

Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European telecommunications networks and repealing Decision No 1336/97/EC'

COM(2011) 657 final — 2011/0299 (COD)

(2012/C 143/24)

Rapporteur: **Mr LONGO**

On 15 November 2011 and 30 November 2011 respectively, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Article 172 and Article 304 the Treaty on the Functioning of the European Union, on the

Proposal for a Regulation of the European Parliament and of the Council on guidelines for trans-European telecommunications networks and repealing Decision No 1336/97/EC

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The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 February 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 126 votes to 1 with 4 abstentions.

This opinion is part of a 5-opinion package prepared by the EESC on the **Connecting Europe Facility (CEF)** and its guidelines which were issued by the European Commission in October 2011. The package contains opinions **TEN/468** on the **CEF** (rapp. Mr HENCKS), **TEN/469** on the Guidelines for **Telecom** Networks (rapp. Mr LONGO), **TEN/470** on the Guidelines for **Energy** Infrastructure (rapp. Mr BIERMANN), **TEN/471** on the Guidelines for **Transport** Infrastructure (rapp. Mr BACK) and **TEN/472** on the Project **Bond** Initiative (rapp. Mr DUTTINE).

1. Conclusions and recommendations

1.1 The aim of the digital agenda for Europe to implement a high-speed broadband digital infrastructure for all through both fixed and wireless technologies, calls for measures to eliminate digital bottlenecks caused by the lack of interconnectivity and technical interoperability, as well as the gap dividing regions and sectors of society at both national and European levels.

In the context of its proposed Guidelines for trans-European telecommunications networks, the Commission has drawn up a list of projects of common interest for the development of broadband networks and digital service infrastructure, in order to overcome the obstacles hindering the development of the single digital market and the lack of investment in broadband in Europe, compared with its competitors.

1.2 The EESC therefore welcomes the Commission's decision to launch the Connecting Europe Facility and, in particular, believes that this support for broadband networks broadly provides a tangible, encouraging response to the requirements of the Digital Agenda for Europe, tackling the problem of insufficient investment in those networks⁽¹⁾.

1.3 As it has stated in many opinions, the EESC firmly believes that widespread access to broadband, as well as being a key condition for the development of modern economies, is also a crucial factor in job creation, to ensure greater cohesion and well-being and the e-inclusion of people and entire economically and culturally disadvantaged areas⁽²⁾.

1.4 Setting objectives and priorities for projects of common interest meets the essential requirement of making optimum use of financial resources and achieving specific targets, preventing the dispersal of funding.

In this regard, it is essential that the projects to be funded also meet the need to promote the interconnection and interoperability of national networks, without which the single digital market would remain incomplete.

1.5 The EESC recommends that the Commission apply the greatest possible vigilance and rigour when it comes to the criteria for selecting the projects to be funded, so that funds

⁽¹⁾ EESC Opinion on the *Connecting Europe Facility* (See page 116 of this Official Journal).

⁽²⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8, and EESC Opinion on *Enhancing digital literacy, skills and inclusion*, OJ C 318, 29.10.2011, p. 9.

are used to ensure trans-European connectivity, to support outlying areas, to help SMEs to access the digital economy and to increase social cohesion. In order to meet these requirements and keep the institutions and citizens informed, it would be useful if the Commission were to draw up a periodical report on the use of the funds.

1.6 The EESC is somewhat perplexed by the rather vague nature of Article 5, which gives the Commission extensive powers to adopt delegated acts "modifying the description of projects of common interest included in the Annex". Assessments of political expediency (see Article 5(b), which mentions "emerging political priorities") or lobbying pressures should be avoided as far as possible, placing more emphasis on the criteria of technological innovation, added value and consistency with objectives. The EESC stresses that the delegated acts must be subject to clear limitations in terms of time and content.

1.7 The EESC considers it important for projects financed by these funds to respect the principle of technological neutrality, which is crucial to a genuinely open internet ⁽³⁾.

1.8 Funds should be used for network solutions which are open and accessible in a non-discriminatory manner allowing for new operators to enter the market, with technologies that are more efficient and affordable for enterprises and the public.

