

Argyll Isles Community Broadband Project

State aid public consultation

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1 Introduction

This document lays out the proposed Argyll Isles Community Broadband Project area, which has been defined after consultation with the Scottish Government, Highlands & Islands Enterprise, BDUK, Argyll & Bute Islands Council and various telecommunications providers.

The Argyll Isles Community Broadband Project invites comment from telecommunications providers, businesses and residents regarding the scope, aims and objectives detailed in the following report.

The purpose of the Argyll Isles Community Broadband Project is to deliver superfast broadband to all parts of the community by 2015. The programme aims to deliver 24Mbps or more to 100% of premises in the project footprint.

1.1 Policy perspective

It is the stated aim of the UK Government that Britain should have the best broadband market in Europe by 2015 and has set aside £530m to help achieve this. Broadband Delivery UK (BDUK) has been tasked by the Secretary of State for the Department of Culture, Media and Sport (DCMS) to deliver this at national level.

Scotland's Digital Future sets out how the Scottish Government will deliver a step change in broadband speeds, paving the way for delivery of world-class, future proofed infrastructure across all of Scotland by 2020. Commercial deployment plans cover certain areas in the country but there are many areas where commercial infrastructure providers have chosen not to develop. The Digital Scotland Superfast Broadband Project aims to provide fibre broadband infrastructure to those areas. Combined with the current commercial roll-out plans, around 95% of premises in Scotland should have fibre broadband by the end of 2017 and 85% by the end of 2015.

The project is in two related parts – the first covering the Highlands and Islands and the second covering the Rest of Scotland.

The Community Broadband Scotland (CBS) programme was specifically set up by the Scottish Government at the end of 2012 to complement both Digital Scotland Superfast Broadband programmes through supporting communities identified as being located in the 'final 5%' with developing solutions for the delivery of high speed broadband. CBS works with those communities least likely to benefit, supporting them to explore and establish community owned and led future proof broadband initiatives where Next Generation Access (NGA) coverage is not predicted before 2017. CBS's mission is to work towards Digital Access and Equality For All Transforming the way remote and rural communities live, learn and work.

The CBS programme is managed by Highlands & Islands Enterprise (HIE) on behalf of the Scottish Government and can offer start up grant assistance of up to 89% of the capital project costs.

1.1 Aims and Objectives

The project aims to deliver superfast broadband to 100% of the Argyll Isles project community by 2015.

1.2 Procurement Approach

Argyll Isles Community Broadband Project will commence an open procurement process approved by BDUK once this consultation is complete. Bids will be assessed according to published criteria and metrics.

Community Broadband Scotland will provide support through the procurement process with a view to processing a capital grant application of up to £750,000 (max 89% of capital costs). Argyll Isles Community Broadband Project are committed to maximising private sector funding to minimise public sector grant support. Additional private investment will be sought from the Network Operator selected during the procurement process.

1.3 The Programme Area

The Argyll Isles Community Broadband Project area is an aggregation of seven community groups seeking the provision of NGA broadband services.

The area is home to around 3,300, people living in 1,439 properties. There are also 120 businesses in the project area. The project intervention target postcodes are located on six islands and one remote peninsula within the Argyll & Bute Council area in the Highlands & Islands of Scotland.

Information obtained by Argyll Isles Community Broadband Project indicates that 0% of households and business properties in the project area will have access to superfast broadband in the next three years (end 2016). 100% will be socially and economically disadvantaged in this hard to reach remote rural area.

Table 1 shows the number of premises in each postcode that form part of the intervention area and are considered as Next Generation Access (NGA) broadband White – premises without access to NGA broadband.

The Argyll Isles project will be permitted to apply public subsidy only to White areas to achieve our aim of 100% Next Generation Access broadband coverage across the community.

