

CEF

telecommunications

guidelines

IMCO Committee, 25 April 2012

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Connecting Europe Facility

- **Investment needs:** Up to €270 billion to bring ultra-fast broadband to all households by 2020. Without the stimulating effect of CEF the market plans to invest no more than €50 billion by 2020.
- **Budget envelope:** 9.2 BL € in the field of telecommunications
- **Instruments:** market based (financial) instruments and grants
- **Leverage effects:** 6-7x in ICT (permits to reach eg 45 million households with BB)

Problem definition: Why investing in digital infrastructure ?

Case for EU investment

Broadband networks

1. Current level of investment is not sufficient to ensure growth

2. No agreement on investment between incumbents and competitors, high cost of capital and high perceived risks

3. No business case in rural and (in most) suburban areas

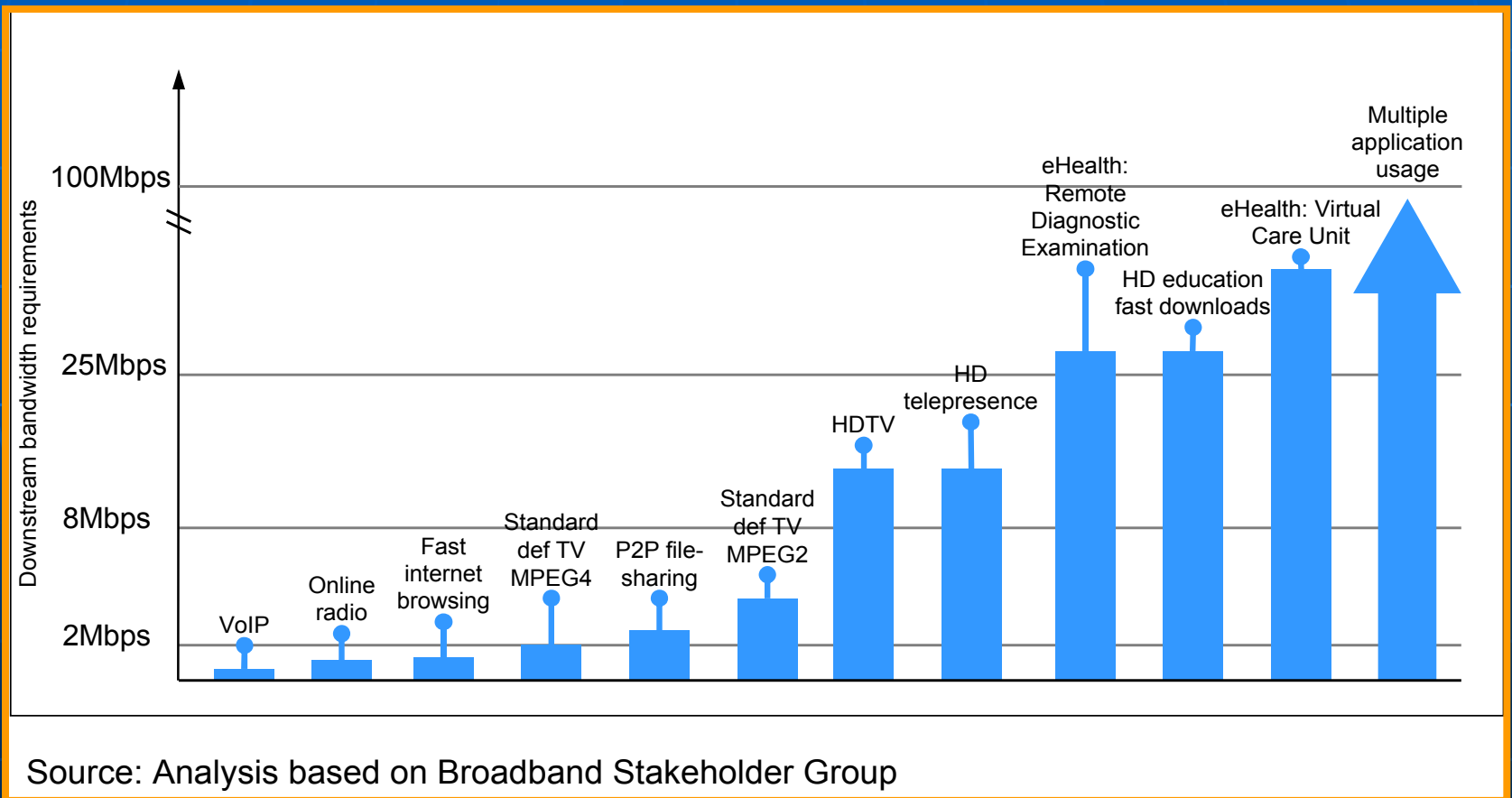
4. Core layers of digital services will not be financed by MS or private operators

