# CONSULTATION ON COMMUNITY GUIDELINES FOR THE APPLICATION OF STATE AID RULES IN RELATION TO RAPID DEPLOYMENT OF BROADBAND NETWORKS

The Technology Platform ISI (Integral SatCom Initiative) and SFERA project (Structural Funds for European Regional Advancements) welcome the European Commission's initiative to clarify the way State aid rules apply in relation to the deployment of broadband infrastructure and the opportunity given to stakeholders to express their views on this issue.

The Technology Platform ISI and SFERA project wish to make this submission on behalf of the broader European satellite communications industry, which is reflected in the 180-strong membership of the Platform and on behalf of the SFERA consortium members who, based on the lessons learned from the analysis performed in several European regions, would like to present key recommendations related to broadband funding and state aid rules in what concerns planning, governance, management and implementation of outcomes.

Given the natural reach of satellite signals to all EU regions across all EU Member States, it is clear that the satellite communications sector ("Satcoms sector") is directly concerned by the State Aid Guidelines for BB. With the existence of structural funds per se but more recently the "Barosso Billion" for broadband in the European Economic Recovery Plan (EERP), the primary concern of the Satcoms sector is that it should be allowed and even supported to do what it can do best, which is enable connectivity for those parts of European society who are truly left behind in today's Digital Revolution. Given the disincentives for investment in these areas, we believe that most land-based technologies will not focus on connecting these areas in the short-term, whereas this is the main objective of the SatComs sector, which thanks to past & present investments, already "covers" <u>all</u> areas. Given this coverage, serving an isolated rural user or one in a more populated area can be covered with the <u>same</u> level of public investment.

## <u>Technological neutrality and deserved areas</u>

The EC states that *Given that broadband services can be delivered on a host of network infrastructures based on wireline (xDSL, cable), wireless (Wi-Fi, WiMAX), satellite and mobile technologies Member States should not favour any particular technology or network platform unless they can show that there is an objective justification for this*. Although we support this statement, we would like to emphasize that availability of broadband infrastructures varies across countries, as it is driven by geographical features, population density, technological developments and level of competition. Therefore, significant part of these underserved regions can be covered in the next few years if hybrid solutions made of terrestrial and satellite-based

technologies are deployed on a wide scale, and if the demand is properly aggregated to make it more visible and concrete for investors.

For the hybrid terrestrial/satellite solutions, satellites deliver broadband services over vast regions and can be deployed without pre-existing terrestrial infrastructures. They are well suited to complement terrestrial network solutions to deliver equal access to broadband services, everywhere and for everyone, particularly in those regions which until now have been disadvantaged: islands, rural, mountain areas and even some parts of sub-urban areas.

## Satellite as the Best Economic Offer

Satcom systems can be used for basic broadband connectivity for households, schools or farmers, can deliver higher performance as may be required by businesses and SMEs, and can also enable streaming applications of e.g. video - a likely primary application of NGAs. It is our view that satellite connectivity will allow the European Commission and Member States to achieve the public sector objective of higher broadband penetration within a relatively short timeline as called for by the EERP, without infringing State Aid rules. As such we believe that evidence can be supported by the legal principles of EU Competition Law to warrant a statement by DG COMP in its Guidelines that there is a strong case for satellite BB in clear white spots or at least that state-aid for broadband in white spots merits proper consideration of the satellite option.

When analysing the reasons behind why a given technology is not capable of reaching similar cost levels for the equipment and transmission infrastructure (for example, cost of satellite equipment versus terrestrial DSL routers), the comparison should be made in a homogeneous manner.

If a technological comparison is required, the analysis should be made on ability to provide similar conditions in the future; the question to be asked should be: what will the CAPEX associated to the connection of a user be for a given technology compared to another technology?

According to the Analysys report Q2-2008, when comparing the CAPEX per households in rural area for various access technologies among which FTTC, Wimax, HSDPA and SatCom, SatCom is the cheapest. The CAPEX per HH for SatCom account to 0.5 k€ (including the purchase of the SatCom terminal and the dish installation) while it is more than 1 k€ for the other access technologies taking into account a share on the cost of the network access equipment and the laying of the fibre for FTTC. Hence broadband service in rural areas via SatCom is the most cost efficient approach taking into account also the following factors:

- Price: it is undeniable that for Satellite communications ground equipment is the main infrastructure element that would need to be subsidized since the main infrastructure – namely satellites themselves - are deployed already and cover all of the 27 member-States.

