

# Full speed ahead

## The government broadband report Q3 2011

A summary of the main report from the Economist Intelligence Unit





## Executive summary

**A**s the third edition of our government broadband report shows, the issue of high-speed internet access remains at the forefront of the policy agenda in both developed and emerging markets. While circumstances and concerns differ from one country to the next, the motivations for public-sector involvement remain the same. Governments are keen to bridge the digital divide between urban and rural areas by bringing basic broadband services of between 1Mbps and 5Mbps to all. Yet governments also want to facilitate greater rollout of so-called next-generation networks (NGNs) that can provide broadband speeds of between 40Mbps and 100Mbps, and sometimes higher.

Because both basic and NGN services require costly investments in networks beyond areas where commercial operators may see a commercial return (i.e. regional and rural parts of a country), governments are stepping in where the private sector has traditionally stayed away. The typical evolutionary path taken by governments, depending on the current state of the market, is as follows:

1. Upgrade of national backbone and international capacity.
2. Provision of universal basic broadband coverage.
3. Rollout of NGNs in more densely populated areas.
4. Extension of NGNs to less densely populated areas.
5. Development of next-generation wireless networks, such as LTE, to complement fixed-line infrastructure.

It is the nature of the partnership between government and the private sector that is driving policy development and broadband activity in many countries. Just as the specific competitive, regulatory, technology, investment and geographical conditions vary between countries, so governments have taken different approaches to broadband development, from heavy state control and direct funding of networks to extremely limited intervention through regulatory measures. The arrow graphic on page 2 provides some contrasting examples of broadband initiatives in different parts of the world.



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### Strong government intervention

#### Government control: Australia

The outstanding example of extreme government intervention is Australia, where authorities have taken control of the national incumbent's existing fixed network and plan to fund, develop and operate a national fibre-to-the-home (FTTH) network, providing wholesale services on an open-access basis, that is expected to cost the taxpayer some A\$27bn (US\$25bn). Competition is to exist only at the retail level, with the government controlling the NGN infrastructure through a new publicly owned operator.

#### Government stimulus: China

The Chinese government has not developed a plan for a single national network, but has issued guidelines encouraging states, provinces, municipalities and autonomous regions to put their efforts into attracting private investment in fibre-based broadband networks. The government is providing a US\$22bn stimulus package, which will be made available over the next three years to local operators and manufacturers through both direct funding and tax incentives.

#### Government partnership: France

In France, the government is working to ensure that broadband infrastructure is openly available to private players and municipalities to drive efficient broadband rollout, where commercially viable. In areas where rollout is not commercially viable, the government plans to direct €2bn (US\$2.7bn) of funds via public-private partnerships to assist with the rollout of shared and open-access networks promoting maximum competition at both network and retail service levels.

#### Government facilitation: Switzerland

In the Swiss market, the government conducts regular roundtable meetings with all key industry players to ensure that regulation and investment conditions are conducive to NGN development by commercial operators, municipalities and utilities. The government is intervening through regulation, where it appears necessary, but predominantly relying on private-sector funding for broadband development.

### Limited government intervention

Beyond the initiatives announced in more developed markets, governments in developing markets are also becoming involved in broadband, although many are initially focused on addressing regulation and market competition, along with basic backbone infrastructure and international capacity issues, before producing detailed targets or plans for ultra-fast broadband coverage. In addition, wireless networks are playing an increasingly important role in countries where basic fixed-line infrastructure is poor or simply not available.



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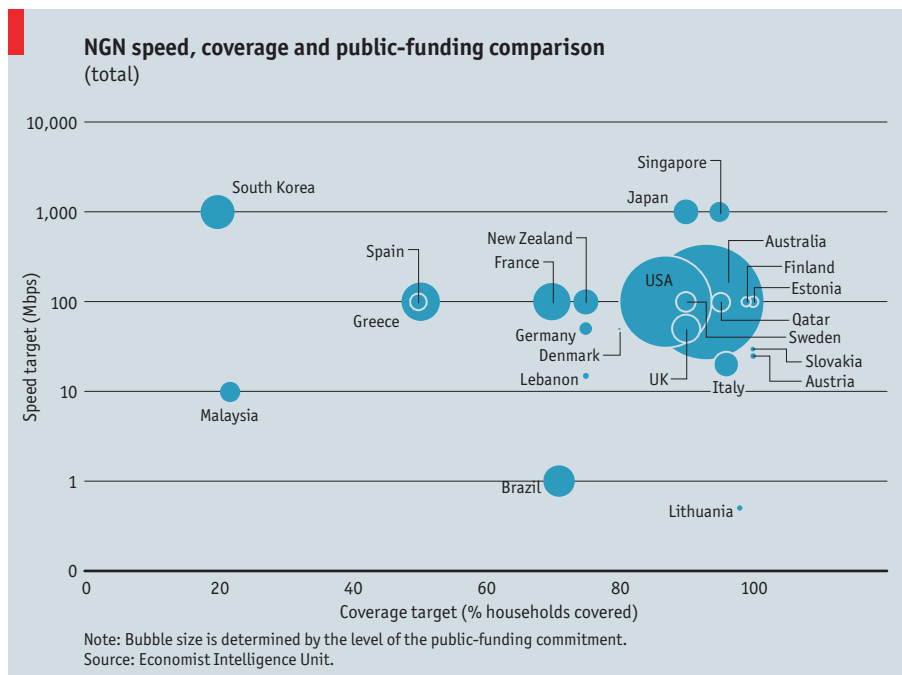
### Changes since last quarter