5. Interoperability, standards and cross-border problems for digital services

Digital Services

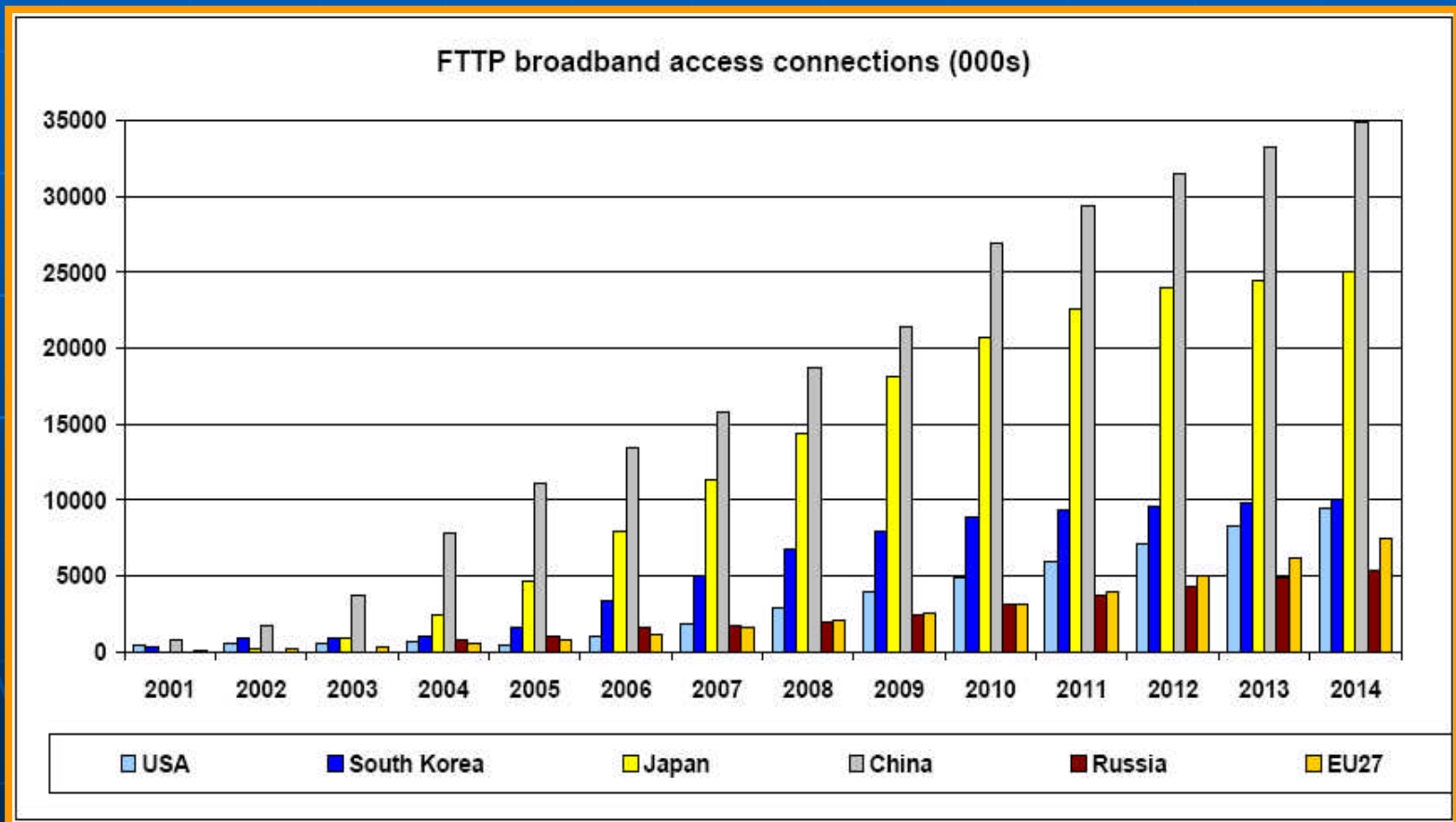