- Speed of delivery: because the main infrastructure is already in place, we simply need to shift ground equipment to the unserved and underserved areas & install it. The speed of delivery depends on the availability of installers (who are local SMEs) and how many installations they can do in any one day, but still in terms of enabling connectivity we are talking about weeks, rather than years.
- Numbers of users addressable in this timeframe: existing capacity can address at least 1 million extra users before the end of 2010, with the public support in ensuring technology neutrality approach when deploying broadband networks and a stable regulatory environment, further satellites may be launched in the coming years to care about Europe's digital divide.

Therefore, we urge the Commission to recognise the ability of satellite technologies to provide broadband services immediately and at a low cost for public intervention (estimated cost of installation + ground terminal = 500Euros).

**Stimulation of demand and cost effective deployment of wireless technologies would help to push operators to focus on and include the less developed regions of Europe within the scope of business plans and service provision, rather than just looking for co-investment (public and private) to roll out NGA's.**

In order to have a cost effective deployment of wireless technologies, the EC should consider measures to facilitate the development of services and applications of public interest that would stimulate the demand for broadband.

Schools, government offices, libraries, public agencies, etc. can and probably should become broadband ICT users, thus pushing the use of such technology. That is:

- They will need broadband internet access to applications;
- They may act as an aggregator of demand on behalf of other users;
- They may act as an anchor customer to trigger demand within an unserved area

It is also worth noting that satellite communications often constitute a critical infrastructure, as they are robust at times of disaster and reliable for public safety uses: whilst not directly on the subject of bringing broadband to citizens per se, this is still of direct relevance to local authorities and regional governments throughout Europe.

**"White areas": promoting regional cohesion and economic development objectives"**

- The Commission accepts that *by providing financial support for the provision of broadband services in areas where broadband is currently not available and where there are no plans for the near future, Member States pursue genuine cohesion and economic development objectives*. Further with reference to "white areas" where 2 or more operators do provide services, SFERA and the

ISI initiative are of the view that the number of operators should not be the main concern, but rather the offerings that the operators provide to customers in these regions as compared with customers based in other areas (urban areas). The reason being that offers in white areas may often be out of date, inefficient or inadequate, mainly as compared with similar offerings to users located in other, typically urban, areas) such that even though they exist in name, users may not have access with enough speed or be satisfied. Therefore we consider that there are grounds sufficient to allow the study of benefits to deploy broadband networks in white areas as well.

- We share the analysis of the Commission regarding "grey areas" too.

In this case, an analysis of the value of an intervention to add an additional network should be considered by EC.

**Supporting the rapid deployment of NGA networks**

Next Generation Access networks will have the speed and capacity to deliver in the future high definition content (video and television). They are defined as involving

- Laying fibre to existing street cabinets offering downstream bandwidth of a minimum of 40 Mbps and 15 Mbps upstream
- Upgrading cable networks to deliver speeds up to and beyond 50 Mbps (downstream)
- Connecting newly built homes and offices with fibre connections offering services up to 100 Mbps and beyond

SatCom broadband typical service offer is being upgraded to 2-4 Mbps / 400 kbps (downstream/upstream). In the mid term, the typical service offer will be upgraded to more than 50 Mbps / 5-10 Mbps in line with NGA objectives thanks to technology breakthrough on Ka band multi-beam satellites (hundreds of beams). Given the recent huge technology jump forward that satellite technology has made in terms of performance ability and the distinct possibility that an even greater jump may occur in the coming years, satellite should also be considered as a complementary NGA technology to cover in Europe the last 10% of population and 50% of territory and ensure back-up services. Again we note our belief that the majority of land-based communications operators will be focussing on acquiring public support for the primary roll-out of NGAs, whereas the first stop for satellite is white spots, the NGA-like capability is "just a bonus".