

Subsidy Advice Unit Report on the Subsidy Scheme to Extend High Speed Broadband in Wales

Referred by The Welsh Government

29 January 2024

Subsidy Advice Unit

Part of the Competition and Markets Authority

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1. Introduction

- 1.1 This report is an evaluation prepared by the Subsidy Advice Unit (SAU), part of the Competition and Markets Authority, under section 59 of the Subsidy Control Act 2022 (the Act).
- 1.2 The SAU has evaluated the Welsh Government's assessment of compliance of the proposed scheme to extend high speed broadband in Wales, with the requirements of Chapters 1 and 2 of Part 2 of the Act (the Assessment).¹
- 1.3 This report is based on the information provided to the SAU by the Welsh Government in its Assessment and evidence submitted relevant to that Assessment.
- 1.4 This report is provided as non-binding advice to the Welsh Government. The purpose of the SAU's report is not to make a recommendation on whether the scheme should be implemented, or directly assess whether it complies with the subsidy control requirements. The Welsh Government is ultimately responsible for making the scheme, based on its own assessment, having the benefit of the SAU's evaluation.
- 1.5 A summary of our observations is set out at section 2 of this report.

The referred scheme²

- 1.6 The Welsh Government is proposing to contribute public funding to subsidise private telecommunication companies to build new broadband infrastructure. This would extend the reach of highspeed broadband across Wales to premises currently receiving speeds less than 30 Megabits per second (Mbps) that are not covered by plans to receive faster speeds.
- 1.7 The Assessment reports that an Open Market Review and Public Review carried out in 2021/22 by the Welsh Government indicated that there are 84,174 premises where suppliers have not delivered broadband above 30Mbps and have no plans to deliver to these premises in the next three years.³
- 1.8 This proposed three-year scheme is to provide fast, reliable broadband to as many as possible of these premises, using the £70 million clawback fund from the

¹ Chapter 1 of Part 2 of the Act requires a public authority to consider the subsidy control principles and energy and environment principles before deciding to give a subsidy. The public authority must not award the subsidy unless it is of the view that it is consistent with those principles. Chapter 2 of Part 2 of the Act prohibits the giving of certain kinds of subsidies and, in relation to certain other categories of subsidy creates a number of requirements with which public authorities must comply.

² [Referral from the Welsh Government of a Scheme to Extend High Speed Broadband in Wales - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/referrals).

³ The Welsh Government clarified that the plans referred to in this statement cover both commercial and subsidised build over the period 2022 to 2025.

Superfast Cymru broadband deployment scheme.⁴ The Welsh Government has indicated that under the proposed scheme, all technologies and innovative approaches will be acceptable and open access solutions⁵ prioritised. Subsidies will be awarded through a competitive tendering process.

SAU referral process

- 1.9 On 7 December 2023, the Welsh Government requested a report from the SAU in relation to the proposed scheme.
- 1.10 The Welsh Government explained⁶ that the proposed scheme is a Scheme of Particular Interest (SoPI) because it allows for one or more Subsidies of Particular Interest to be given.⁷ In particular, the Welsh Government set out that as the subsidy will be over £10 million and it is likely that one or more beneficiaries will receive over £10 million, this classifies the subsidy scheme as a SoPI.
- 1.11 The SAU notified the Welsh Government on 13 December 2023 that it would prepare and publish a report within 30 working days (ie on or before 29 January 2024).⁸ The SAU published details of the referral on 14 December 2023.⁹

⁴ The Superfast Cymru programme delivered fast broadband to approximately 733,000 premises across Wales using Fibre to the Cabinet and Fibre to the Premises technologies from 2013 to 2018 with £214 million of public subsidy from the UK Government, Wales European Funding Office and the Welsh Government.

⁵ The Welsh Government reported where technology allows the procurement for the referred scheme will be for the provision of an Open Access Network meaning that the operator of the network and the Internet service providers can be two separate entities. This is also referred to as a 'wholesale model'.

⁶ In the information provided under section 52(2) of the Act.

⁷ Within the meaning of regulation 3 of [The Subsidy Control \(Subsidies and Schemes of Interest or Particular Interest\) Regulations 2022](#) which sets out the conditions under which a subsidy or scheme is considered to be of particular interest.

⁸ Sections 53(1) and 53(2) of the Act.

⁹ [Referral from the Welsh Government of a Scheme to Extend High Speed Broadband in Wales - GOV.UK \(www.gov.uk\)](#).