Expected growth in BB demand

New applications and digital services are being developed...



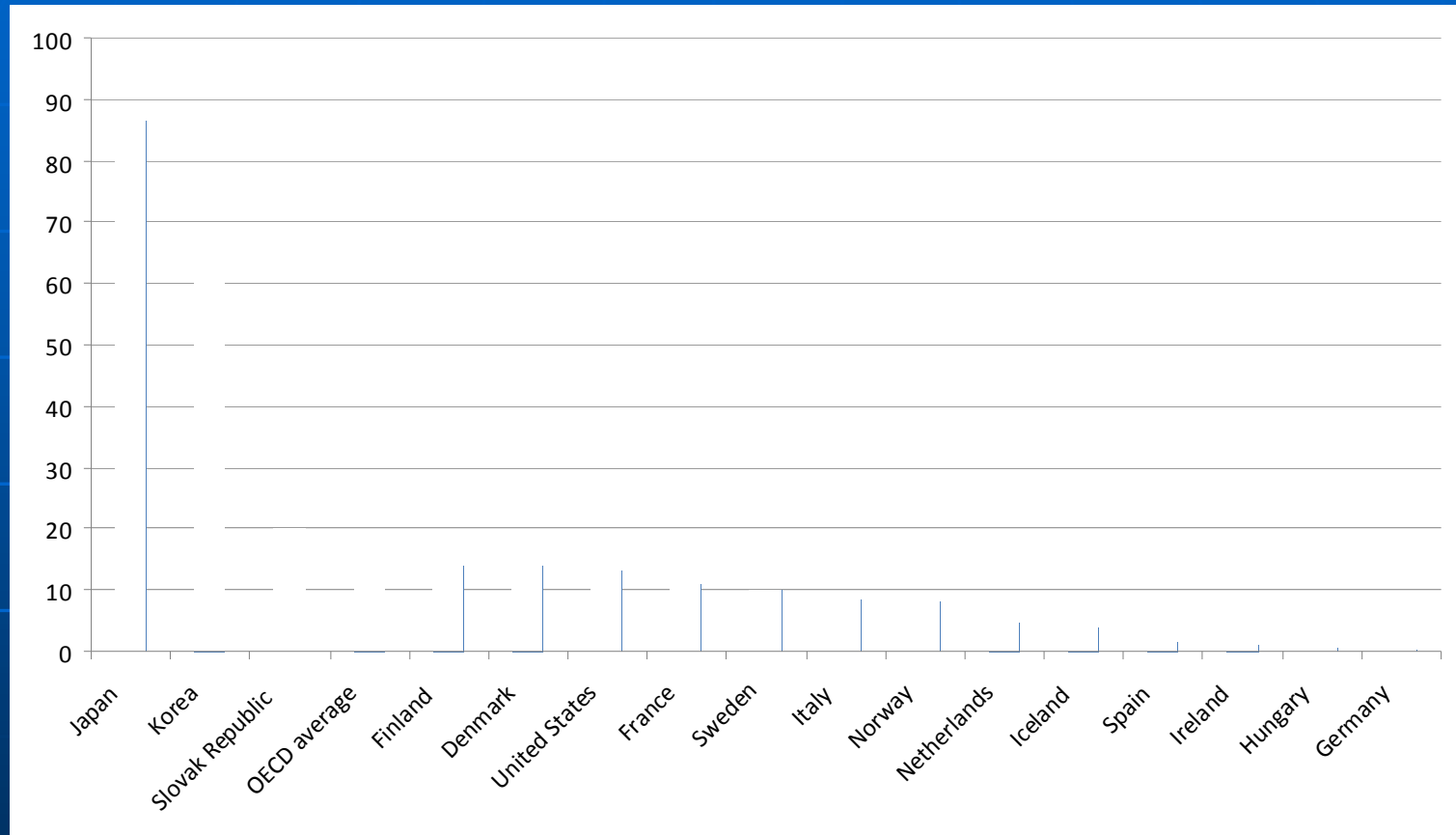
Supply gap (1)

