

"Bridging the Digital Divide -
Connecting regions for growth and jobs"

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Prof. Danuta Hübner

EU Commissioner for Regional Policy

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Ladies and Gentlemen,

Let me start by saying that I am delighted to speak to you on one of the most fascinating topics of regional policy. Today I shall talk about remote and rural areas – one of the most difficult challenges tackled by regional policy – and about one of the most cutting edge technologies – broadband.

Can peripheries and rural regions, which are usually perceived as the areas doomed to lag behind, leapfrog into a new stage of economic development with the help of new technology?

My immediate response is yes. But to be able to answer this question in details, let me focus on three issues. Firstly, why the provision of broadband and ICT infrastructure makes a case for the regional policy intervention. Secondly, what role ICT and broadband networks can play in the development of rural and remote areas. Finally, I would like to showcase the benefits of ICT for the fostering of regional and local development with some examples from the 2000-2006 period. I will end

my presentation with a few words about the role we see for ICT in the new, 2007-2013, European regional policy.

We know that challenges which affect rural and peripheral regions are different from those faced by central or metropolitan areas. These are: high transport costs and poor accessibility, weaker influence on governments and political process, weak agglomerative advantage resulting in the high price of different services, often underdeveloped research and development sectors, low rates of innovation and entrepreneurship. And to make the problem even greater, these challenges occur simultaneously.

It may be safely said that the more remote the region is, the more it needs an access to the broadband network. Why? Because communication networks can be helpful to allow pooling scarce resources, for giving access to and for sharing knowledge between many dispersed users. The more remote the region, the more likely the market failure. The reasons for this are multiple. Remote areas are often sparsely populated and low population density limits the exploitation of economies of scale, entails lower rates of demand and reduces returns from investment. In addition remoteness often implies the need to bridge longer distances from the local exchanges to the premises and to the backbone. Therefore, commercial incentives to invest in broadband deployment in these regions often turn out to be insufficient. This is why public investment should come to help plug gaps in broadband coverage.

So, there is a clear case for the intervention of a public policy. How should we do it? Traditional sectoral policies often failed to address challenges that rural and peripheral regions faced or turned into

permanent support schemes. But in recent years this conventional approach has been changing. Today, as the transition to the knowledge-based economy brings new possibilities to regions, we need not so much policies that support development but rather policies which will inject dynamism into it.

Therefore, public policy intervention in remote and rural regions should be carried out in a rather sophisticated way. We have to foster building relationship capital, through increasing the communities' capacity to cooperate and to mobilise all the available expertise, and, finally, through building relations founded on trust and mutual confidence. That is why EU regional policy, with its integral programming and partnership approach, is a well suited tool for delivering this type of modern regional development.

Central to this approach is the focus on innovation. If today we say that development is a complex issue and that investment programmes run by central governments are no longer sufficient to drive growth and competitiveness in Europe, it is particularly true for rural and peripheral regions. If they want to catch up with the core, they need to base their development strategies on innovation to an even larger extent than central areas. The poorer you are and the more remote you are, the more innovative you need to be. This cannot be achieved without access to broadband and ICT infrastructure.

The reasons for this are numerous. Technological innovation helps to reduce deployment costs in difficult regions and fosters co-operation – for example taking the form of clusters. Aggregating the demand of regions for broadband infrastructure not only increases the appetite of infrastructure providers in traditional cable technology - it also opens opportunities for

innovative technologies such as those delivered via the satellite. When governments offer local and regional e-services, the commercial operators start to move in as they will have a larger and quicker return on their investments. That is why communities which received access to broadband between 1998 and 2002 have experienced more rapid growth in employment and in the number of businesses.

Let me now move on to the role that ICT played in the 2000-2006 programming period and our expectations concerning the period which started on 1st January, 2007. In the years 2000-2006 European regional policy invested around seven billion Euro directly in ICT infrastructure. In Spain alone regional policy invested €1 billion in ICT infrastructure, reducing significantly the gap with the EU average level of infrastructure provision.

Let us have a look at some concrete examples. In the southern – and predominantly rural - region of Basilicata we had a project called "One PC in every home", combining training and the provision of ICT services to households. This project was implemented in the first part of the 2000-2006 period and allowed Basilicata to score highly in terms of access of households to the Internet - 36.3% of total households in Basilicata had access to the Internet in 2006 while they were 3.6% in 1999. In terms of public ICT services, in 2006 91.9% of municipalities in Basilicata were offering such services to citizens – compared to 20% in 2002.

The ActNow project in Cornwall and the Isles of Scilly encouraged business in an insular region to access high speed broadband. In total, Cornwall has an ADSL broadband penetration of 42,1% - better than

national average of 31.4%. The economic impact of the ActNow project is estimated 3,850 jobs and 139 mln € GDP for the region.

Finally, the Swedish Government established a fund for financing broadband with the aim of constructing networks in rural areas, the great majority of which are remote and sparsely populated. This fund, supported by European regional policy, enabled more than 3.000 km (!) of cable for broadband transmission to be laid.

These achievements are very encouraging. But we should not only identify success stories but on their basis we should build the "system effect" of catching up with the most advanced regions and member states. It was with this idea in mind that the Commission introduced into 2007-2013 cohesion policy two new policy tools. The first of them is the Community strategic guidelines for cohesion, which foster an innovation-based approach to regional and national development strategies implementing cohesion policy across the Union. The second tool is the earmarking approach, which ensures that the predominant part of cohesion policy resources is invested in the Lisbon agenda.

And we can already see the first effects of this new approach. In their National Strategic Reference Frameworks Member States have paid special attention to the need to provide a high level of internet connections, a full range of electronic services and e-government. According to our estimation in 2007-2013 period 4,4% of the cohesion policy resources - 14 billion EURO - will be invested in priorities directly linked to the information society.

Some Member States like Slovakia, Denmark or Finland will use nearly 10% of their financial allocation for investing in ICT. Importantly, Member States in their programmes for ICT, broadband and e-learning are moving

more and more from infrastructure to services. This is a trend which, during the current programming period, shall result in more projects in services and applications for citizens (e-health, e-government, e-learning and e-inclusion) than in pure broadband networks and information and communication technologies. Member States have clearly taken the ideas on board, that a move from the supply side to the demand side of ICT infrastructure and technologies constitutes a wise one. The ratio between services and infrastructure is now approaching 2:1.

I would like to mention one final point on ICT policy. Public aid, including the one from the cohesion policy instruments should be used to ensure the development of infrastructure to make information and communication services and products available at affordable cost. Lower cost of telecommunications will facilitate economic growth, particularly in areas that are not in the centre of economic activity. It must be clear that the private sector, once it receives Community support, is expected to set the costs of access to internet in a modest and balanced way.

Ladies and Gentlemen,

The necessity to remain competitive in an ever faster developing world, forces us to rely on innovation which, in turn, critically depends on our capacity to co-operate and to network. Shaping of dynamic networks of regional or local branches of the national administration, local self-governing bodies and private partners is critical for geographically disadvantaged areas. If the endogenous resources are scarce, we must find means to pool them together. But co-operation and networking will not be possible without communication. Broadband is no longer a luxury - it is a necessity.

That is why the Information Society has been a priority for the cohesion policy for already more than a decade. This priority is an essential part of the response which regional policy is giving to the two challenges the Union is facing – promoting our internal cohesion, and adapting to the continuous pressures for change that comes with the development of knowledge-based society and globalisation.

Thank you for your attention