

Effectiveness of development of broadband network or high-speed internet

Will everyone have access to high-speed internet by 2020?

Report of the National Audit Office to the Riigikogu. Tallinn, 12 March 2015

Summary of audit results

The National Audit Office audited whether the state has made every effort to ensure that everyone can have unlimited access to fast internet connection by 2020. The National Audit Office also analysed whether the network of fibre-optical cables or the basic broadband network, which is built with European Union support and should guarantee high-speed internet connection, has helped to achieve this goal.

The Estonian Information Society Development Plan foresees that high-speed internet of 30 Mbit/s should be accessible to all people in Estonia by 2020 and that 60% of the population will be using superfast internet of over 100 Mbit/s. To achieve these goals, the state, with the help of European Union support, decided to establish a broadband network which is not further than 1.5 km from 98% of homes and institutions. Private companies had to establish access networks in order to be able to provide the internet service to consumers, i.e. they had to invest in cables and equipment which connect internet service consumers to the basic broadband network or install the equipment required for the provision of high-speed internet to mobile masts.

The state invested *ca* 28 million euros of EU support in the development of the basic broadband network during 2009-2014. The plan is to grant another 41 million euros of support for the same purpose during 2015-2020.

The National Audit Office is of the opinion that the opportunities of Estonian people and institutions to use high-speed and superfast internet via a fixed network have not improved significantly so far. Mobile internet providers and users have so far benefited the most from the establishment of the basic broadband network. The National Audit Office is of the opinion that making high-speed internet accessible to all people in Estonia by 2020 is also difficult due to the absence of a clear action plan.

Key observations

- In order to develop high-speed and superfast internet, the state has primarily invested in the construction of the basic broadband network and given no attention to making high-speed and superfast internet accessible to homes and institutions. When the state allocated money to the basic broadband network, the goal it set was that all households, companies and institutions should be able to use a high-speed internet connection without limits by 2020. 2300 km of basic network was established during 2009-2013, but current developments do not suggest that the established goals will be achieved with this. What the state failed to see was that telecommunication companies would not start providing an internet service via the fixed network outside of areas of apartment buildings irrespective of the existence of the basic network.
- The state does not have a plan for bringing high-speed internet from the established basic broadband network to the end-consumer. In particular, this concerns regions of private houses with small numbers of consumers where providing the internet service to consumers via the fixed

network is not profitable for telecommunication companies. The state is still trying to identify such regions. The Ministry of Economic Affairs and Communications therefore does not know how much more money must be invested to make high-speed and superfast internet accessible to all homes and institutions. At present, the state assumes that future internet consumers will themselves invest in making high-speed and superfast internet accessible.

- Telecommunication companies that develop mobile internet have benefited the most from the development of the basic broadband network, because they are now able to offer 4G internet to people. However, the quality of 4G mobile internet is currently not equivalent to the high-speed and superfast internet provided via a fixed network due to limited volume and fluctuating speed. The use of mobile internet is also more expensive at present than the use of an equivalent internet connection via a fixed network. These are the reasons why the mobile network does not meet the high-speed and superfast internet access goals set by the state.

- The state has failed to agree on the rules of establishment and management of the basic broadband network with the developers of the network. The basic broadband network that was developed with European Union support belongs to non-profit organisations whose founding members are primarily telecommunication companies. The Ministry of Economic Affairs and Communications did not agree with the developers and managers (one foundation and few non-profit organisations) developing the basic broadband network on the conditions of how the network is to be maintained and managed during its lifetime. The state assumed that the terms and conditions established upon the granting of EU support and the fact that the non-profit organisations developing the basic broadband network belong to communications companies guarantees the management and maintenance of the network. However, the terms and conditions established for the recipients of EU support are binding for only 5-7 years.

Suggestions of the National Audit Office to the Minister of Economic Affairs and Infrastructure:

- in cooperation with the Technical Regulatory Authority, identify the regions where bringing high-speed internet from the basic broadband network to consumers is not profitable for electronic communications companies;
- develop and implement an action plan for making a high- quality high-speed and superfast internet connection accessible for all homes and organisations for a reasonable price by 2020; and
- agree in writing on the requirements for and the obligations in the management of the basic broadband network throughout its life with the developers and managers of the network.

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