...EU well behind



Supply gap (2)

FTTH/B Household availability (Dec. 2010)



ICT CEF objective tree

Overall objective

Delivering sustainable economic and social benefits from a Digital Single Market based on fast and ultra fast internet and interoperable applications (by 2020 access for all Europeans to 30Mbps connections, and access for 50% of Europeans to 100 Mbps connections)

Specific objectives

Influence the market dynamics for broadband investment

Facilitate additional efforts by MS for the use of interoperable digital services

Operational objectives

Where bb projects are potentially financially viable, ensure that investors have access to capital, at reasonable costs (interest rates) and with sufficiently long time-horizon

Where there is no business case, provide sufficient level of financial support for the roll-out of bb networks

ensure that public and private investors can implement bb projects (providing technical assistance, e.g. for planning/mapping)

ensure that EU funds have max. leveraging effect on private and (other) public investment

Deploy core layer public digital infrastructures (e-gov, e-health...):
Platform new industries
Cost savings (gvts, bsns, citizens)
Network effects
Better quality of life
Mobility

Broadband (1)

■ Policy rationale

- Portfolio of projects enabling fast and ultra-fast internet access
- Europe 2020 broadband objectives (access: 100% of households at 30 Mbps; use: 50% of households at 100 Mbps)
- Urban areas: not a priority, as the market should deliver
- Sub-urban areas: tipping the scale through innovative financial instruments
- Rural areas: grant support

