

Full speed ahead

The government broadband report Q1 2012

A summary of the main report from the Economist Intelligence Unit





Executive summary

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.



Full speed ahead

The government broadband report Q1 2012

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\$28bn). 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\$23bn stimulus package, which will be made available over 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\$2.8bn) 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



Full speed ahead

The government broadband report Q1 2012

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.

Changes since last quarter

Once again, we have expanded the scope of our coverage, including details of new schemes unveiled in Colombia and Latvia. A number of pre-existing profiles have also been updated with details of new developments. In the Excel annex to this report, quantitative information for several countries has also changed. For Greece, we have provided details of a new target to provide 8Mbps services to the entire population by 2015 using €200m of public-sector funds. In both Sweden and the USA, authorities have committed new public-sector funds to the rollout of broadband networks in rural areas. And in Egypt, a new government broadband plan was released in November last year, with details of NGN speed and coverage targets (although the exact public-sector funding is yet to be defined and older details have been removed from the spreadsheet).

The only change to our actual index since the second quarter was to the score for Greece, which increased slightly as a result of new nationwide coverage and speed targets.

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.

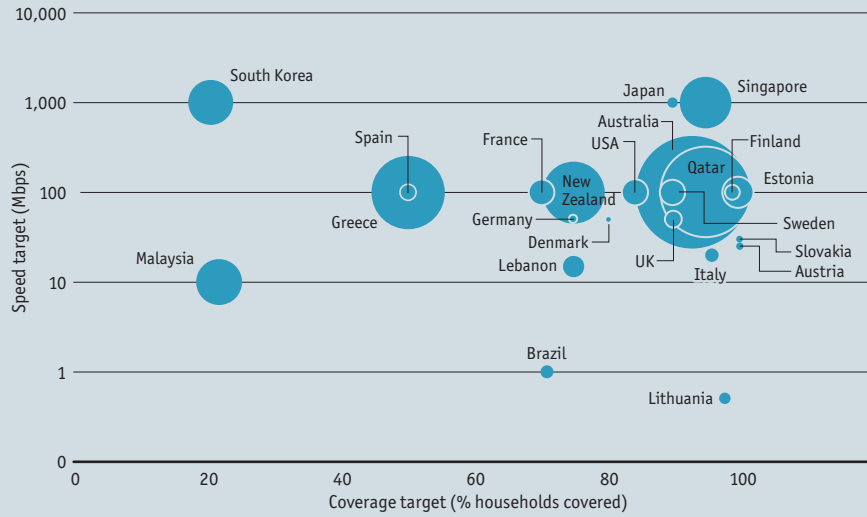


Full speed ahead

The government broadband report Q1 2012

NGN speed, coverage and public-funding comparison

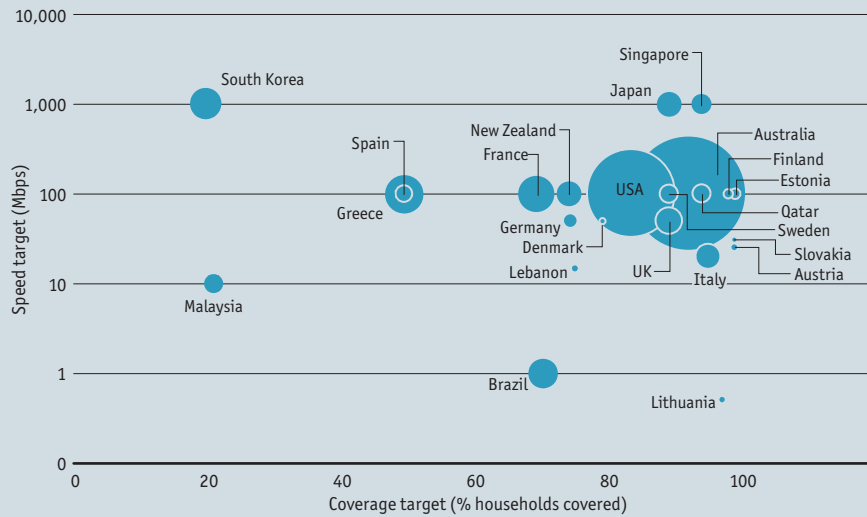
(per household covered)



Note: Bubble size is determined by the level of the public-funding commitment.
Source: Economist Intelligence Unit.

