



EUROPEAN COMMISSION

Cabinet of Vice-President Neelie Kroes
Member of Cabinet

Brussels, 28 FEB. 2011
A (2011) 99811

Dear Mrs Abesamis,

Thank you for your request, which has been forwarded to my Cabinet from Mr Malcom Harbour, the Chair of the Internal Market and Consumer Protection committee in the European Parliament, concerning the broadband funding.

Under the current set-up, broadband rollout is being financed through two major sources. Largely depending on the level of competitive pressure of a given geographical (sub)market, this includes private financing, which traditionally carries the largest share of investment (over €40 billion are invested by telecom operators in fixed and mobile networks on annual basis). In this context, the European Investment Bank (EIB) supports the broadband deployment by investing €2 billion each year in broadband projects, mainly in a form of corporate loans. Furthermore, European level public funds can also be used, subject to state-aid rules. These come in the form of Structural funds (€2.3 billion allocated for broadband between 2007 and 2013) and the European agricultural fund for rural development (€360 million have been allocated for broadband out of 1 billion made available under the European Economic Recovery Package). This is complemented by national and regional funding. Only a couple of projects have been financed by the EIB using the risk sharing mechanism (RSFF).

My services informed me that under the Operational Programme for the West Midlands England Competitiveness Programme about €2 million have been allocated for broadband. In addition, about €3.3 million have been allocated by the UK Rural Development authorities for the deployment of broadband in rural areas in the UK. For further information on this issue I would advise you to contact the Advantage West Midlands Managing Authority (AWM) and the UK Ministry of Agriculture (DEFRA). For more general information regarding the available funding from the Structural funds (ERDF) and the European agricultural fund for rural development, please contact Mr Mikel Landabaso Alvarez (mikel.landabaso@ec.europa.eu), the Head of Unit in DGREGIO, and Mrs Josefina Loriz-Hoffmann (josefine.loriz-hoffmann@ec.europa.eu), the Head of Unit in DGAGRI.

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As regards future actions, in 2010, the Commission adopted a Communication "European Broadband: investing in digitally driven growth" (COM(2010)472¹) with the aim, inter alia, of promoting concrete measures which could foster investment by, for example, developing broadband finance instruments and by reinforcing and rationalising the use of the Structural and Rural Development funds, in order to achieve the broadband targets set by the Digital Agenda for Europe.

The relatively low absorption record of EU level public funds for broadband by the Member States and a current lack of appetite for investment by the private sector points towards a stepping up of both the scope and the level of broadband funding at the EU level. This is to meet the ambitious targets set in the Digital Agenda for Europe, which call for a basic EU wide broadband coverage by 2013, and 30 Megabits per second EU wide broadband coverage, with at least half European households subscribing to broadband access at 100 Megabits per second by 2020.

In my opinion, the private sector (i.e. telecom operators) will remain the main driver behind the investment needed in broadband. But to achieve levels of broadband coverage that are optimal for socio-economic development in Europe, a strengthening of spending instruments with high leverage effect on additional financing may be required. In this regard, the Commission is looking into possibilities on how to test the concept of Project bonds (i.e. innovative financial instruments), with the aim of promoting measures which could foster investment, in particular by the private sector. Finally, the Commission's services are examining how EU funds for the period beyond 2014, could act as a credit enhancing instrument. This would be in addition to the structural funds' envelope.

I trust that you will find this information helpful.

Yours sincerely,


Giuseppe CONTE

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: http://ec.europa.eu/information_society/activities/broadband/docs/bb_communication.pdf