

Dutch government may take on greater stimulating role

'Digitisation: the Netherlands scores high in innovation'

The Netherlands still scores high in the various lists that measure things like innovation and competitive capacity. Despite that, there is no reason for complacency. With respect to digital infrastructure for households, the Netherlands has already been surpassed by countries like Portugal and Sweden, for example. The good news, however, is that the business markets in the Netherlands still score high in digital infrastructure, says Kees Jonker, CEO of the Dutch software manufacturer and specialist in network infrastructure Speer IT.

Decrease in digitisation rankings

In the Global Innovation Index, compiled annually by the American Cornell University and the World Intellectual Property Organization, the Netherlands has been in the top five for the last few years. There seems to be a downward trend, however, while the Netherlands was number 2 in 2018, in 2019 it dropped to fourth place. Switzerland, incidentally, has been the most innovative country in the world since 2015, according to the Global Innovation Index. What caused the decline? The compilers of the prestigious lists identified several factors. One of these is the fact that other countries are ahead in terms of the digital infrastructure in general and fiber optic networks in particular.

For years, the presence of nationwide network infrastructure has been an asset that has enabled the Netherlands to distinguish itself positively from others. But this was often still based on copper wire and coax connections. When it comes to fiber optic networks, the Netherlands is far behind countries such as Portugal, Spain and France now, just in Europe alone. According to research by the European branch of the Fiber To The Home Council, a global industry association of broadband parties, 97.8% and 99.2% of households in Spain and Portugal respectively can now purchase a fiber optic subscription. In the Netherlands this percentage is less than 50 percent.



Rule of the restrictive head start

For twenty years, software manufacturer Speer IT has been the party that literally maps out the locations of networks in the Netherlands and abroad with the help of its Cocoon application and the associated database. Based on this experience and knowledge, CEO Kees Jonker knows better than anyone how to put things into perspective. "The most important reason for the declining position of the Netherlands in the various rankings is that some twenty years ago a lot was invested here in the roll-out of coax networks for consumers. At the time, the use of coax was much broader than just Internet access; it could also be used as infrastructure for phone and television. As a result, the need to install fiber optics was considerably lower than in other countries. In Spain and Portugal there was no massive coax rollout. They immediately started using fiber optics as an infrastructure for broadband Internet access. You could say that the Netherlands therefore had to deal with the rule of the restrictive head start in the consumer market. In that field, you can now see that coax technology is beginning to run up against certain limitations, such as the maximum speed of data transmission. This is now around 1 Gbps. These are limits that do not affect fiber optics. To give an example, speeds of 48 Terabits per second on fiber optic networks have already been reached. And the end is not in sight yet."

Authority for consumers and markets wants more fiber optics

The Dutch government agency Authority for Consumers and Markets (ACM) has concluded that the Netherlands can do better in terms of fiber optics coverage. In the autumn of 2019, the regulator commissioned a market study into the situation regarding fiber optics in the Netherlands. The results of the study prompted the ACM to state that "extensive rollout of fiber optics is essential to make telecommunication networks 'future-proof'. On, as ACM itself said: "Fiber optic connections offer consumers greater freedom of choice. Fiber optics are also needed to meet the growing demand for bandwidth, now and in the future."

Need is great

There is a great need to speed up the rollout of fiber optic networks in the Netherlands. One of the driving forces for this is the planned introduction of the 5G standard for mobile (data) communication. The receiving and transmitting stations involved must be connected to fast, symmetrical fiber optic networks. This is partly because larger amounts of data will be transported at higher speeds with the new mobile standard. The old networks (such as the infrastructure consisting of copper wires) are simply failing in this respect. And yet, critics are saying that the rollout of fiber optics is not happening fast enough. Kees Jonker observes that there are indeed a few obstacles to overcome. "First of all, there's an investment threshold. Installing fiber optic networks is costly. It ultimately will have to be recouped. And that is not immediately the case everywhere, such as in the so-called outlying areas where the population is less dense. And then there is the physical installation of fiber optic networks for consumers. You can see that telecom parties sometimes get in each other's way. They are determined to dig their own cables into the ground even if there is already a cable there that was installed by another party. We should really stop doing that in the telecom sector. It slows things down and is also unnecessarily costly. I see a role for the government there: from a clear vision of digitisation, it could create the legal framework to boost the installation of fiber optics. This could include agreements on the sharing of existing cabling. Just doing that could speed up the rollout of fiber optic networks in the Netherlands by some twenty percent."

Steering role of central government needed

What does Kees Jonker believe the Netherlands needs to take further steps in digitising the economy and society? "The most important thing is that there are motivated people with a lot of knowledge, including in the field of technology. The digital infrastructure should not really be a topic of discussion. As far as I'm concerned, it's just like the availability of gas and electricity in the past. The Dutch government decided, at that time that all households must be connected to gas and electricity networks. It was a precondition. This applies to access to future-proof fiber optic network connections. In Germany, the government really got this. In many places they are really lagging behind the Netherlands: they are even still using old analogue modems to access the internet. This is even causing an exodus in villages. Young people are moving away because they cannot work in those circumstances. The German government therefore decided to play a stimulating role in digitisation. The central government in the Netherlands should do the same. Not only by looking closely at issues such as preventing unnecessary excavation work, but also by aiming for alignment of municipal guidelines and processes. To give an example: the cost of repairing paving currently differs per municipality, as it did in the past regarding permits for the installation of dormers. The central government eventually harmonised this. The same could be done for repair costs, for example, it makes it easier for telecom parties to extend their fiber optic networks in an unambiguous way. And that also makes it faster."

Business market is booming

Despite the somewhat gloomy noises about the installation of fiber optics for Dutch households, there is really nothing gloomy going on here. The Netherlands, for example, is still one of the countries where the business market has the best access to fast connectivity, including through fiber optic networks. This has recently been confirmed by the European Union. Every year, the EU conducts research among the member states into the state of the digital economy and society. This 'Digital Economy and Society Index' (DESI) looks at issues such as the quality of the digital infrastructure and the extent to which business is 'digitally active'. In the most recent edition of the DESI, the Netherlands is number four, behind Finland, Sweden and Denmark. It is true that the Netherlands has dropped by one place compared to the previous year, but this is due to the fact that the frequency distribution for the fast 5G standard for mobile (data) communication, among other things, is only starting this year. The Scandinavian countries have already done this. Speer IT CEO Jonker confirms that the Netherlands occupies a leading position in the business market with fast connectivity. "Just look at the fact that large IT parties such as Google and Microsoft are building their data centres here. This is partly due to the fact that there are good, reliable, fine-mesh fiber optic networks here, intended for the business community and government bodies. The competition from telecom parties in the business fiber optics market is also greater than in the consumer market. This also means that more is being rolled out. So, in the business market, the Dutch position is not looking so gloomy to me."

