

T: 0845 774 1741
E: scottish.ministers@scotland.gsi.gov.uk

Kelly Forbes
Assistant Clerk, Infrastructure and Investment Committee

By e-mail: ici.committee@scottish.parliament.uk



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Dear Kelly

Thank you for your letter of 30 January 2013 regarding the Review of State Aid Guidelines for Broadband Networks, and State Aid Modernisation: General Block Exemption Regulation (GBER). I am pleased to have the opportunity of providing the committee with the detail required.

European Union State Aid rules around broadband play an important role in promoting the objectives of the Digital Agenda for Europe and helping to ensure that public sector investment is targeted in a way that addresses market failures and spreads the benefits of digital infrastructure across Europe.

The European Commission launched a review in 2011 and consulted with Member States on new guidelines last year. The Scottish Government was fully engaged in this process and we contributed to the UK response.

The revised guidelines, adopted in January 2013, contain a number of important changes from the previous version:

- Technological neutrality – acknowledgement that next generation broadband can be delivered by technology other than fibre. This opens the door for fixed wireless to form part of technology solutions. This is particularly important for the Scottish Government's ongoing procurement processes as wireless technologies, such as White Space (the frequencies formerly used by analogue television), may have an important role to play in Scotland's rural areas. Wireless will also underpin a number of technology pilots in our Demonstrating Digital Programme, which seeks to trial innovative new technologies in Scotland.
- Ultra-fast broadband networks – Public money can now be used to help deploy ultra-fast broadband networks (100Mbps +) in cities, albeit with strict conditions attached to ensure pro-competition outcome.

- Step change approach – publicly funded infrastructure only allowed if it delivers a substantial improvement to existing networks.
- Open access – publicly funded networks must be truly open and ensure competition.
- Transparency – new provisions around publication of documents & reporting. The Commission want Member States to set up national infrastructure databases. Any operator bidding for public money will need to declare what infrastructure they own in the area and share with other bidders, to facilitate infrastructure sharing.

The Scottish Government fully endorses these principles, which underpin our Step Change 2015 programme.

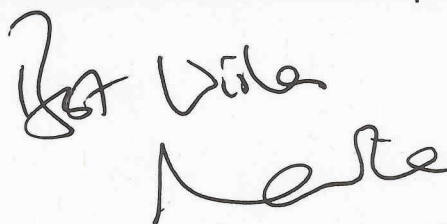
As we progress with procurements in the Highlands and Islands region and the Rest of Scotland, we are keen to explore ways of reducing the costs of deploying infrastructure by encouraging and facilitating a more proactive approach to infrastructure sharing with other utilities. This could involve reusing ducts or laying fibre in existing water and gas pipes, sewers or sub-sea cables; utilising existing fibre owned by utilities; and co-ordinating fibre roll-out with planned road works or maintenance. This could result in substantial cost savings and improve the efficiency and speed of roll-out.

To support this, we will map existing infrastructure, with a view to embedding re-use and sharing of infrastructure in future projects. We will also work with industry and utilities to develop buy-in; to identify the barriers to implementing such an approach; and take forward solutions with the regulator and others.

As part of its State Aid Modernisation programme, the European Commission has developed criteria with regard to aid for certain types of broadband infrastructure under specific conditions. This will be included in the revised General Block Exemption Regulation, which will take effect as of 1 January 2014 and allows compatible aid to be awarded without the need to notify the measure to the European Commission. The new exemption applies to aid covering basic broadband in regions where there is no broadband infrastructure and where no such infrastructure is likely to be developed in the near future ('white' areas), and small individual aid measures covering very high-speed next-generation access ('NGA') networks in 'white NGA' areas.

In addition, aid for broadband-related civil engineering works and passive broadband infrastructure is likely to be block exempted. Support for civil engineering works in many cases constitutes State aid if it concerns the installation of dedicated telecommunication infrastructure (ducts). Passive broadband infrastructure covers the installation of both ducts and dark fibres. A block exemption for civil engineering works and passive broadband infrastructure could speed up investments since (small) local authorities often prefer to support this, rather than adopting broadband schemes and having to comply with their more extensive State aid conditions. The Commission has acquired sufficient case experience in the area of aid to passive infrastructure and believes a block exemption may trigger increasing use in rural areas where existing passive infrastructure is not adequate.

I hope this reply is useful.



NICOLA STURGEON