Table 1 - NGA White, area properties by postcode

Postcode	Total properties	NGA white properties
PA31 8QN	93	93
PA31 8QS	17	17
PA34 4TU	12	12
PA34 4TX	26	26
PA34 4TY	7	7
PA34 4TZ	9	9
PA34 4UA	12	12
PA34 4UB	47	47
PA34 4UD	2	2
PA34 4UE	28	28
PA34 4UF	4	4
PA34 4UG	6	6
PA34 4UH	2	2
PA34 5UG	31	31
PA34 5UH	6	6

PA34 5UJ	4	4
PA34 5UL	47	47
PA34 5UN	23	23
PA34 5UQ	11	11
PA44 7PP	16	16
PA44 7PS	11	11
PA44 7PT	8	8
PA44 7PU	7	7
PA47 7SG	4	4
PA47 7SH	15	15
PA47 7SJ	10	10
PA47 7SL	5	5
PA47 7SN	9	9
PA47 7SP	20	20
PA47 7SQ	8	8
PA47 7SR	9	9
PA47 7SS	5	5
PA47 7ST	14	14
PA47 7SU	12	12
PA47 7SW	8	8
PA47 7SX	6	6
PA47 7SY	12	12
PA49 7UX	8	8
PA49 7UY	6	6
PA60 7XG	26	26
PA60 7XH	6	6
PA60 7XJ	5	5
PA60 7XQ	3	3
PA60 7XW	11	11
PA60 7XX	15	15
PA61 7YN	14	14
PA61 7YR	53	53
PA61 7YS	7	7
PA61 7YT	28	28
PA61 7YU	9	9
PA61 7YW	43	43
PA61 7YZ	6	6
PA62 6AA	28	28
PA63 6AH	9	9
PA65 6BD	11	11
PA66 6BH	8	8
PA66 6BL	42	42
PA66 6BNA	12	12
PA66 6BNB	12	12
PA66 6BS	3	3
PA66 6BT	12	12

PA66 6BU	3	3
PA66 6BW	14	14
PA67 6DA	6	6
PA67 6DG	42	42
PA67 6DH	36	36
PA67 6DJ	3	3
PA67 6DL	9	9
PA67 6DN	18	18
PA67 6DP	22	22
PA67 6DQ	14	14
PA67 6DR	3	3
PA67 6DS	9	9
PA67 6DT	5	5
PA67 6DU	17	17
PA67 6DW	18	18
PA67 6DX	7	7
PA68 6EH	3	3
PA68 6EJ	9	9
PA68 6EL	1	1
PA69 6ER	5	5
PA69 6ES	10	10
PA69 6ET	2	2
PA69 6EU	5	5
PA70 6HB	22	22
PA70 6HD	10	10
PA70 6HE	12	12
PA70 6HF	10	10
PA70 6HG	2	2
PA70 6HQ	3	3
PA71 6HS	1	1
PA71 6HT	2	2
PA71 6HU	1	1
PA72 6JR	2	2
PA72 6JS	18	18
PA72 6JU	12	12
PA72 6JY	5	5
PA72 6JZ	4	4
PA73 6LT	7	7
PA73 6LU	6	6
PA73 6LX	3	3
PA73 6LY	16	16
PA73 6LZ	11	11
PA73 6NA	7	7
PA74 6NH	25	25
PA75 6QQ	5	5
PA75 6QS	34	34

PA75 6QT	13	13
PA75 6QX	1	1
PA75 6QY	8	8
PA76 6SJ	44	44
PA76 6SP	48	48
PA76 6SW	23	23
Grand Total	1559	1559

1.4 Programme Partners

The Argyll Isles Community Broadband Project is leading the programme and comprises the following seven community groups:

Mull and Iona Community Trust

Colonsay Community Development Trust

Jura Development Trust

Craignish Community Company

Lismore Community Council

Islay Broadband Group

Atlantic Islands Trust (Luing)

The project is also supported by Highlands & Islands Enterprise and Argyll & Bute Council.

Demand registration, community and business engagement are important elements in delivering a successful programme.

The project team has undertaken detailed on the ground scoping work in the project area to identify current broadband speeds and demand for superfast broadband services.

Local survey work in all areas established that at least 37% of properties are unable to obtain a basic broadband service via conventional ADSL. Properties served by the three Exchange Active exchanges (Kinlochspelve, Tiroran and Pennyghael) are restricted 512kbps with many unable to obtain any service.