1.9 The EESC also calls on the Commission to better coordinate the allocation of the funds provided for by the Regulation with funds relating to other initiatives, thereby preventing any duplication or oversight.

1.10 Mapping at European, national and regional level should be carried out as soon as possible, and this is something the Commission also wants to see, in order to identify gaps in coverage and encourage new initiatives by public and private investors.

1.11 It is also important to be open to cooperation with third countries and international organisations, in order to strengthen interoperability between respective telecommunications networks.

1.12 Finally, the EESC reiterates its firm belief that it is now crucial to include internet connectivity in the universal services

⁽³⁾ EESC Opinion on *Net neutrality*, not yet published in the OJ, and EESC Opinion on *First radio spectrum policy programme/European Broadband: investing in digitally driven growth*, OJ C 107, 6.4.2011, p. 53.

obligation ⁽⁴⁾ and believes that this should be one of the priorities for making the EU more competitive and inclusive. Pending the achievement of this objective, every citizen should in any case be guaranteed affordable public or private broadband access.

2. Background and content

2.1 On 29 June 2011, the Commission adopted new guidelines for trans-European telecommunications networks and published a proposal for a new multiannual financial plan for 2014-2020 ⁽⁵⁾, which includes the creation of a new integrated instrument for investing in priority European infrastructure projects of common interest in the transport, energy and telecommunications sectors, known as the Connecting Europe Facility (CEF). The overall budget, under the banner of Community co-funding with high added value, is EUR 50 billion, of which EUR 9.2 billion is allotted to digital networks and services; however, requirements are estimated at at least EUR 270 billion.

2.2 Moreover, the Commission proposes introducing European securities called project bonds in order to increase the ability to attract public- or private-sector funding and reduce the risk for third-party investors. The EU budget will thus be used to provide the European Investment Bank (EIB) with capital aimed at partially covering the risk it takes on when co-financing eligible projects. The EU budget will therefore provide a sort of guarantee enabling the EIB to fund the projects in question, but the EIB must assume the remaining risk. During a pilot phase (2012-2013), a budget of EUR 20 m gleaned from the redistribution of unused funds from European telecommunications programmes will be transferred to the EIB, which should, the Commission hopes, mobilise other public or private investors.

2.3 The Commission's guidelines for trans-European telecommunications networks include the objectives and priorities for broadband networks and digital service infrastructure in the field of telecommunications, with the aim of:

- improving the competitiveness of the European economy, promoting SMEs;
- promoting the interconnection and interoperability of national networks and access thereto;
- developing a single digital market.

⁽⁴⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8, EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58, EESC Opinion on *First radio spectrum policy programme/European Broadband: investing in digitally driven growth*, OJ C 107, 6.4.2011, p. 53 and numerous other opinions.

⁽⁵⁾ Communication on *A budget for Europe 2020*, COM(2011) 500 final.

2.4 The purpose of this regulation is to remove bottlenecks which hinder the completion of the digital single market, i.e. facilitating connectivity to the network and access to an infrastructure of public digital services. The aim is to eliminate the problems on the supply side, demonstrated by the large number of company failures and the fall in investments in broadband and services which are of public interest but of low profitability (e.g. e-Health, the electronic identity card, e-Procurement and their cross-border interoperability). Furthermore, demand for services can only increase if all citizens can connect to digital networks.

2.5 The package of proposals provides for innovative financial instruments which can have an important leverage effect on public and private investments and co-financing via grants in the infrastructure sectors in order to achieve by 2020 the Digital Agenda for Europe objectives of universal coverage at 30 Mbps and 50 % or more of households subscribing to speeds above 100 Mbps.

2.6 The priorities for projects of common interest are:

- ultra-fast broadband networks ensuring data transmission speeds of 100 Mbps and above;
- broadband networks to link island and peripheral regions with the central regions of the EU, ensuring in those regions that broadband connectivity is sufficient to permit data transmission speeds of 30 Mbps and above;
- support to core service platforms in the field of digital service infrastructure;
- actions making it possible to achieve synergies and interoperability between different projects of common interest in the field of telecommunications;
- projects of common interest may include the operation of electronic public services already implemented under other Community programmes such as the ISA programme (Interoperability solutions for European public administrations);
- cooperation is provided for with third countries and international organisations in order to promote interoperability between networks;
- the Commission requests a delegation of powers for an indeterminate period of time to modify the description of projects of common interest listed in the Annex.