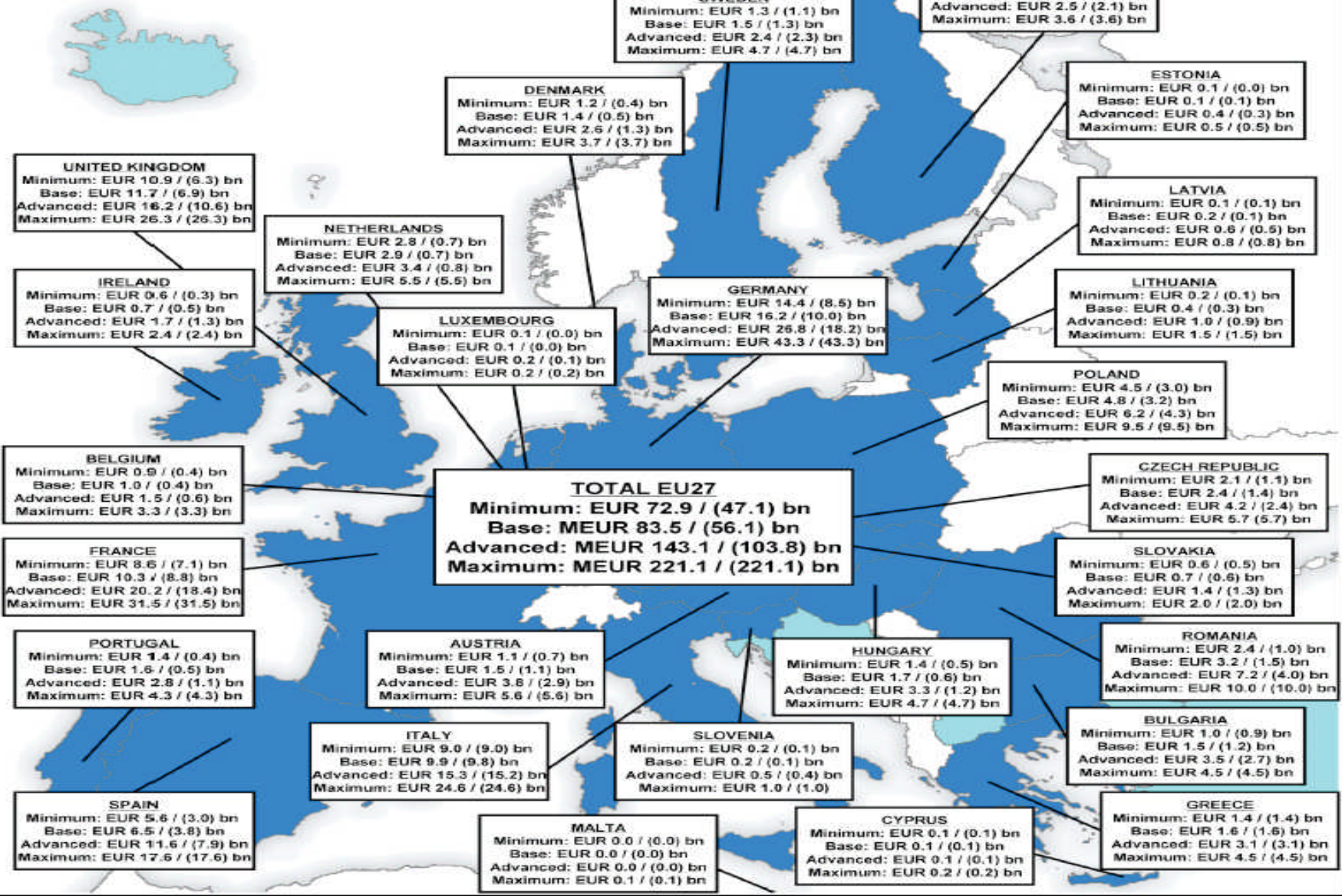
Broadband (2)

- Beneficiaries (expected):
 - Telecoms (incumbent or alternative)
 - Utilities
 - Regional bodies, including municipalities
 - New alliances, e.g. equipment providers, PPPs



Member States

Candidate Countries



Digital Service Infrastructures (1)

■ **Policy rationale**

- Deploy core layer public digital infrastructures (e-gov, e-health...)
- Platform for new industries
- Cost savings (governments, businesses, citizens)
- Quality of life and mobility

■ **Services**

Smart energy services

- Linking energy and telecoms infrastructure

■ **Safety and security**

- Safer internet for children online
- Critical information infrastructures

Digital Service Infrastructures

(2)

- eGovernment
 - eHealth
 - eIdentification for secure transactions
 - Setting up a business across borders
 - eJustice (information on justice systems and improving access to justice throughout the EU)
- Access to public sector information and multilingual services
 - Europeana, connecting archives, museums etc.
 - Data.eu (re-use of public data resources)


ICT Digital Services


Enabling interoperable services across Europe


As an example of priority projects, access to cultural media for the EU citizen and re-use by businesses.

