


For Economic Growth and Sustainability: France Develops a Coherent Broadband Policy

By Christine Lagarde  French Minister of Economy and Finance

After a brief stint as Minister for Agriculture and Fisheries under the newly elected President Nicolas Sarkozy, Christine Lagarde became the first woman to hold the post of Economy and Finance Minister of a G7 country. She is one of the few top French cabinet ministers who is not also an elected official. She is a specialist in labor and anti-trust law, and has also served as France's foreign trade minister.

After she was called away at the last minute, her speech, the Paris FTTH Council conference's opening keynote, was delivered by Hervé Novelli, the French Secretary of State for Companies and Foreign Trade. Following the conference, Mr. Novelli was named secretary of state for commerce, craftsmanship, small and medium businesses, tourism and services.

Mr. Chairman, Ladies and Gentlemen,

I'm particularly delighted to be here with you today so that we can cross a Very High Speed Rubicon together. Nearly 150 years after the first deployment of copper telephone wires, we're now engaged in the fiber optic adventure, for an even faster and greater dissemination of information. This is a new stage of the Virtual Revolution that we cannot allow ourselves to miss.

This [FTTH Council Europe] conference shows that the momentum toward Very High Speed networks is a reality on a European and international scale. The need for it is all the more felt as the Internet today is part of our daily environment. I'm certain that many in this room have "Googled" me, as the word is today, to know more about this Christine Lagarde who's been invited to speak

at the opening of the annual conference of the Fiber to the Home Council.

As for me, I had no hesitation, seeing my advisers dragging their feet bringing me my file, to go to Google Earth to see all the many areas covered by FTTH projects: The [technology] has taken [root] on every continent, without exception. This is a further reason for us, French and European, to avoid wasting any time.

This Virtual Revolution is not only a Cultural Revolution; it is also an Economic Revolution, which concerns me first and foremost as Minister for the Economy, Finance and Employment. The new information and communication technologies indeed represent a potential, for France, which has been assessed at more than half a [percentage] point of [annual] growth.

I would first like to discuss the general arrangements that we have made in France to encourage innovation and the technologies of the future, before speaking to you in greater detail of our initiatives for Very High Speed [communication], whether it be within a European context or a national one.

HOW TO ENCOURAGE INNOVATION IN FRANCE?

The main measure that we have taken, which has been in effect since January 1, is the tripling of the rate of the Research Tax Credit. A company that invests in R&D in France now benefits from a tax remission of 30 percent for investments of up to €100 million, and 5 percent beyond that. For this year, this rate has been raised to 50 percent, and to 40 percent in 2009. No OECD country can claim to offer as much.

I recently visited a site in Amboise, where the Pfizer Group has decided to create an R&D center that will be generating 400 jobs. The world's number one pharmaceutical company chose France for this €130 million investment only after having closely studied all the other options. Our budgeted investment in R&D is already in the black!

In addition, we are in the process of focusing our aid mechanisms on innovative SMEs [small and medium-size enterprises], and we are continuing our efforts in favor of competitiveness centers [centers of excellence]. I'm delighted furthermore that two of the first five French competitiveness centers are specializing in electronics, software and digital content; you undoubtedly know of Systematic and Cap Digital, which our prime minister, Francois Fillon, visited last week.

We would like finally to support not only the adoption of digital communications by companies, so that they become more competitive, but also by all of our fellow citizens, because a "connected" society is a more intelligent and more dynamic society. I support every initiative in this sense, such as the development of "pocket" television, that is, TV on mobile phones, digital radio, remote payment services, and so on. And I would like, of course, to support the dissemination of Very High Speed networks, the subject that unites us all here today.

THE EUROPEAN CONTEXT

We are all conscious that the Digital Age constitutes a dream occasion for Europe to prove its modernity, relative to the United States and Asia, because just as the sixties saw the flowering of phone lines everywhere, the beginning

of the 21st century will correspond, in our great-grandchildren's history books, to the advent of fiber optics.

We should therefore prepare for this disruptive technology in Europe by building suitable networks.

I mentioned Asia. The Asian advance in the deployment of Very High Speed networks should not lead to our throwing in the towel, but rather to our commitment to take the necessary measures for accelerating the process in Europe.