3. General comments

3.1 With a view to creating synergies and taking a strategic view, the Commission is for the first time proposing a single

financing instrument for the three sectors of transport, energy and telecommunications. This new approach is very important and may also serve as a model for the infrastructure policies of the Member States. Furthermore, by pursuing the objective of smart, sustainable and fully interconnected networks, the CEF will make a significant contribution to the achievement of the European single market. Finally, by giving infrastructure projects more credibility and reducing their risk profiles, it will be possible to attract further investment from the public and private sectors.

3.2 In this new scenario, the role of broadband services and networks is of particular importance. The EESC has already stressed the importance of ensuring that citizens have adequate access to broadband, enabling users to derive maximum benefits from genuine competition between operators together with Member State policies to support investments in infrastructures and innovation ⁽⁶⁾.

3.3 Investments in telecommunications, particularly broadband networks and digital service infrastructure, are a prerequisite for smart but also sustainable and inclusive economic growth of the Union. This funding and implementing regulation brings us closer to the Digital Agenda objective (at least 30 Mbps for everybody and at least 100 Mbps for 50 % of households by 2020).

3.4 The Commission's Connecting Europe decision finally provides a response to the concerns expressed by the EESC ⁽⁷⁾ regarding a degree of confusion and vagueness on the action plan contained in the Communication on A Digital Agenda for Europe and the insufficient investment in telecommunications networks, which is due to the low profitability in many public service situations and the practical difficulties faced by peripheral regions. This represents a serious obstacle for the creation of an accessible, fast and sustainable single European area for local governments, citizens, companies and the non-profit-making sector.

3.5 The EESC has stated in many opinions that widespread access to broadband, as well as being a key condition for the development of modern economies, is also a crucial factor for the well-being and e-inclusion of people and entire economically and culturally disadvantaged areas ⁽⁸⁾. According to the Communication of 20 March 2006 on Bridging the broadband gap ⁽⁹⁾, "Widespread broadband access is a key condition for the development of modern economies and is an important aspect of the Lisbon agenda."

⁽⁶⁾ EESC Opinion on *Electronic communications networks*, OJ C 224, 30.8.2008, p. 50.

⁽⁷⁾ EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58.

⁽⁸⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8 and EESC Opinion on *Enhancing digital literacy, skills and inclusion*, OJ C 318, 29.10.2011, p. 9.

⁽⁹⁾ COM(2006) 129 final.

3.6 The need for strong European action in this sector was also reiterated unanimously and firmly by the first Digital Agenda Assembly, held in Brussels on 16-17 June 2011, chaired by Commission Vice-President, Neelie Kroes, with the participation of over 1 000 stakeholders⁽¹⁰⁾: content providers, hardware manufacturers, investors and telecommunications operators from the world's top companies. The contributors agreed with the Commission's assessment that the current model for investment in telecommunications is insufficient to bring about the rollout of affordable, high-quality broadband infrastructure (speed, stability, sustainable cost, universal accessibility). In this connection, the EESC believes it would be useful to further examine the situation in India, where the federal government has announced that it will connect 600 million citizens to the broadband network by 2014 through a combination of wired and wireless technology. The scale of this commitment is comparable to the EU and the Indian initiative could therefore be used as a source of good practices, by mobilising the Committee's EU-India Round Table⁽¹¹⁾.

4. Specific comments

4.1 The projects of common interest listed by the Commission as eligible for these funds include: trans-European high-speed backbone connections for public administrations; cross-border delivery of e-Government services based on fully interoperable identification and authentication (procedures for setting up businesses, cross-border procurement, e-Justice, e-Health services, in particular remote diagnostic services); remote access to cultural heritage; internet safety for children and security against e-commerce fraud, smart energy services.