1.5 The Argyll Isles Community Broadband Project area map



2 Existing Broadband Provision

The Argyll Isles community is served by Openreach infrastructure from 15 BT exchanges (Three exchanges are restricted to 512Kbps – Kinlochspelve, Tiroran and Pennyghael) with many properties (37%) unable to obtain even basic broadband services. Ofcom classifies BT exchange areas according to the level of competition available to consumers. Market 1 exchanges offer BT Wholesale only whilst Market 2 and 3 exchanges offer at least one alternative broadband network or LLU service provider.

Table: Ofcom Classification of BT exchanges

Number of Exchanges	
Market 1	15
Market 2	0
Market 3	0
Total	15

We believe that 100% of the project area is classified as Market 1.

We are not aware of any services other than basic broadband services in the community intervention area.

2.1 Superfast Broadband Availability

There is no NGA provision in the proposed intervention area from any supplier.

2.1a Market led investment area by end 2016

Our understanding is that there are no plans for NGA deployment in the project intervention area within this timescale. The project area will be de-scoped from the BT / HIE project to roll out broadband to the Highlands & Islands.

3 State Aid

The Argyll Isles Community Broadband Project believes the programme complies with EU State Aid guidance. The key areas which meet EU State Aid requirements include:

- Wholesale access will be a contract requirement
- A Gap Funding model is being used to make a grant award to the project
- A claw-back clause will be included in the funding contract to ensure excess profits are reclaimed
- The project area has been analysed with independent data and cross referenced with known supplier plans to draw conclusions about likely investment areas
- An open tender process (adequate advertising, fair and transparent treatment of suppliers, competition based on an output based specification) will be followed.
- Gap funding is technology neutral.
- Selection of suppliers will be made on the most economically advantageous Offer
- The programme promotes use of existing infrastructure
- The selection process includes a benchmarking pricing mechanism.

3.1 NGA White, Grey, Black state aid classification

BDUK requires the following thresholds for NGA classification at postcode level:

White	Less than 90% of premises can access NGA. Only premises without NGA can be supported
Grey	One supplier serves at least 90% of premises with NGA broadband - No intervention is permitted
Black	Two suppliers serve at least 90% of premises with NGA broadband - No intervention is permitted

The Argyll Isles Community Broadband Project area comprises a total of 1559 premises that are classified as NGA White and will require intervention to receive Next Generation Access broadband.

Table 1 in Section 2 details the project area postcodes under consideration for the public funding element of this project. All postcodes are understood to be classified as NGA White.

Maps detailing the target postcodes for intervention (white areas) are detailed in Appendix 1 and 2. These maps are based on European Commission’s definitions for NGA and Basic broadband with coverage highlighted pre-Step Change roll-out (2012).

4 Feedback and Procurement Process

This document lays out Argyll Isles Community Broadband Project best understanding of broadband provision in our project footprint. The final target intervention areas will be based on feedback from the consultation.

If your company delivers broadband services within our area and would like to comment on this document then please do so using the contact details below.

Residents and businesses based within our community are also invited to comment on this document and the proposed intervention area and should do so by the deadline below.

4.1 Procurement

The Argyll Isles Community Broadband Project is in the process of establishing a legal entity that will run an Open Procurement process. The estimated procurement key milestones are as follows:

Activity	Date
Issue of the Invitation to Tender (ITT)	22 April 2014
ITT Return Deadline	23 May 2014
Evaluate Bidder Response	6 June 2014
Contract Award	By 7 July 2014

4.2 Your views

Your views on this consultation are invited, and should be addressed to Campbell Cameron at:

Community Broadband Scotland
Argyll and Islands Area Office
Highlands & Islands Enterprise
Kilmory Industrial Estate
Lochgilphead
PA31 8SH

campbell.cameron@communitybroadbandscotland.org

This consultation will remain open for one month. The deadline for all comments to be received is:

- **18 April 2014**

Appendix 2 - Basic Broadband – Black Grey, White Classification Map

