

Investing in 21st-century connectivity

Recommendations for the Multiannual Financial Framework

Brussels, 11 September 2018

EXECUTIVE SUMMARY

The digital transformation of Europe's society and economy must count on forward-looking EU funding to achieve a multiplier effect across the single market. This is particularly important when it comes to connectivity, where the money that is spent on new networks has the potential to address monumental societal challenges, enable broader change in business models for both private and public actors, and spur Europe's innovation potential.

DIGITALEUROPE welcomes the European Commission's proposals for a new multiannual financial framework (MFF). We believe a key factor for the framework's success will be the ability of the various funds to generate investment into critical network infrastructure to lay the foundation for a fully digitised gigabit society.

The proposal sets its eyes on the right objectives and aims to build on successful ongoing initiatives. We urge the co-legislators to reaffirm the Commission's digital priorities and further strengthen them by:

- a. **Ensuring that the EU's financial commitment is increased** – beyond the proposed €3 billion for CEF or €9.2 billion for the Digital Europe Programme over seven years – if Europe wants to make a difference;
- b. **Setting out more specific targets to prioritise broadband deployment projects** under the European Regional Development Fund (ERDF); and
- c. **Streamlining the various types of projects with a clearer interlink between digital and other sectors** such as transportation or energy.

In the remainder of this paper we detail our position with respect to the different instruments. We look forward to engaging with the co-legislators to ensure Europe can make the best of the new framework.

CONNECTING EUROPE FACILITY (CEF)

The Connecting Europe Facility (CEF) contains the only dedicated budget allocation for connectivity investment. Out of a total CEF budget of €42.3 billion for 2021-2027, €3 billion is foreseen for Very High Capacity Networks (VHCNs) and 5G.

DIGITALEUROPE strongly encourages such continued EU support towards the deployment of next-generation digital infrastructure. Ubiquitous gigabit connectivity is essential to achieve the connected society and enable the digital transformation of both businesses and the public sector.

In particular, we welcome as part of the CEF budget plan:

- Actions that contribute to gigabit connectivity for **socio-economic ‘driver’ sectors**,¹ with a priority focus on education and healthcare;
- The continuation of initiatives to bring basic internet access to public places and buildings via the **WiFi4EU initiative**; and
- A stronger and robust connected **transport infrastructure** with dedicated 5G road corridors and train connections.

However, we note that the CEF overview of projects is extensive and detailed, putting a stronger focus than the current CEF strategy towards relevant areas and sectors. In this context, €3 billion over a 7-year timeframe might prove to be too modest a commitment, leaving beneficial projects either put aside or only funded inadequately and not being able to realise their full potential. Therefore, DIGITALEUROPE recommends that **the budget allocation for these priority fields should be increased**, recognising the socio-economic multiplier effect achieved by investment in these areas.

Therefore, DIGITALEUROPE recommends:

- **Increasing the budget** allocation for gigabit connectivity for socio-economic drivers **to at least €5 billion**, which would get Europe closer to matching the CEF’s ambition to leverage infrastructure investment for economic and societal transformation;
- **Streamlining the variety of projects** for VHCN and directing some of them towards more relevant CEF areas or other funds. For example, individual household connectivity is in line with the objectives and structure of the ERDF rather than the target towards socio-economic drivers.
- **Rethinking the relationship between ‘digital’ and other infrastructure for different sectors.** Including all digital-related funding for verticals under one single heading frustrates the profound impact connectivity will have for the evolution of the different sectors. Therefore, we believe that investment for the digital transformation of transportation or energy should be dealt with under the transport or energy envelopes rather than being lumped into a single ‘digital infrastructure’ denominator – the latter should focus specifically on VHCN and network access projects that have a more horizontal dimension.

EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

Under the updated MFF budget, the European Regional Development Fund (ERDF) will be allocated a total €190.5 billion for investment in jobs and growth. This tranche has five main objectives, of which in particular Objective 1 on ‘Smarter Europe’ and Objective 3 on a more ‘Connected Europe’ are the most relevant for infrastructure and connectivity investment.

It’s not specified how much of this is directed towards funding digital connectivity and digitisation projects. This being said, between 65-85% of the projects making use of ERDF should feature into Objective 1, recognising the importance and ‘the benefits of digitisation for citizens, companies as governments.’

¹ Defined as those ‘entities which by their mission, nature or location can directly or indirectly generate important socio-economic benefits to citizens, business and local communities located in their surrounding territory.’

Objective 3 aims to invest in regional deployment and access, beyond that of the ‘core network infrastructure’ targeted with the CEF fund.

DIGITALEUROPE is glad to see digital partly recognised as one of the priority areas in the main objectives of the ERDF (through objective 1). Digitisation and connectivity offer strong tools to tackle challenges of cohesion, regional development and bringing modern infrastructure to individual households, businesses and more remote areas. Europe still faces a digital divide, with rural households lagging behind in broadband access.²

Under the current MFF, Member States such as Italy and Poland have been making effective use of ERDF funds for broadband deployment projects. Under the strain of overall budget cuts and increased competition for funds, there is a real risk that digital connectivity might suffer under the new MFF. This risk is exacerbated by a lack of a more specific spending targets and by no central management to ensure that digital is recognised as a priority area.

DIGITALEUROPE consequently recommends:

- Introducing a **target** for spending on digital connectivity (Objective 3) within the ERDF This could be a **dedicated percentage in the region of 6-10%** reflecting best-case practice³ and the ever-increasing importance of digital connectivity for regional social and economic development;
- Alternatively, **including Objective 3 on ‘Connected Europe’ in the 65-85% spending target**, so that projects inherently related to digital connectivity can be properly assessed and prioritised; and
- Developing further guidance and **clarity on what types of projects are covered under the aim of ‘reaping the benefits of digitisation for citizens, companies and governments.’** This would help to specify public sector digitisation as envisaged projects to make sure these projects deliver tangible outcomes and benefits for citizens.

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For more information please contact:

Alberto Di Felice, DIGITALEUROPE’s Senior Policy Manager for Infrastructure, Privacy and Security

alberto.difelice@digitaleurope.org or +32 2 609 53 10

² 47% of rural households have access to 30Mbps versus 80% of all households. Just over 10% of rural households have access to at least 100Mbps compared to 27% of all households.

³ E.g. Sweden spending 8% of received funds on ICT.

ABOUT DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies. DIGITALEUROPE ensures industry participation in the development and implementation of EU policies.

DIGITALEUROPE's members include in total over 35,000 ICT companies in Europe represented by 63 Corporate Members and 39 National Trade Associations from across Europe. Our website provides further information on our recent news and activities: <http://www.digitaleurope.org>

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