2. Summary of the SAU's observations

- 2.1 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the [Statutory Guidance](#)) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the [SAU Guidance](#)).
- 2.2 We consider that the Assessment reflects the following positive features:
- (a) it sets out a clear policy objective of addressing the ongoing lack of adequate broadband provision to hard and very hard to reach premises in Wales, and articulates it within a wider strategic objective; and
 - (b) it considers other Government interventions that are currently in place to achieve roll-out of improved broadband infrastructure, including the Project Gigabit schemes operated by Building Digital UK (BDUK).
- 2.3 However, we consider that there were some areas where the Assessment could be improved by:
- (a) setting out more clearly the market failure which the scheme seeks to remedy, and clarifying whether the scheme also seeks to address an equity objective (Step 1, Principle A);
 - (b) attempting to estimate, at least at a high level, the proportion of the targeted premises that are most likely to remain without fast, reliable broadband in a counterfactual scenario (Step 2, Principle C); and
 - (c) setting out a competitive analysis as envisaged by the Statutory Guidance, potentially drawing on insight from previous experience and recent market engagement (Step 3, Principle F).
- 2.4 Our report is advisory only and does not directly assess whether the proposed scheme complies with the subsidy control requirements. The report does not constitute a recommendation on whether the proposed scheme should be implemented by the Welsh Government. We have not considered it necessary to provide any advice about how the proposed scheme may be modified to ensure compliance with the subsidy control requirements.¹⁰

¹⁰ Section 59(3)(b) of the Act.

3. The SAU's Evaluation

3.1 This section sets out our evaluation of the Assessment, following the four-step structure used by the Welsh Government.

Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use

3.2 The first step involves an evaluation of the Assessment against:

- (a) Principle A: Subsidies should pursue a specific policy objective in order to (a) remedy an identified market failure or (b) address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns); and
- (b) Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.¹¹

Policy objectives

3.3 The Assessment sets out that the specific policy objective of the scheme is 'to provide fast reliable broadband to as many of the remaining "white" premises as possible using £70 million clawback funding from the Superfast Cymru project, where there is an economic case for intervention and increase the coverage of superfast broadband from 96.86% to as close to 100% as possible.'¹²

3.4 Relying on the Welsh Government's Open Market Review¹³ and Public Review,¹⁴ the Assessment indicates that the scheme targets 84,174 premises where no Next Generation Access¹⁵ or gigabit-capable¹⁶ network infrastructure currently exists or is likely to be provided by the market within the next three years.

3.5 The Assessment sets out that the scheme aims to support Mission Five (digital connectivity) of the Welsh Government's Digital Strategy¹⁷ by:

¹¹ Further information about the Principles A and E can be found in the [Statutory Guidance](#), paragraphs 3.32–3.56 and the [SAU Guidance](#), paragraphs 4.7–4.11.

¹² The Assessment defines 'white' premises as those that have broadband speeds less than 30Mbps and for which market participants have indicated that they have no intention to provide fast reliable broadband within the next three years.

¹³ [Broadband: open market review 2021 | GOV.WALES.](#)

¹⁴ [Broadband: public review 2022 | GOV.WALES.](#)

¹⁵ Capable of delivering at least 30Mbps network speeds.

¹⁶ Capable of delivering at least 1,000Mbps network speeds.

¹⁷ <https://www.gov.wales/digital-strategy-wales.html>.

- (a) re-investing funding returned through superfast roll-out to improve digital connectivity targeted infrastructure intervention; and
- (b) building on the successes of the Access Cymru Broadband¹⁸ and Local Broadband Fund¹⁹ approaches to provide fast broadband connectivity to properties with low internet speeds.

3.6 In our view, the Assessment sets out a clear specific policy objective which is aligned with the Welsh Government’s strategic objectives.

Market failure and equity objective

3.7 The Statutory Guidance sets out that:

- (a) market failure occurs where market forces alone do not produce an efficient outcome.²⁰
- (b) equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.²¹

3.8 The Assessment explains that several factors influence investment decisions by commercial broadband providers, including the level of demand, cost of deployment and availability of capital. According to the Assessment, ‘these factors collectively have meant that network infrastructure concentrates in areas which are commercially viable and fails to cover areas which are not unless the public sector intervenes.’

3.9 The Assessment refers to the results of the Open Market Review and Public Review, which follow the process defined by BDUK,²² to evidence the continued existence of ‘white’ premises in Wales.

3.10 Based on assumptions from the result of an Open Market Review and Public Review, the Assessment sets out that the lack of provision of services to ‘white’ premises after ten years of public sector intervention suggests that these premises are unattractive to suppliers, potentially because of the high costs or technical challenges to deploying the infrastructure to these premises.

