European Commission: State Aid to Promote Fast Internet Access for Businesses Approved

IRIS 2006-4:1/4

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The European Commission has approved, under the state aid rules, the "FibreSpeedWales" project. This project, funded by the Welsh Development Agency, aims to contribute to reducing the relatively slow development of broadband in Wales. This slow-paced development is due to the nation's geographical isolation, its mountainous terrain and its low population density; as a result, broadband prices for businesses can be several times higher than in other areas of the UK. The project targets business parks for which affordable broadband services are not available as they are located in remote areas and are therefore unattractive for commercial investment by broadband providers.

The Welsh authorities decided to support the construction of an open, carrier-neutral fibre-optic network linking fourteen business parks. The network will remain in public ownership, but construction and management will be contracted out to a wholesale operator. This operator will then offer its services to telecommunications operators, who will provide high-speed business services to business users.

The project is permitted under EC state aid rules as a subsidy for the development of economic activities or economic areas under Article 87(3)(c) of the Treaty as there is no overall negative effect on competition. It pursues a clear cohesion objective and indeed will be co-financed by EU structural funds; it is in line with European priorities outlined in the eEurope 2005 action plan and the i2010 initiatives. To prevent undue distortion of competition, the wholesale operator will be selected by an open tender and a repayment mechanism will keep the amount of aid to a minimum. The selected wholesale provider will also be expected to contribute a substantial proportion of the project costs.

"State aid: Commission endorses aid to promote fast Internet access for business parks in Wales" Press Release of 23 February 2006, IP/06/214

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