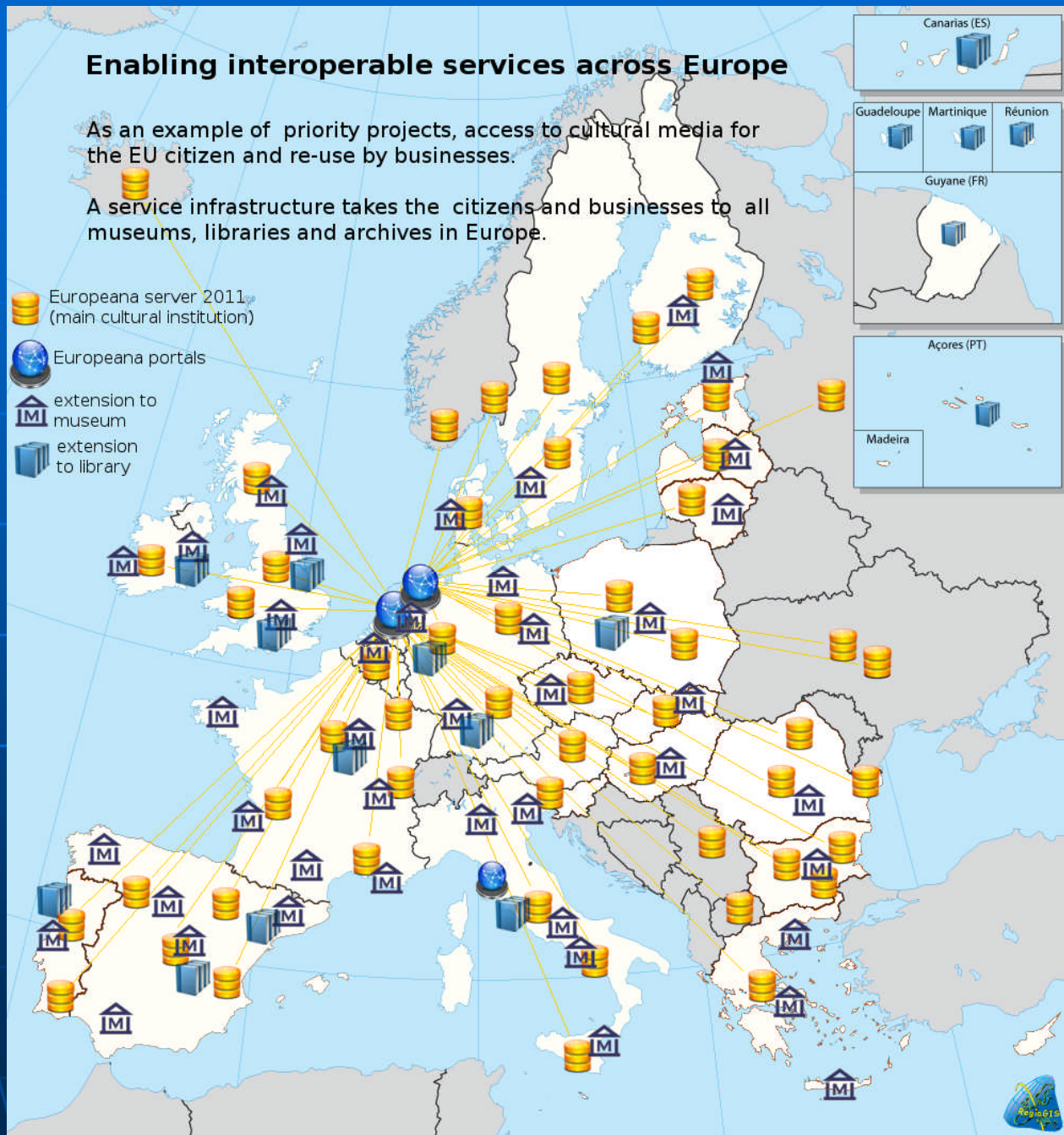
A service infrastructure takes the citizens and businesses to all museums, libraries and archives in Europe.

