

## **Broadband as key growth driver needs concerted efforts in Eastern and Southeast Europe, a new study reveals**

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The study "The impact of broadband in Eastern and Southeast Europe" conducted by Frontier Economics (UK) revealed notable differences within the region and in comparison to Western Europe in terms of penetration of fixed and mobile broadband. The research indicates a series of key parameters for broadband take-up like average income level, hardware penetration or network coverage. The Frontier Economics study concludes that even under conservative assumptions the potential total benefit of broadband for the countries within Telekom Austria Group's Southeast Europe footprint amounts to EUR 9.2 billion in present value terms within the next ten years.

Commenting on the study at a press conference in Brussels, Hannes Ametsreiter, CEO of Telekom Austria Group, said: "Digital technologies and notably broadband as its very basic infrastructure are the central force underpinning Europe's economic transformation. For this reason Telekom Austria Group fully supports the EU's vision for a digital future as set out in its 2020 Strategy which identifies the provision of broadband services to all EU citizens by 2013 as one of its key objectives. I share this vision as it is the appropriate means to strengthening Europe's position in the long term as a globally-competitive innovation economy."

Telekom Austria Group's expertise in Eastern and Southeast Europe reflects not only the understanding of the region's opportunities and challenges, but also the company's multiple roles in the region – in contrast to being the incumbent in Austria and mobile market leader in Bulgaria, Telekom Austria Group is second in the market in Croatia, Slovenia and Belarus and a new entrant in Serbia and Macedonia. Telekom Austria Group's goal is to offer broadband services to all customers in the region. For this reason the group has so far invested more than Euros 4.15 billion in telecommunication operations in the region and will continue to invest in broadband networks in the region despite the currently difficult economic situation in some of the countries.

### **A region with huge differences in broadband penetration**

The study reveals that Slovenia, Croatia, Serbia and Bulgaria, four of Telekom Austria Group's eight markets, have below average levels of fixed broadband penetration compared to other countries with a similar level of GDP per capita. Rates for fixed broadband penetration averaged 11.6 % (based on population) across the region compared to a 27.6 % average in Western Europe. But the average hides widely varying rates across the region from Slovenia's 23.5 % to Bulgaria's 10.0 % and Serbia's 6.9 % broadband penetration.

With regard to mobile broadband using dedicated devices, Croatia showed the highest penetration rate at 3.25 %, compared to 2.5 % in Slovenia and Bulgaria at 1.0 %. In comparison Austria, the country with the highest penetration rate across Europe, shows a penetration rate of 13.0 %. While this comparison presents only a snapshot for the year 2009 the trend is clear: the difference between mobile broadband penetration in Western Europe and the Southeast European region has increased over the years despite an even larger potential for mobile broadband services in this region due to the limited network coverage of the fixed networks.

### **Policy framework as key trigger to efficient broadband roll-out**

Hannes Ametsreiter's concludes: "To reduce the digital gap between Western Europe and the Southeast European region a concerted effort of policy makers is essential. This includes a Europe wide harmonised allocation of the spectrum from the digital dividend, efficient network roll-out conditions, regulatory openness for the sharing of infrastructure between industry players, the creation of positive and the abolishment of negative tax incentives as well as other demand increasing measures by governments."

Dr George Houpis of Frontier Economics states: "Despite the narrowing of the 'income gap' between Western Europe and Eastern and Southeast Europe, the 'broadband gap' is actually increasing. This indicates that there remain barriers to broadband growth in the region, that governments must consider removing.

Companies still face significant red tape when building broadband infrastructure in the region, the study highlighted. In Bulgaria

and Serbia, for example, it can take one year or even longer to get all the necessary approvals for building an additional site for a mobile base station.

In a final comment on the report, Mr Ametsreiter called for a resolute removal of administrative and regulatory barriers for broadband network roll-out: "We remain strongly committed to this region, but a more network provider friendly policy framework would reinforce our efforts to extend the digital highway in the region. Hence, I strongly encourage governments, regulators and the industry to work together in order to close the digital gap as quickly as possible. We at Telekom Austria Group are committed to doing our share."

#### **Note to the Editor**

**Telekom Austria Group** is Austria's leading provider of telecommunications services. It was listed on the Vienna stock exchange in November 2000. The Telekom Austria Group has international operations in Slovenia, Croatia, the Republic of Serbia, the Republic of Macedonia, Bulgaria, Belarus and Liechtenstein.

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