

## **BREKO concept proposal for broadband funding prioritisation:**

There is no absolute solution that can take 100% of all eventualities into account. Public funding does not aim at connecting all households and companies within a municipality, but to addressing market failure in poorly connected areas. Public funding only complements economically viable deployment, which must be prioritised. Yet, the German Federal Ministry of Transport and Digital Infrastructure plans to renounce a funding threshold (which is the most effective prioritisation instrument) and merely "prioritise" based on population density. This approach would result in market distortion, as it does not take into account actual shortage and demand. By this approach, prioritisation is only given to a specific type of area. It can thus lead to the prioritisation of well-connected rural areas (if no funding threshold is foreseen) or to the financing of individual connections (which is extremely costly and unattractive for bidders).

The solution proposed below will prevent the misallocation of available funding:

### **Procedure to identify new funding areas in the context of funding "grey spots":**

Identification of a "grey spot" (definition of "grey spots": households below 100Mbit/s connectivity are eligible for funding). Apart from this our concept also includes households in the immediate vicinity, e.g. the next street corner and/or opposite street and the areas adjacent to it (dead ends), which would otherwise constitute an "enclave", provided that they are already supplied with at least 100 Mbit/s but have no gigabit connectivity. This approach requires a threshold value which accounts for the increase in the percentage of household connections funded in the immediate vicinity of the project area (BREKO suggests: 10%).

### **Benefits of the prioritisation proposal:**

- It promotes self-economic fibre deployment. Companies and investors are eager to invest in fibre in the upcoming years. The Corona crisis has led to a new awareness among citizens and companies about the importance of digitalisation and digital infrastructure as the basis for digitalisation;
- There is no risk of leaving behind poorly connected areas, which gained interest at the political level since the corona crisis. Moreover, end user demand is highest in poorly connected areas;
- Regional politicians are not "pressured" to prioritise very well connected areas (bandwidths up to 250 Mbit/s) through funding. (as opposed to the pressure they would otherwise face a) due to applicable tendering obligations and b) because companies will first opt for areas with the highest household density given the expected surplus of tender invitations);
- It prevents "island solutions", e.g. one side of the road is connected and the other is not, and enclaves which will neither be connected by economically viable means nor by funding, and it allocates civil engineering resources efficiently.
- Projects in a given area will yield wider cohesive development and remain attractive for network operators that participate in tenders;

- The newly established infrastructure based on our concept can enable further economically viable deployment in areas that are not eligible for funding. Thereby economically viable deployment is supplemented without causing displacement. The Open Access obligation gives all stakeholders the opportunity to deploy by economically viable means;
- The Bavarian gigabit funding scheme (funding threshold 100 Mbit/s) has proven to be successful, as can be seen in the project's progress and the number of participating companies.

Beyond the current concept proposal for prioritisation (funding threshold plus X), our criticisms regarding investment protection and territory cutting and our proposal for prioritisation instruments such as actual local demand, and an annual funding cap remain. In this regard we refer to our previous positions.