



**EUROPEAN COMMISSION**

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## **Reaching the gigabit ambition**

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

Broadband for Everyone in Europe – Launch event of the Broadband  
Competence Offices Network and the Support Facility  
**Brussels, 20 November 2017**

## **Introduction**

I thank the BCO Support Facility for inviting me to this launch event.

The case for a swift transition to the Gigabit Society is clear. We need to team up to make it happen. This involves the European Union, its Member states, its regions, business and civil-society organisations. It also involves the portfolios of the Commission. This is why I am here today; to stress the commitment of Commissioner Margrethe Vestager and of DG Competition to this joint effort. We all know the difference between watching a film that plays seamlessly and one that keeps buffering. Fast connections are also good for business and government organisations. I could make many examples, from precision farming to e-health and e-government.

The targets set out by the Commission for 2025 can help schools, transport hubs, public service providers, digitally intensive enterprises and many more to benefit from 1 Gigabit-per-second upload and download speeds. Households – rural or urban – are also to enjoy 100 Megabit-per-second download speeds upgradable to 1 Gigabit-per-second.

## **Balancing private and public investment**

Rolling out the infrastructure to reach these objectives will require large investments.

According to estimates, overall investment will total about €500 billion over the coming decade – with an estimated €155 billion shortfall going by current industry trends in network investment and modernisation.

Where the market fails to provide sufficient investment, public intervention is justified. Indeed, it is needed. Because fast digital communication is a public good and nobody should be left behind.

The Commission supports the necessary public interventions. Especially in less densely populated areas, but also in areas that are already covered but have slower connection speeds and where market operators would not provide upgrades of their own accord.

On the other hand, it is also clear that there is no way public authorities can build the Gigabit Society by themselves. We need the expertise, dynamism and funding of private-sector operators, who will do most of the building.

Public and private entities will have to work together if we are serious about building this key infrastructure for Europe's future. As always in these cases, this is going to be a delicate balancing act. It is in the public interest that taxpayers' money – where it is used – provides the right incentives. It would not be in the public interest if public funding were used inefficiently; for instance, in areas where there is no identifiable market failure. Or if it were used in a way that distorts natural market developments and gives an undue advantage to individual companies or technologies.

And this is where EU competition rules can be useful, because they can help us strike the right balance.

## **Well-targeted public investment and competition policy go hand-in-hand**

Significant amounts of European funding can be used to reach our Gigabit targets. This includes the frequently used Structural funds and other instruments targeted at broadband deployment, such as the Connecting Europe Facility, the more recent and dedicated Connecting Europe Broadband Fund, and the European Fund for Structural Investments.

Public funds in Member States are also available. Since 2009, approximately €3 billion has been spent from EU funds and €10.5 billion by Member States.

State aid rules can help us make the best use of this public investment.

When EU governments invest in broadband infrastructure – either by themselves or as co-financing in parallel with EU structural funds – such funding may constitute State aid.

When it does, the aid must be assessed against its benefits to society; must be well-targeted for the objectives it aims to achieve; and must not have a negative impact on private investment and competition. This prevents distortions of competition. It is also, quite simply, good governance.

Let me add that when the public intervention occurs on market terms – for instance "pari passu" interventions by authorities made alongside private investments – we are outside the scope of State aid rules. The Commission has recently published a 'Notion of Aid' guidance paper that provides further clarification.

When the Commission assesses State aid granted to broadband, we apply a set of straightforward, core principles that have shown to be robust over time.

We must:

- Define the target areas and the need for the public investment;
- Verify that the investment leads to a 'step change' and that it does not crowd out private investment – existing or planned;
- Achieve the best possible value for money through a competitive selection of beneficiaries, in line with public procurement principles; and
- Avoid subsidising monopolies by ensuring open access to network infrastructure paid for by taxpayers.

Let me clarify a few aspects of these principles, starting with the first point. We make sure that the investment is actually needed. Because taxpayers' money should only be used when the market would not take care of the problem if it were left to its own devices.

The 'step change' requirement in the next point means that the subsidised infrastructure delivers a clearly superior improvement to any existing or planned infrastructure – especially in terms of speed, capacity and competition.

Apart from taking us closer to the Gigabit Society targets, this requirement makes sure that the benefits of the public investment outweigh possible negative effects on existing infrastructure.