Once again, we have expanded the scope of our coverage, including details of new schemes unveiled in Costa Rica, Ecuador, Jamaica and the Philippines. A number of pre-existing profiles have also been updated with details of new developments. In the case of Ecuador, we have been able to include quantitative information in the Excel annex to this report. We have also revised numbers in the Excel annex for Brazil, whose government has raised the broadband speed target from 256Kbps to 1Mbps, and Qatar, which has made a public-sector funding commitment of US\$550m towards the rollout of an FTTH network.

There have been no changes to our actual index since the second quarter.

### Quantitative findings

The charts below compare countries with clearly defined goals, showing target speeds and coverage goals against funding commitments. The first chart shows total funds pledged, while the second shows funds pledged per household covered.

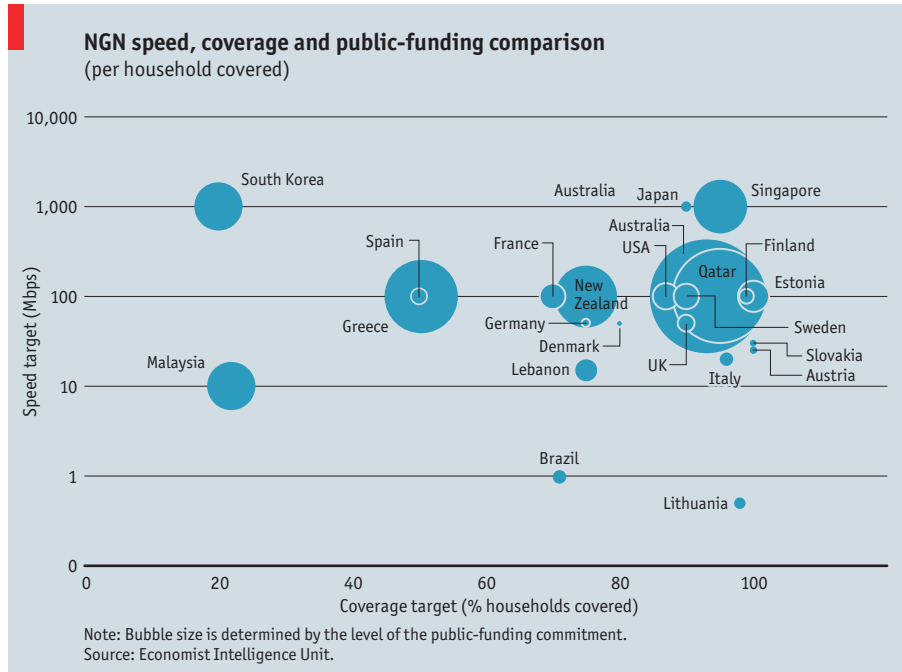






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### East Asia leads

Overall, the developed East Asian countries (Singapore, Japan and South Korea) are at the forefront of the move towards high-speed broadband. All three countries have official targets of providing 1Gbps services within the next two to five years, and both Singapore and Japan aim to cover more than 90% of households with these services over that timeframe. Singapore, however, has been more reliant on government intervention and funding, as shown by its higher level of funding per household covered than either Japan or South Korea, both of which have encouraged private-operator rollout of networks.

### Europe's ambitions vary

Largely under European Union guidelines, governments throughout Europe are mainly relying on competitive market forces in commercial areas, directing government funding towards regional and rural areas the private sector would struggle to serve profitably. As a result, target speeds generally range from 20Mbps to 50Mbps for between 75% and 90% of households, while government funding levels are relatively low. Northern countries such as Estonia, Finland and Sweden are, however, more aggressive, targeting super-fast speeds of 100Mbps for between 90% and 100% of households within the next five to 10 years. Many European countries are also looking to local municipalities and utilities for the development of broadband infrastructure.



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### **Other countries show increased levels of intervention**

In other countries, higher levels of public funding per household covered generally correspond to more government intervention. This is the case in Australia, Malaysia, New Zealand and Greece, where governments have taken ownership or control of the development of a national NGN platform to varying degrees. At the extreme end of this range of intervention is Australia, which has both the highest level of total public funds pledged and the highest level of public spending per household covered, due to the government's plan to create, own and operate an ultra-fast network in virtually all parts of the country. This is in strong contrast to Denmark, whose government prefers to facilitate competitive market-driven rollout through regulation and by setting lower targets for both speed and coverage. In North America, the focus is largely on reducing the digital divide, with both Canada and the US funding network rollout in rural and regional areas.



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