

## **State aid: Commission prohibits public funding for additional broadband network in Appingedam (Netherlands)**

***The European Commission has decided to prohibit, under EC Treaty state aid rules, public funding for the planned construction of a fibre access network in the Dutch town of Appingedam. The project concerns an area already served by broadband networks and the Commission considered that the aid was not necessary to remedy either a market failure or unaffordable prices for broadband services. The Commission considered that the planned aid would distort competition and harm private investment to an extent which would outweigh the positive effects of the project. This is the first time that the Commission has declared a subsidy for a broadband network incompatible with the state aid rules.***

Competition Commissioner Neelie Kroes commented: "Public support for broadband can bring benefits to citizens and businesses in regions where fast Internet access is not available on reasonable conditions. However, state aid for the planned network in Appingedam is neither justified nor proportionate as broadband services are already provided by several private operators."

The municipality of Appingedam intended to part fund the deployment of a glass fibre access network (Fibre to the Home, FttH) in the Dutch town. After local court action by a cable operator at the end of 2004, the Dutch authorities notified the measure to the Commission in spring 2005 for approval under the state aid rules. The Commission initiated an in-depth inquiry in October 2005 (see [IP/05/1331](#)). The investigation confirmed the presence of state aid as the terms of the investment envisaged by the municipality did not correspond to market conditions. In its assessment, the Commission then analysed whether there could be an objective justification for the public funding.

The Dutch broadband market is one of the most advanced in Europe in terms of service coverage, innovation and competition. In Appingedam, various broadband offers are already provided over two existing networks (KPN and cable), at prices similar to those of other regions in The Netherlands. Consequently, the construction of an additional network with state funding would address neither a market failure nor a cohesion problem. The measure would distort competition due to its discriminatory impact on existing or future private networks.

As the measure does not fulfil the criteria for granting aid to the development of certain economic activities or regions (Article 87 (3) (c) EC Treaty), the Commission cannot allow the Dutch authorities to subsidise this project. As the construction of the network has not yet started, no aid will have to be recovered.

In previous cases involving public funding for broadband assessed by the Commission, state aid was mainly targeted at rural and remote areas where broadband was not available or limited to a few urban areas. Hence, public funding for these projects was found to be in line with the EC Treaty state aid rules (for the most recent cases, concerning Ireland, Latvia and Greece - see [IP/06/284](#), [IP/06/755](#), [IP/06/949](#)). Each case was assessed taking into account the specific market context (availability and take-up of broadband, available infrastructure, degree of competition, etc.) and the proportionality of the public intervention.