The French government is particularly keen on this issue and the Member States of the European Union will be working together, with the EU Commission's assistance, to share their experiences and to make an initial diagnosis of the obstacles encountered. I'm intending to work on this issue on behalf of the French Presidency, in the second half of this year.

FRENCH NATIONAL POLICY

This togetherness exercise does not prevent us from taking action at the national level. France is already the champion of high-speed trains, with the TGV, and soon the new TGV. We would now like to bring your high-speed information up to date. It involves several tens of thousands of jobs, additional growth potential, and especially the modernizing of the [outlying] territories.

I was at the Agriculture Show yesterday, which is quite normal for me as a former minister of agriculture, and I again noted that for our farmers, their respect for tradition is at least as strong as their desire for technology. The farmer of today has a pitchfork in one hand and an iPod in the other.

We have therefore defined a strategic program to support the deployment of Very High Speed networks. Two weeks ago, I put together a Very High Speed Steering Committee and suggested a set of legislative measures that will be brought before Parliament in the spring.

The four axes of our program are:

1. To reduce the costs of the civil engineering work.
2. To facilitate the fiber optic wiring of buildings.
3. To enable universal access to future services.

4. To reinforce R&D and the development of uses relating to Very High Speed networks.

First, by seeking to reduce the civil engineering costs, we are focusing our efforts on 70 percent of the fiber optic network deployment cost. In view of the considerable investment that will have to be authorized to cover the greatest possible part of the French territory, all ways must be explored to reduce the number of trenches necessary for laying fiber optic cable. We'll not be putting all the operators in the same basket, but all in the same jacket.

Second, to facilitate the wiring of buildings, we have to create the conditions of a calm, balanced relationship between the operators who want access to buildings as far as the [individual dwelling units], and owners [of neighboring apartments] who do not wish to see their rights circumvented or their interests neglected.

We have thus proposed, on the one hand, to encourage the fiber optic pre-wiring of new buildings and, on the other, to facilitate operator access to existing buildings provided that they assume the installation costs and coordinate their work with regard to sound and sustainable competition.

Third, we must also take care to provide universal access, and to make sure that the rise in speed will not leave low-income homes or rural areas behind. We must at the same time play on the mix of technologies and the diversity of the funding modes in order to cover the greatest part of the territory, and to reach every category of the population. There is no reason for the digital divide to widen in France.

For that, we have to enable communities to play their full role in territorial development when it comes to digital matters. They can in particular encourage the sharing of the civil engineering work or help to fill gaps in the high speed network. Concerning Very High Speed networks, it would be premature to work already on filling gap areas that nobody knows about today. However, it is important to adopt an anticipative approach that seeks to avoid allowing any territory to fall by the wayside.

This is why I would like to give local communities the power to intervene at the proper time. For an efficient coordination or even installation of Very High Speed lines, it is necessary that the people in charge of our communities, departments [departments are the French equivalent of states] and regions know what is under their feet.

In parallel, I have commissioned a work group involving qualified authorities and representatives of the territorial communities to come up with a coherent digital equipment policy for the territory.

Lastly, to reinforce aid for innovation in this field, we have wanted to support the development of innovative services by means of the creation of large-scale experimentation platforms for Very High Speed networks [and delivered content].

As you see, the regulatory landscape of fiber in France should quickly develop. This program for the Very High Speed is intended to evolve as time goes by, and will be able to be enriched by new measures according to the difficulties encountered and the observations made on the ground.

You have also put on the agenda certain technical subjects on which your enlightenment will be invaluable for a better understanding of what the future holds for us, on the subject of network architectures, for example. The drafting of regulations will have to take this into account.

I notice that you are also conducting some very interesting work on the subject of sustainable development, the first results of which are confirming some of the beneficial aspects of fiber optic deployment. I can only encourage you to continue this work and in particular to complete it as soon as possible by including "real life" evaluations.

You are the pioneers of the new economy. You are fully aware of the stakes and the fantastic potential. For this initiative to materialize, for the virtual to become real, I'm counting on your vision and your talent.

I therefore thank you in advance for your contribution to this momentum towards Very High Speed networks and wish you a very profitable conference, so that this Virtual Revolution can be, for once in France, a Tranquil Revolution. **BBP**