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Subject: State Aid SA.51079 (2018/N) – Spain

Audiovisual broadcasting reception aid for multi-households

buildings

Sir,

1. PROCEDURE

(1) On 19 November 2018, Spain notified the aid scheme. On 7 December 2018, the Commission requested additional information from the Spanish authorities, which was submitted on 4 January 2019. After complementary questions sent on 30 January, 11 February and 14 February, Spain submitted further information on 8 February and 14 February 2019.

2. DESCRIPTION

(2) The Measure aims to offset the costs of adapting television signal reception equipment in multi-households buildings affected by the release of the 700 MHz band.

2.1. Context of the Measure

(3) The Measure will apply in the context of migration of terrestrial television services from the 700 MHz (694-790 MHz) band to the sub-700 MHz (470-694 MHz) band.

Excmo. Sr. D. Josep Borrell Fontelles Ministro de Asuntos Exteriores y de Cooperación Plaza de la Provincia 1 E-28012 MADRID

2.1.1. European spectrum policy

- (4) Radio spectrum is a scarce public resource that is essential for some sectors and services, including television broadcasting and wireless broadband services. The radio spectrum is divided into frequency bands with conventional names designated by the International Telecommunications Union (ITU). Each band presents technical characteristics that suit only certain types of services. Frequency bands are therefore allocated only to a confined number of services.
- (5) The release of the 700 MHz band by terrestrial television services is part of the Digital Single Market Strategy for Europe. The Strategy recognises the importance of Internet and digital technologies and the opportunities they bring to the European Union in terms of innovation, growth and jobs. The Commission also acknowledged that radio spectrum is a vital building block for the deployment of wireless broadband services. In this context, the Commission underlined in 2016 the necessity of having a suitable amount of spectrum for the development of wireless broadband services like 5G. The 5G Action Plan mentions the 700 MHz frequency band as a pioneer band that is critical for 5G.
- (6) The European Parliament and the Council have decided in May 2017 (the EPaC Decision) that the 700 MHz frequencies will be allocated exclusively to wireless broadband services as of June 2020.³ Consequently, terrestrial television services must liberate the spectrum they currently use in the 700 MHz band and move to the lower band, the sub-700 MHz band. Likewise, the EPaC Decision also ensures that terrestrial television services have enough spectrum available until at least 2030.⁴ The EPaC Decision also states that the scope of and mechanism for possible compensation for completing the transition in spectrum use, in particular for end-users, should be analysed in accordance with the relevant national provisions and should be consistent with Article 107 TFEU.⁵

2.1.2. Evolution of the Digital Dividend in Spain

(7) Spain completed the switch-off of analogue television technology by April 2010. By March 2015, Spain completed the release of the 800 MHz band from terrestrial television services. The release of the 800 MHz band process was accompanied by two compensation measures: one providing subsidies for dwellers of collective buildings offsetting the costs of adapting the television

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Digital Single Market Strategy for Europe, 6.05.2015.

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 5G for Europe: An Action Plan, 14.09.2016.

³ Decision (EU) 2017/899 of the European Parliament and of the Council of 17 May 2017 on the use of the 470-790 MHz frequency band in the Union (OJ L 138, 25.05.2017, p.131).

⁴ Article 4 of Decision 2017/899.

⁵ Article 6 of Decision 2017/899.

reception devices⁶ and the other compensating the public service broadcasters for the related costs.⁷

- (8) In compliance with Article 5 of the EPaC Decision, Spain launched a public consultation on the national roadmap between 28 November 2017 and 19 February 2018. The national roadmap was definitively adopted on 30 June 2018. It suggests that the migration process of terrestrial television services from the 700 MHz band would take place between January 2019 and March 2020.
- (9) The national roadmap suggests two compensation measures, one supporting the adaptation of television reception equipment, the other one supporting the adaptation of the terrestrial television transmission equipment.⁹
- (10) Spain also considers imposing a simulcast period¹⁰ on terrestrial television service providers, without any compensation provided for the costs incurred by this obligation.
 - 2.1.3. Impact of the release of the 700 MHz band on terrestrial television services reception in Spain
- (11) According to Spain, the migration of television services from the 700 MHz band to the lower band implies the reallocation of 25% of the frequencies currently used by the terrestrial television service providers. Moreover, the process implies to re-organise the assignment of frequencies in the sub-700 MHz band. In total, 162 changes of frequencies will occur. 68 out of 75 geographical areas are affected by the release of the 700 MHz band.
- (12) With regards to households, the release of the 700 MHz band implies the change of some of the reception systems. The costs will depend first, on the number of multiplexes which have to change frequencies and second, on the technical operation that is required on the reception systems. Indeed, depending on the system in place, multi-households buildings may need either only to retune the reception system or to change it.¹¹

¹⁰ In this context, it implies the simultaneous transmission of the same television programme on two channels, allowing sufficient time, between the first day of frequency change and the final switch-off day, for households to adapt their television reception equipment.

