



## North Skye Broadband discontinues State Aid application process after frustrating 18-month marathon effort

North Skye Broadband, a “not for profit” community organisation set up in 2015 to provide ultrafast broadband services to homes and businesses in communities across North Skye where no commercial provider has any plans whatsoever to do so, has today announced that it will no longer be progressing an application for State Aid funding from Broadband Delivery UK (BDUK) and Community Broadband Scotland (CBS).

The lengthy application process has been dogged by delays due to complex public procurement requirements, including a nine-month delay waiting for a new State Aid funding scheme to be drawn up and approved by the EU after the Phase 2 scheme expired in June 2015. North Skye Broadband (NSB) has already undertaken two separate State Aid Public Consultations – a mandatory requirement of the procurement process – and the decision not to proceed further comes as it was due to undertake a third such consultation, which itself has been delayed for nearly six months awaiting new and more accurate “Open Market Review” data (*essential for the procurement process*), because existing data has been found in many cases to have a 30% to 40% (and in the case of one local postcode, over 50%!) error rate.

Geoff Semler, Chair of NSB, explained the reasons behind the decision: “NSB has, from the very start, planned for this to be a community-owned network, broadly following the approach taken by Broadband for the Rural North, a very successful community benefit society operating in the North of England. By minimising costs and utilising community resources wherever possible – including, for example, seeking free wayleaves from landowners to lay high-capacity optical fibre across their land to establish the long-distance “backbone” network – NSB is seeking to narrow the “digital divide” caused by operators only offering high-speed broadband in denser urban areas and ignoring the needs of fragile rural communities, where many residents and businesses only have the choice of inferior broadband via obsolete technologies, or (often) no Internet connection at all.”

“It has been clear to NSB throughout that a wireless-based trunk network is wholly inappropriate for our needs. Not only does the harsh environment on Skye present challenges to the erection of masts and aerials, but HIE’s own figures demonstrate that even if such a scheme can be profitable, the business case simply does not generate sufficient surplus revenue to finance the technology refresh that will inevitably be needed to meet the ever-increasing demand for bandwidth. The existing State Aid schemes are not fit for purpose because they are designed to support the provision of as many wireless networks as possible, as cheaply as possible, and as quickly as possible.”

“The State Aid rules also require that such networks should be “future-proof”, but in our opinion they are clearly anything but. Ironically, until the Chancellor’s 2016 Autumn Statement and the establishment of the Digital Infrastructure Fund, BDUK would not approve any State Aid application that specified optical fibre as the network medium. Now, they are crying out for commercial providers to build fibre networks, but continue to refuse to fund community-owned networks.”

“Despite recent urgent discussions with HIE, CBS, and Scottish Government, a joint statement approved by all three bodies was issued to NSB on 22 June 2017 confirming that, in accordance with EU rules, the only funding available to North Skye Broadband in excess of the €200,000 *de minimis* provision would be via one of the formal State Aid schemes, none of which permit any funding other than for a network that is owned and operated by a commercial provider. Thus the State Aid process actually precludes NSB from adding any value to the implementation or operation of the network, instead it simply uses NSB as a funding conduit to provide a commercial operator (and its benefactors) with a state subsidy. Accordingly, it was agreed that as none of these schemes meet NSB’s requirements, the formal application process should be discontinued.”

[continued overleaf]

North Skye Broadband is the trading name of **North Skye Broadband (2015) Limited**, company number SC515387 (Scotland)  
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*\*S e Bann-Leathann Chinn a Tuath an Eilean Sgitheanaich ainm malairt na companaidh **Bann-Leathann Chinn a Tuath an Eilean Sgitheanaich (2015) Earranta**, àireamh SC515387 (Alba)  
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Robin Crorie, Secretary to NSB, said: “The Scottish Government’s R100 initiative has not, as yet, been fully developed. However, in its latest guidance document, published on 5 July, it provided sufficient detail to confirm that it will continue to use the existing BDUK 2016 broadband scheme, which excludes community projects such as ours, and commercial providers are being invited to register their interest on the Public Contracts Scotland web portal. Where it is deemed uneconomic to provide a home or business with a superfast broadband connection using any other technology, and such a connection is requested, it is highly likely that the R100 commitment will be met by providing a voucher to subsidise a satellite connection. However, it is clear from the interest expressed by those users within our “white” areas who are already using a satellite broadband connection that it does not meet their needs. The monthly costs of even a modest monthly data quota are extremely high, and on using up that quota, users are faced either with punitive excess data charges, or simply being cut off completely until the start of their next billing cycle.”

Elgar Finlay, who has been providing project management and support to NSB, stated: “NSB is exploring the business case for a small pilot/demonstrator network for at least 50 premises, including five business users. Of those five, three already use a satellite connection and are keen to replace these with a much cheaper, and very much faster, FTTP connection provided by NSB. Planning for this pilot/demonstrator is being undertaken in partnership with a private sector partner that is fully supportive of what NSB is trying to achieve, one that is co-operating with NSB in the development of a bid for *de minimis* funding from CBS to demonstrate a new paradigm for providing truly future-proof ultrafast broadband services for the benefit of, and in co-operation with, rural communities across Scotland.”

[Ends]