4.2 These projects contribute to economic growth and promote the development of the single market, making the European economy more competitive, in terms of SMEs as well. They improve the quality of life of citizens, companies and administrations, promoting the interconnection and interoperability of national telecommunications networks and access to them.

4.3 The Commission had already identified the main problems to be tackled in order to meet the Digital Agenda for Europe⁽¹²⁾ targets (one of the Europe 2020 strategy's seven flagship initiatives). In this regard, the EESC has stated that "Inadequate execution of policy initiatives have exacerbated the inertia in the European digital economy caused by fragmentation and underinvestment"⁽¹³⁾.

⁽¹⁰⁾ For information on the Digital Assembly, see http://ec.europa.eu/information_society/digital-agenda/daa/index_en.htm.

⁽¹¹⁾ See the statement by AK Bhargava, executive director of Indian telephone company MTNL (Manhagar Telephone Nigam Limited): "For increasing broadband penetration, ubiquitous infrastructure must precede the demand. The quality of services must be high and most importantly, the tariffs must be affordable", Broadband Tech India, 12.9.2011.

⁽¹²⁾ COM(2010) 245 final/2.

⁽¹³⁾ EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58.

4.4 The EESC agrees with the Commission's proposal to call upon Member States to launch initiatives aimed at providing EU citizens with an integrated network of useful content and services, although it does not yet include the possibility of implementing a European electronic identity (eID) for every citizen to facilitate the provision of electronic services and e-commerce, which is already subject to a specific recommendation from the EESC⁽¹⁴⁾.

4.5 The financial instrument proposed by the Commission can resolve a problem which to date has restricted the possibility of creating strong infrastructure. The use solely of the Structural Funds and the Competitiveness and Innovation programme for digital service infrastructures and only for pilot projects would not represent sufficient critical mass to ensure significant distribution of digital services. Broadband investments are currently insufficient in many regions due to lack of competition and high market risk, with under-developed public services which are non-interoperable due to the fragmentation of technical solutions. If this situation is allowed to continue, there will be no genuine single digital market and many European citizens will be excluded.

4.6 The EESC considers it important for projects financed by these funds to respect the principle of technological neutrality, which is crucial to a genuinely open internet⁽¹⁵⁾.

4.7 Furthermore, the EESC has for years stressed its firm belief that it is now crucial to include internet connectivity in the universal services obligation⁽¹⁶⁾. The Committee once again notes that the Commission is avoiding this important issue, since in reviewing the scope of the universal service Commissioner Kroes has ruled out including mobile telecommunications services and high-speed connections⁽¹⁷⁾. The Commission bases this conclusion on the public consultation launched in March 2010, according to which there would be high costs for the industry and an impact on consumer prices in certain Member States in which these services are still weak.

4.8 It is surprising that, while the Commission shows great awareness of the need for the EU to take a decisive qualitative leap forwards in terms of infrastructure, it is still being highly cautious when it comes to updating the legislation on the universal service in telecommunications, which dates back to 2002⁽¹⁸⁾.

⁽¹⁴⁾ EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58.

⁽¹⁵⁾ EESC Opinion on *Net neutrality*, OJ C 24, 28.1.2012, p. 139.

⁽¹⁶⁾ EESC Opinion on *Ideas on the universal electronic communications service*, OJ C 175, 28.7.2009, p. 8, EESC Opinion on *A digital agenda for Europe*, OJ C 54, 19.2.2011, p. 58, EESC opinion on *First radio spectrum policy programme/European Broadband: investing in digitally driven growth*, OJ C 107, 6.4.2011, p. 53 and numerous other opinions.

⁽¹⁷⁾ Press release of 23.11.2011, see IP/11/1400.

⁽¹⁸⁾ Universal Service Directive 2002/22/EC of 7 March 2002.

The EESC, whilst understanding the economic difficulties underlined by the Commission, nonetheless highlights that, pending the achievement of this priority objective, which should be met as swiftly as possible, every citizen should be guaranteed economically and logistically affordable public or private broadband access.

Brussels, 22 February 2012.

The President
of the European Economic and Social Committee
Staffan NILSSON