3.11 The Assessment further explains that broadband equity can only be achieved when all people and communities are able to access and use affordable,

¹⁸ Access Broadband Cymru is a demand-led Welsh Government scheme to provide grants to fund or part-fund the equipment and installation costs of new broadband connections for homes and businesses in Wales.

¹⁹ A legacy scheme for which Welsh Government made £20 million available to support local authorities and social enterprises to deliver broadband projects locally.

²⁰ [Statutory Guidance](#), paragraphs 3.35–3.48.

²¹ [Statutory Guidance](#), paragraphs 3.49–3.53.

²² BDUK is an executive agency sponsored by the Department for Science, Innovation and Technology. It is the National Competency Centre for broadband in the UK and carries out rolling Open Market Reviews and Public Reviews every three months. (See [Building Digital UK - GOV.UK \(www.gov.uk\)](#)).

high-speed, reliable internet that meets their long-term need. It states that broadband and the digital services it enables are intrinsically linked to collective health and equity outcomes, and that broadband inequity results in local and/or regional disadvantages, which the scheme will directly address.

- 3.12 The Assessment describes the digital divide²³ and local and/or regional disadvantages that impact the target premises as a result of broadband inequity. This is supported by research carried out in 2023 by Cwmpas²⁴ on behalf of the Welsh Government.
- 3.13 The Assessment further refers to the Digital Maturity Economic Impact Report 2019²⁵ to set out the impact of digital technologies on regional productivity in Wales, and on a call for evidence from the UK Government to list a number of qualitative benefits.
- 3.14 In our view, the Assessment could more clearly identify and evidence the type of market failure that the scheme seeks to remedy, in line with the Statutory Guidance.²⁶
- 3.15 We also consider that the Assessment could clarify whether the scheme policy objective addresses an equity rationale linked to broadband inequity. We note that the Assessment provides strong evidence of the disadvantages experienced by communities that do not have access to adequate broadband infrastructure.

Consideration of alternative policy options and why the scheme is the most appropriate and least distortive instrument

- 3.16 In order to comply with Principle E, public authorities should consider why the decision to give a subsidy is the most appropriate instrument for addressing the identified policy objective, and why other means are not appropriate for achieving the identified policy objective.²⁷
- 3.17 The Assessment sets out a longlist of 18 options, including supply-side and demand-side interventions, considered as part of the business case. These were reduced to a shortlist of seven, which were compared against critical success factors and subject to an economic appraisal.

²³ Defined in the Assessment as the gap between those who have affordable access, skills and support to effectively engage online and those who do not.

²⁴ Cwmpas is a development agency working for positive change in Wales and across the UK ([Cwmpas Home - Cwmpas](#)).

²⁵ Cardiff University, Welsh Economic Research Unit, Superfast Broadband Business Exploitation Programme: Research and Intelligence, Digital Maturity Economic Impact Report 2019, 23rd April 2020 (see: [Report \(cardiff.ac.uk\)](#)).

²⁶ [Statutory Guidance](#), paragraphs 3.35–3.47

²⁷ [Statutory Guidance](#), paragraphs 3.54–3.56.

- 3.18 This process led to identifying a preferred way forward (the scheme), which was then assessed against the four limbed test of the Act to identify if it involved a subsidy.
- 3.19 In our view, the Welsh Government has considered a diverse range of options and made a detailed assessment of the strengths, weaknesses, opportunities and threats associated with each of these options. However, the Assessment could have better identified which of the options considered would not involve a subsidy, and therefore would be relevant for the purpose of Step 2.

Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change

- 3.20 The second step involves an evaluation of the Assessment against:
- (a) Principle C: First, subsidies should be designed to bring about a change of economic behaviour of the beneficiary. Second, that change, in relation to a subsidy, should be conducive to achieving its specific policy objective, and something that would not happen without the subsidy; and
 - (b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.²⁸

Counterfactual assessment

- 3.21 In assessing the counterfactual, the Statutory Guidance explains that public authorities should assess any change against a baseline of what would happen in the absence of the subsidy (the ‘do nothing’ scenario).²⁹ This baseline would not necessarily be the current situation, but what would likely happen in the future – over both the long– and short–term – if no subsidy were awarded.
- 3.22 The Assessment describes a high–level counterfactual whereby:
- (a) in the short–term, around 84,174 premises in Wales would not have access to ‘fast reliable broadband’, although it recognises that some premises might use satellite broadband, or benefit from demand–led interventions;
 - (b) in the longer–term, the ‘continued lack of fast, reliable broadband in communities and regions is likely to reduce the possibility of regional economic development and may threaten jobs’.

