in the drive to achieve economic reform and the transition to a high speed internet economy.

We can be proud of this progress. But we still have many challenges ahead of us: Not only have we to keep on moving so as not being overtaken by our international competitors; we also have to ensure that all European business and citizens benefit from this evolution.

I am convinced that we are on the right track through a balanced combination of regulation, policy and benchmarking. I urge you, as representatives of governments, regulators, business, innovators and citizens, to keep at it.

Thank you for your attention.