NGN speed, coverage and public-funding comparison

(total)



Note: Bubble size is determined by the level of the public-funding commitment.
Source: Economist Intelligence Unit.



Full speed ahead

The government broadband report Q1 2012

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.

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.



Access analysis on over 200 countries worldwide with the Economist Intelligence Unit

The analysis and content in our reports is derived from our extensive economic, financial, political and business risk analysis of over 203 countries worldwide.

You may gain access to this information by signing up, free of charge, at www.eiu.com.

Click on the country name to go straight to the latest analysis of that country:

G8 Countries

- Canada
- Germany
- Japan
- United Kingdom
- France
- Italy
- Russia
- United States of America

BRIC Countries

- Brazil
- Russia
- India
- China

CIVETS Countries

- Colombia
- Vietnam
- Turkey
- Indonesia
- Egypt
- South Africa

Or [view the list of all the countries](#).

Further reports are available from Economist Intelligence Unit and can be downloaded at www.eiu.com.

Should you wish to speak to a sales representative please telephone us:

Americas: +1 212 698 9717

Asia: +852 2585 3888

Europe, Middle East & Africa: +44 (0)20 7576 8181



Access analysis and forecasting of major industries with the Economist Intelligence Unit

In addition to the extensive country coverage the Economist Intelligence Unit provides each month industry and commodities information is also available.

The key industry sectors we cover are listed below with links to more information on each of them.

Automotive

Analysis and five-year forecast for the automotive industry throughout the world providing detail on a country by country basis

Commodities

This service offers analysis for 25 leading commodities. It delivers price forecasts for the next two years with forecasts of factors influencing prices such as production, consumption and stock levels. Analysis and forecasts are split by the two main commodity types: “Industrial raw materials” and “Food, feedstuffs and beverages”.

Consumer goods

Analysis and five-year forecast for the consumer goods and retail industry throughout the world providing detail on a country by country basis

Energy

Analysis and five-year forecast for the energy industries throughout the world providing detail on a country by country basis

Financial services

Analysis and five-year forecast for the financial services industry throughout the world providing detail on a country by country basis

Healthcare

Analysis and five-year forecast for the healthcare industry throughout the world providing detail on a country by country basis

Technology

Analysis and five-year forecast for the technology industry throughout the world providing detail on a country by country basis



Media Enquiries for the Economist Intelligence Unit

Europe, Middle East & Africa

Grayling PR

Angelina Hunt

Tel: + 44 (0)20 7592 7932

Mobile: + 44 (0)7850 311 441

Sophie Kriefman

Tel: +44 (0)20 7592 7924

Ravi Sunnak

Tel : +44 (0)207 592 7927

Mobile: + 44 (0)7515 974 786

Email: allgraylingukeiu@grayling.com

Americas

Grayling New York

Ivette Almeida

Tel: +(1) 917-302-9946

Ivette.almeida@grayling.com

Katarina Wenk-Bodenmiller

Tel: +(1) 646-284-9417

Katarina.Wenk-Bodenmiller@grayling.com

Asia

The Consultancy

Tom Engel

+852 3114 6337 / +852 9577 7106

tengel@consultancy-pr.com.hk

Ian Fok

+852 3114 6335 / +852 9348 4484

ifok@consultancy-pr.com.hk

Rhonda Taylor

+852 3114 6335

rtaylor@consultancy-pr.com.hk

Australia and New Zealand

Cape Public Relations

Telephone: (02) 8218 2190

Sara Crowe

M: 0437 161916

sara@capepublicrelations.com

Luke Roberts

M: 0422 855 930

luke@capepublicrelations.com

While every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd. cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report.

LONDON

26 Red Lion Square
London
WC1R 4HQ
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
E-mail: london@eiu.com

NEW YORK

750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
E-mail: newyork@eiu.com

HONG KONG

6001, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

GENEVA

Boulevard des Tranchées 16
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
E-mail: geneva@eiu.com