²⁸ Further information about the Principles C and D can be found in the [Statutory Guidance](#), paragraphs 3.57–3.71 and the [SAU Guidance](#), paragraphs 4.12–4.14.

²⁹ [Statutory Guidance](#), paragraphs 3.60–3.62.

- 3.23 The Assessment explains that the UK Government has in place a suite of interventions, collectively known as Project Gigabit, aiming to provide all premises in the UK with access to gigabit capable broadband by 2030. It states that the project in Wales is still in development with delivery not starting until 2025 at the earliest. It also explains that the proportion of the 84,174 premises that would be addressed through Project Gigabit is unclear ‘although by the nature of them being classed as hard to reach or very hard to reach within the [outline business case] strongly suggests that these premises will not be addressed as a priority’.
- 3.24 The Assessment states that the counterfactual is based on the Open Market Review and Public Review, which seek to gain an understanding of suppliers’ plans over the next three years. The most recent reviews were in 2021/22,³⁰ covering the period to 2025.
- 3.25 We consider that the Assessment sets out a high–level counterfactual. In our view, the Assessment could be improved by estimating the proportion of the 84,174 premises that are most likely to remain without fast, reliable broadband absent the scheme, considering interactions with other public interventions (eg Project Gigabit) and potential changes to suppliers’ commercial plans. This would help illustrate the expected scale of the number of premises to be connected through the proposed scheme.³¹

Changes in economic behaviour of the beneficiary

- 3.26 The Statutory Guidance sets out that subsidies must bring about something that would not have occurred without the subsidy.³² In demonstrating this, public authorities should consider the likely change or additional net benefit.
- 3.27 The Assessment states that the scheme will ensure, ‘through a contractual arrangement with the necessary controls and monitoring processes’, that the beneficiaries intervene and build robust infrastructure to all or a subset of the ‘white’ premises. The Assessments estimates a delivery timeframe of 2–5 years, based on industry feedback.
- 3.28 The Assessment explains that, given the possibility that some of the targeted premises could be covered through other interventions, the Welsh Government will work closely with BDUK to prevent double subsidy and understand whether it would be preferable for the premises to get gigabit capable broadband via the BDUK intervention or to be included in the Welsh Government contracts.

³⁰ The Open Market Review was from the 24 August 2021 to 8 October 2021 and the Public Review was from 8 April until the 6 May 2022.

³¹ Future developments can be difficult to assess not only by public authorities but also by recipients and other market participants. Nevertheless, the Assessment should establish the most likely future scenario in the absence of the subsidy. [Statutory Guidance](#), paragraph 3.58.

³² [Statutory Guidance](#), paragraph 3.64.

3.29 In our view, the Assessment adequately explains the change in economic behaviour which the scheme is expected to bring about, although it would benefit from some indication of the volume of premises the Welsh Government expects to be able to connect through this scheme, possibly drawing on insights gained from the recent market engagement exercise (for example, on the potential for alternative technologies).

Additionality assessment

3.30 According to the Statutory Guidance, ‘additionality’ means that subsidies should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy.³³ For schemes, public authorities must exclude any groups or sub-populations of beneficiaries where it can be reasonably determined in advance that there is unlikely to be additionality.³⁴

3.31 The Assessment states that the scheme is not subsidising ongoing or business as usual costs. It explains that:

- (a) ‘network build will be assessed and agreed in advance of build by the project team and payment will be in arrears’;
- (b) ‘payments are made based on sufficient evidence of eligible costs having been incurred by the supplier’; and
- (c) ‘the recipient will be required to demonstrate a step change in broadband speeds and to speeds greater than 30Mbps’.

3.32 The Assessment observes that, due to the nature of the broadband network technologies, premises outside the agreed intervention area would likely be included in the deployment as consequential overbuild.³⁵ It explains that further checks are undertaken against other subsidised interventions within Wales to minimise any risk of any double subsidy of premises.

3.33 Further, we note that beneficiaries will only be compensated for capital expenditure which meets specific criteria, such as being incremental to the beneficiaries’ cost base that would otherwise have been incurred.

3.34 We consider that the Assessment adequately explains how the design features of the scheme help ensure that additionality requirement is met.

³³ [Statutory Guidance](#), paragraphs 3.63–3.67.