We are aware that certain factors such as symmetry of connection – download and upload speeds – and reliability are becoming more important factors in judging what constitutes a 'step change' towards Very High Capacity Networks.

Let me note that our current Broadband Guidelines have sufficient flexibility to accommodate evolving technological development and can be used in conjunction with the new Gigabit targets.

Moving on, the main rationale of the competitive selection requirement is that different technologies are allowed to compete on the same footing based on the objectives defined for the public intervention.

Finally, the open access requirement is essential for consumers, who expect to find a wide choice of services offered by different operators over the subsidised network.

### **Keeping to core principles and simplifying procedures**

I hope you will agree with me that these principles make good sense. But designing sensible rules is only part of the story. Good rules also need to be implemented efficiently, independently and equitably.

Abiding by State aid rules is both an obligation and an opportunity for public authorities and their subsidiaries.

Competition rules help us make sure that we work together towards the objectives that the EU and its Member States have agreed for investment that is in the public interest.

To this end, we have made the rules flexible so that, when broadband projects need public money to take off, the funds can be disbursed swiftly.

In under-served areas, State aid rules allow Member States to subsidise broadband infrastructure without any notification process.

I am referring to the provisions under the General Block Exemption Regulation – or GBER – which allows subsidies in areas where there is no basic broadband infrastructure or there is no fast infrastructure – the so-called Next Generation Access infrastructure.

Let me recall that the GBER is part of the overall modernisation effort, which – among other things – was designed to cut red tape in State aid control.

In this spirit, no notification is required when three of the conditions I mentioned earlier are met.

The waiver covers individual projects of up to €70 million in total costs. As to schemes, they can be covered by the GBER for higher aid amounts, but extra checks are required if the average annual State aid budget exceeds €150 million.

The GBER has been in use for three years now and I am glad to report that it has been used well. As many as 85 individual projects and wider schemes were reported to us under the transparency rules between 2014 and 2017.

When governments decide to invest in more complex and more expensive projects and schemes, notification is required. In these cases, we work closely with national authorities to anticipate possible problems at an early stage – still on the basis of the principles I mentioned.

As a result, in nearly all cases we manage to close the State aid assessment with a positive Commission decision without opening a formal inquiry.

This is our experience – I repeat – in 'nearly all cases'.

Occasionally public authorities do not stick to the principles.

For instance, public authorities may fail to verify whether private operators could carry out a project they intend to subsidise. When this happens, complainants can come forward and the approval process may take a different turn.

We take all legitimate complaints seriously – it's part of our statutory duties. To prevent this sort of disruption for the projects concerned, our advice to Member States is to follow the guidance and to consult the Commission early. Today's launch of the BCO Network is a welcome and significant step in this direction. The creation of the BCO Network is just one of the measures the Commission is taking to make the State aid approval process easier, more focussed and more effective.

We have a constructive ongoing cooperation between our services to work on many of the issues you bring to us. Mapping of network infrastructure is an example of where we are trying to help.

On mapping the Commission will develop a common methodology for coverage of existing broadband infrastructure. You will hear more on this next from my DG CNECT colleague Claire Bury.

### **The BCO Network and State aid**

To conclude, I have outlined the principles of how State aid rules relate to the rolling out of broadband infrastructure and made my case for them.

However, I am very aware of the feedback that we often receive from central and regional governments, regulatory authorities, and through our new BCO network.

What we often hear is that, while the principles of State aid control in the sector are well understood and generally shared, practical problems do arise in their implementation.

We take this feedback seriously and – as I said – we constantly strive to improve our practice, because State aid rules are not designed to thwart public investment, but to make it equitable, more efficient and to give citizens the best possible value for their money.

In our view, there may also be bottlenecks that are not directly related to State aid rules – such as administrative hurdles and project-management issues.

We noted that approved aid exceeds actual expenditure by a significant measure. Of the €38 billion cleared under State aid rules since 2009, only some 30% has resulted in actual spending and rollout of broadband infrastructure in Member States.

This said, frank debate and continued cooperation is the best way to find good, workable solutions in the interest of all our fellow Europeans. This is what counts.

I can confirm our commitment to the BCO Network precisely because it will support Member States in matters relating to investment in broadband infrastructure – at both national and local level – to help channel regional, national and European funds where they are most needed, and to help structure Member States' investments in the most productive and efficient way.

The Gigabit Society is our shared commitment.

Let's build it together.

Thank you.