 Europeana server 2011
(main cultural institution)

 Europeana portals

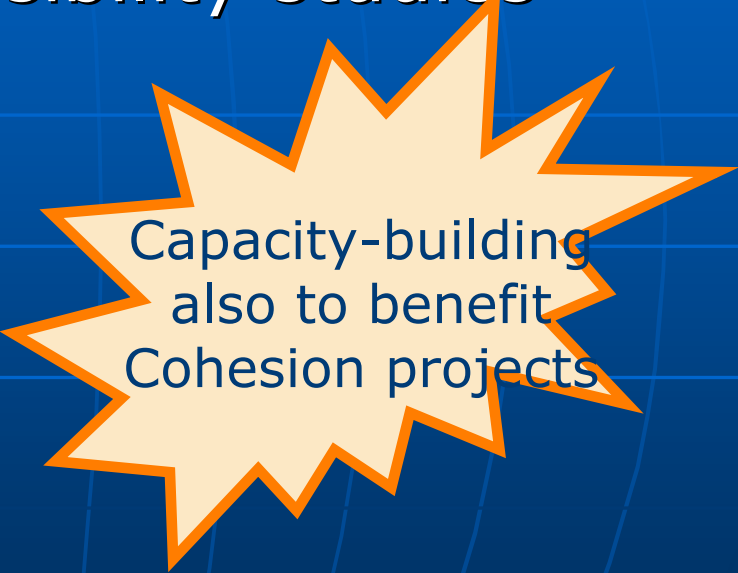
 extension to
museum

 extension
to library



Horizontal priorities

- For broadband:
 - Mapping, planning, feasibility studies



Capacity-building
also to benefit
Cohesion projects

- For digital services:
 - Promotion and policy support

Mutual reinforcement approach

1. Broadband networks roll-out

- Financing deployment of 30 Mb broadband networks trough CEF

2. Enhanced supply of broadband

- Creating critical mass and potential markets for applications

4. Enhance demand for broadband

- Enhanced supply of digital services will create foster new applications that will in turn need more bandwidth

3. Development of digital services

- Digital services deployed by the CEF act as European public goods (core layer)s



Examples of impacts

+2.7 m. man-year jobs and €152 bn. of added value to the EU economy

Bb coverage accelerated the take-up of entrepreneurship in ICT by 54% (general 8%)

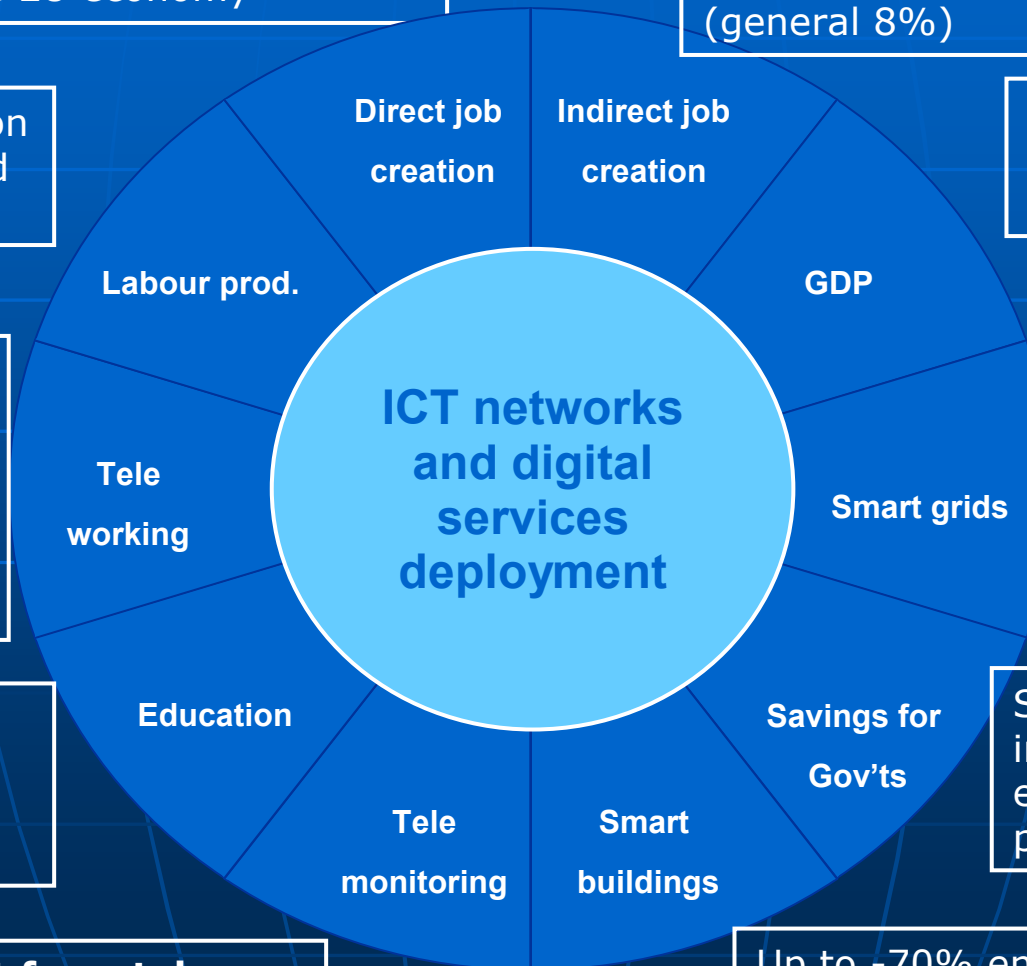
+10% bb penetration => +1.5% lab. prod growth