³⁴ [Statutory Guidance](#), paragraph 3.69.

³⁵ The term overbuild refers to deployment funded by the scheme in areas served by other networks providing fast broadband services and, in particular, gigabit capable networks.

3.35 In our view, the Assessment could be improved by describing in more detail how the Welsh Government concluded that the timeframe for the premises to be connected would differ from the no-subsidy scenario, taking into account the availability of satellite broadband and other Government interventions and policies. It would also be improved by explaining in more detail how the engagement with BDUK will be used to manage the potential interaction between the proposed scheme and Project Gigabit.

Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible

3.36 The third step involves an evaluation of the Assessment against:

- (a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and
- (b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.³⁶

Proportionate to the policy objectives and limited to the minimum necessary

3.37 The Statutory Guidance explains that public authorities must design subsidies to be proportionate to the specific policy and limited to the minimum needed to induce the relevant investment or activity.³⁷

3.38 As set out above (see paragraph 3.3), the stated objective of the scheme is to provide fast reliable broadband to as many of the remaining 'white' premises as possible, where there is an economic case for intervention.

3.39 The Assessment considers various design features that the Welsh Government considers relevant to demonstrating that the scheme is proportionate to the policy objective and limited to the minimum necessary, including because it only targets 5% of the total number of premises in Wales, there will be a minimum speed requirement of only 30Mbps, and there will be value-for-money controls through the bid assessment process, in-life cost controls, and a claw-back mechanism.

3.40 Overall, we consider that the Assessment provides a high-level demonstration that the scheme is proportionate to the policy objective and limited to the minimum necessary. However, the Assessment could be improved by providing further details on how, in practice, the Welsh Government will mitigate the risks to its procurement strategy identified in the Assessment and ensure that the scheme

³⁶ Further information about the Principles B and F can be found in the [Statutory Guidance](#), paragraphs 3.72–3.108 and the [SAU Guidance](#), paragraphs 4.15–4.19.

³⁷ [Statutory Guidance](#), paragraph 3.74.

delivers value-for-money. For example, the Assessment could provide further information on how the Welsh Government is intending to specify 'lots'; drawing on the discussion of 'preferred lotting strategies' in the recent market engagement exercise.

Design of subsidy to minimise negative effects on competition and investment

- 3.41 The Statutory Guidance explains that the public authority should be satisfied and show that any negative effects on competition and investment within the UK cannot be further reduced without harming the ability to meet the stated policy objective. To comply with this obligation, public authorities should examine the characteristics of the subsidy and whether these can be redesigned to further reduce the impacts of the subsidy on the affected market(s) and still achieve the policy objective.³⁸
- 3.42 The Assessment lists many of the scheme characteristics identified in Chapter 3 of the Statutory Guidance³⁹ as potentially relevant to the likelihood of distortive impact on competition or investment, including the size and timespan of the scheme, the nature of the instrument and the cost covered, the breadth of beneficiaries and selection process, targeting specific policy objectives, and monitoring and evaluation.
- 3.43 The Assessment states that, by addressing only the 5% of unserved premises in Wales, the scheme will not distort the market. It also states that the intervention is very unlikely to have a negative effect on well-served areas, as it merely brings unserved areas into line and does not provide them with a comparative advantage. It also notes that any distortion of competition and investment will be minimised through the tendering process and a robust project management and programme monitoring process.
- 3.44 Our view is that the Assessment demonstrates that the Welsh Government has considered whether the scheme design minimises any potential negative effects. We consider, however, that the Assessment could be improved in two ways:
- (a) While the prioritisation of open access arrangements is identified as a relevant characteristic, the Assessment states that this may not be possible where successful bidders are not deploying fixed fibre networks. We consider that the Assessment could expand on the potential for securing open access arrangements where networks are deployed using alternative technologies and, where this is not possible, the implications this has for the Assessment.

³⁸ [Statutory Guidance](#), paragraph 3.74.

³⁹ [Statutory Guidance](#), paragraphs 3.76–3.108.

- (b) We consider that the Assessment could expand on how the Welsh Government's technology neutral strategy reduces the risk of the scheme distorting competition and investment a key feature of which is said to be a minimum speed requirement of only 30Mbps. We note, however, that the objective of the intervention is to provide fast, reliable broadband of at least 30Mbps.

