

PAPER TO THE ENTERPRISE & BUSINESS COMMITTEE – 2 MAY 2013

NEXT GENERATION BROADBAND

Introduction

1. The purpose of this paper is to set out written evidence to the Enterprise and Business Committee on the roll out of next generation broadband under the Superfast-Cymru programme.

Scrutiny of implications of the revisions to EU state aid guidelines

2. The 2013 Community guidelines for the application of state aid rules in relation to rapid deployment of broadband networks were published on 26 January 2013 and are to be applied from the date after the publication, and they do not apply to aid decisions which pre-date that publication date. The European Commission approved the UK National Broadband Scheme in November 2012, and State aid approval for the Wales programme under this Scheme was subsequently issued by the UK Government on 11 January 2013.
3. The project is therefore required to comply with 2009 guidelines, and has been assessed as fully compliant against these guidelines.
4. However, there is a proviso in the 2013 guidelines which requires Member States to take appropriate measures and amend, where necessary, existing aid schemes to bring them in line with the 2013 guidelines within 12 months after their publication. Therefore, Superfast-Cymru might be affected by changes which might need to be made to the BDUK scheme, but we should be notified in advance by BDUK of these changes and when they take effect.

UK and EU funding

5. Total investment in next generation broadband in Wales including both the public sector investment and private sector commercial roll-out is approximately £425 million. This includes a public funding investment of £205 million:
 - £89.5 million European funding (ERDF Convergence £80 million and Competitiveness £9.5 million)
 - £56.9 million UK Government funds
 - £58.6 million of Welsh Government funds
 - £30 million Centrally Retained Capital
 - £28.6 million EST capital budget

The Government's success in leveraging in private investment

6. As this is a major investment, it was important to test the market for possible solutions which would offer best value for money. A full and open competitive process was held in accordance with procurement best practice and EU Regulations. Part of our competitive tendering process sought to minimise the necessary public funding to achieve the Welsh Government's objectives. BT were the organisation best able to meet the challenging value for money targets set out by the Welsh Government and gained access to the public funding through an open and competitive European tendering process.
7. As a direct result of Superfast-Cymru, BT has committed:
 - £26 million of capitalised eligible expenditure, directly matched by the Welsh Government through the Superfast-Cymru project in the form of grant payment;

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- £18.7 million of capitalised ineligible expenditure. This is capitalised expenditure that is ineligible to be considered for grant payment but will be incurred by BT as a direct result of investment in the programme; specifically, last drop connection costs and post project capital expenditure; and
 - £82 million estimated operational expenditure. This is revenue expenditure for BT that is directly associated with Superfast-Cymru both during the deployment of the infrastructure (until 2016) and the ongoing expenditure incurred in running the network for its operational life.
8. Including their commercial investment, BT is investing £6 in next generation broadband in Wales for every £1 invested by Welsh Government - this represents significant value for money.

Innovative solutions to tackling broadband connectivity in hard-to-reach areas

9. The Broadband Support Scheme has recently been extended for a further six months to 30 September 2013. Intervention is required beyond September 2013 to address both premises which require some form of broadband provision but may later be covered by Superfast Cymru and, more critically, the most remote or technically difficult premises which may never benefit from Superfast Cymru.
10. Options are also currently being finalised for a new scheme that will complement the roll-out of the Superfast Cymru programme, further information on this will be available in the summer. We will also seek to maximise our significant investment with BT to ensure that we tackle as many premises as possible through the Superfast Cymru programme.
11. In parallel to extending the reach of superfast broadband, the Welsh Government is also exploring what additional role it may have in removing barriers to business connectivity, improving mobile-broadband access in rural areas and along key transport routes, and continuing to improve the efficiency and effectiveness of public services.

Edwina Hart MBE OStJ AM
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