+10% in bb household penetration => +0.9-1.5% GDP

Homeworkers took on average a 1/4 days sick leave a year than their office attending counterparts

+5% bb => + \$4.3 bn. GDP and +40,000 jobs in education in the US

€27.89 bn. benefit from tele monitoring/e-health (0.299% of EU GDP)



Bb-enabled smart grid services => €850 bn. in gross energy savings (US)

Savings: 157 m€/year in in ES from eCadastre. EU wide E-procurement: 50 BL

Up to -70% energy use in new office buildings using broadband connections

Impacts (2)

- No intervention?
 - Mainly regulatory approach (access prices)
 - Investment gap remains (Structural funds absorption issue)
 - Cost of not completing digital single market (BB/D.serv conditions) = 4.1% of GDP lower by 2020 than would otherwise be the case.

Governance 1/2

■ ***Multi-annual Work Programme***

- Broadband: eligibility criteria for FI, strategic orientation, identification of financial partners + initial financial commitments to the financial partners (to start building the portfolio).
- Digital services: strategic level description of core platforms and generic services + multiannual commitments, if necessary.
- Potentially broadband mapping (horizontal priority).

Governance 2/2

■ ***Annual Work Programme (implementing act)***

- Broadband: eligibility and selection criteria for grants, define scope and objectives of calls for proposals. For FI, financial commitments.
- Digital services: annual financial commitments, scope and objectives for calls for proposals on core platforms and generic services. Selection and award criteria
- Horizontal priorities: scope, objectives, selection, award... for support actions (preparation, implementation, acceleration of projects)

Role of MS

- **Member States know of planned projects:**
 - **National Regulatory Authorities**
 - **National Broadband Plans**
 - **State-aid registries**
- **However, current guidelines do not include provisions**
- **for MS pre-selecting projects**
 - **Often private projects**
 - **Competitive procedure**
 - **Independent panels/experts (calls for experts)**
 - **Commission manage calls, not select individual projects**
 - **Overall aim still remains: “balanced portfolio” (GL annexe on BB).**

BB grants under the CEF-state aids

- Direct beneficiary + CEF: no state aid notification required.
- Nevertheless, grant support under the CEF may lead to distortion of competition, as in case of support provided by MS
- Commission will establish a "competition check" for the CEF grants under rules similar to BB state-aid guidelines
- To streamline process: "one-stop shop" procedure: beneficiaries will submit the information necessary for competition check together with the application for funding.
- Check by COMP, initiated by INFISO / Agency
- **NB This procedure does not replace state aid approval in case of MS complementary grants**

**“CEF: Future proofing the
EU economy”**

Thank you