Assessment of effects on competition or investment

- 3.45 For SoPI in particular, the Statutory Guidance recommends that the public authority identifies the product and geographic markets that the subsidy may affect, and provide any relevant evidence in support of this, and assess the impact of the subsidy on domestic competition or investment or international trade or investment.⁴⁰
- 3.46 The Assessment states that the design of the scheme should limit any distortion of competitive markets and any crowding out of private investment in focussing on intervening only where market conditions are least attractive, responding to market developments over time, and seeking to allow entrants to the market beyond the incumbent. The Assessment also sets out the steps that have been taken to promote supplier engagement and competition.
- 3.47 The Assessment recognises that there are some potential negative impacts of this scheme. Specifically, it recognises that the BDUK programme could include some of the targeted premises and that successful bidders may encroach on competitors' footprints. The Welsh Government has, however, confirmed that it considers the risks to be low and submits that where there is overbuild, homes and businesses will benefit from more choice.
- 3.48 The Assessment does not set out a competitive analysis as envisaged in the Statutory Guidance. The Assessment could be improved by identifying the competitors in the delivery of broadband infrastructure and services within these areas and considering how the scheme will impact them, drawing on insight gained from past experience and recent market engagement.
- 3.49 We also consider that the Assessment could say more about how the Welsh Government aims to mitigate the risks to its strategy for promoting competition and investment in the delivery of faster broadband services in the intervention area.

Step 4: Carrying out the balancing exercise

- 3.50 The fourth step involves an evaluation of the Assessment against subsidy control Principle G: subsidies' beneficial effects (in terms of achieving their specific policy

⁴⁰ [Statutory Guidance](#), paragraphs 17.29–17.63.

objective) should outweigh any negative effects, including in particular negative effects on: (a) competition or investment within the United Kingdom; (b) international trade or investment.⁴¹

- 3.51 The Welsh Government expects that the proposed scheme will deliver strategic and operational benefits, including job creation and retention (including enhancing ICT (Information and Communications Technology) skills and creating new high-value jobs in Wales), economic benefits (including increased inward investment, reduced communication costs and sustainability and benefits for SMEs), and social benefits (including community cohesion and inclusion).
- 3.52 The Assessment acknowledges that premises outside of the agreed intervention area could be included in the deployment as consequential overbuild and sets out that a potential negative effect of this scheme will be that a supplier or several suppliers will be building networks that may make other areas of Wales look more appealing for commercial build and that may encroach on competitors' footprints.
- 3.53 The Assessment reasons that by focussing on areas where market conditions are least attractive, being responsive to market developments and seeking to attract new entrants to these areas the design of the scheme should limit any distortion of competition and investment, and that the wholesale access model⁴² should also allow effective competition at the wholesale and access levels,⁴³ resulting in more choice to the end user.
- 3.54 The Assessment lists a number of 'dis-benefits', including digital exclusion, risk of unemployment (for example when technology replaces administrative and manual process roles), threat to traditional postal services, a risk of a '24x7' working culture, connection costs (which may be prohibitive for low-income social groups), traffic disruption caused by the installation of new broadband infrastructure, increased likelihood of online crime and the need for better awareness of online security, and negative impacts on local economies and traditional high street businesses caused by greater uptake of online shopping.
- 3.55 In our view, the Assessment sets out the main benefits and negative effects of the scheme. However, it would be improved by expressly attempting to balance them against each other, and concluding on whether the benefits outweigh the negative effects. We also note that the balancing exercise is impacted by a lack of clarity in some areas of the Assessment, in particular:

⁴¹ [Statutory Guidance](#), paragraphs 3.109–3.117 and [SAU Guidance](#), paragraphs 4.20–4.22 for further detail.

⁴² The Welsh Government reported where technology allows the procurement for the referred scheme will be for the provision of an Open Access Network meaning that the operator of the network and the Internet service providers can be two separate entities. This is here referred to as a 'wholesale model'.

⁴³ Competition at the access level relates to providing third party retail service providers with access to the network that allows for competition in the supply of broadband services to homes and businesses and competition at the wholesale level relates to the competition between networks to attract retail service providers onto their networks.

- (a) the volume of premises that the scheme will actually cover affects the appreciation for the scale of the benefits;
- (b) the competitive assessment affects the appreciation for the scale of the negative effects of the scheme.

3.56 We also consider that the Assessment would benefit from including an evaluation of the geographical and distributional impact of the scheme, in line with the Statutory Guidance.⁴⁴

Other Requirements of the Act

3.57 The Welsh Government confirmed that it had not found any of the Chapter 2 prohibitions and requirements to be relevant to its Assessment.

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⁴⁴ [Statutory Guidance](#), paragraphs 3.115–3.117.