⁶ Commission Decision SA.32619 – Spain, Compensation of damages for the liberation of digital dividend, Measure I, 25.04.2012.

Public television services have been recognised service of general economic interest by law (Law 17/2006 of 5 June on Public television and radio).

⁸ Roadmap for the Process to Authorise the Use of the 700 MHz Frequency Band for Wireless Broadband Electronic Communications Services.

⁹ This measure is not part of the present decision.

¹¹ Spain explained to the Commission that systems using broadband amplifier do not need to be changed as they can receive all channels. However, systems using central common amplifier need to be retuned and systems using single channel amplifier need technical equipment to be replaced.

- Spain estimates that up to 800 000 buildings out of 1 400 000 will be affected. (13)Single-family households are not covered by the measure as their equipment does not require any technical modification.¹²
- According to Spain, the Measure will smoothen the migration process. It will (14)allow the 700 MHz band to be released on time. In the absence of the Measure, Spain considers it is unlikely that all the beneficiaries would have completed the adaptation of their reception system by the deadline of June 2020. This would ultimately create a gap in access to information which could require the delay of the release of the 700 MHz band.

2.1.4. Other persons potentially impacted by the Measure

- (15)The Measure is planned in the context of the migration of terrestrial television services from the 700 MHz band. Therefore, the Measure may have an impact on other operators operating in the broadcasting sector and in particular on:
 - (a) Television service providers, which control the editorial direction over the selection and organisation of programmes and content on a channel or catalogue of programmes. Their principal purpose is to provide programmes and content to an audience in order to inform, entertain or educate the general public. They are also aimed to broadcast commercial communication. Television services are recognised of high democratic and social value in Spain.¹³
 - (b) Platform operators, which operate the technological infrastructure necessary to broadcast to the public the audiovisual content provided by the television service providers. Platforms may operate on cable, satellite, internet or terrestrial infrastructures. Terrestrial television is the dominant platform in Spain.¹⁴
 - (c) Hardware suppliers, which are manufacturers and installers of infrastructures and devices necessary to access to the various platforms.

Detailed description of the Measure

Objective of the Measure 2.2.1.

The Measure aims to offset the costs of reception of or access to television (16)audiovisual media services in multi-households buildings affected by the release of the 700 MHz band.

¹² Spain explained to the Commission that single-family households are only equipped with broadband amplifiers, which can receive signals from both the 700 MHz band and the sub-700 MHz band.

¹³ Article 22 of General Law on Audiovisual communication 7/2010 of 31 March.

¹⁴ Figures available at:

2.2.2. Legal basis

(17) The Measure rests on the Draft Royal Decree Regulating the direct award of subsidies intended to offset the costs of receiving or accessing television audiovisual media services in buildings affected by the release of the 700 MHz band (the Second digital dividend).¹⁵

2.2.3. Origin of resources

(18) The Measure is financed by the State Secretary for Digital Advancement. The Secretary is part of the Ministry of Economy and Business, which is itself part of the Spanish central administration. The resources will be handed out to Red.es, the industrial and commercial public undertaking. The Draft Royal Decree states that the State Treasury will dispose of the remaining funds, when appropriate.

2.2.4. Decision-making procedure

(19) Red.es is responsible for the implementation of the aid scheme. Red.es will organise the call, then grant, pay and monitor the allocation of the aid, in compliance with national regulation.

2.2.5. Beneficiaries

(20) To be eligible, beneficiaries must be communities of multi-households buildings owners which are located in one of the 68 geographical areas affected by the release of the 700 MHz band.

2.2.6. Eligible costs

- (21) To be eligible, the costs must result from the loss of reception of or access to television services as a result of the release of the 700 MHz band. A community of owners may apply for aid in order to finance the following costs:
 - (a) Adaptation of the existing infrastructures for the access to or for the reception of television channels in the new frequency band ¹⁶; or
 - (b) Installation of equipment of any technology that allows for the access to or for the reception of television channels.
- (22) The nature of the operation required depends on the reception system in use by the beneficiaries and on the number of multiplexes that have to change frequencies. When the aid application is submitted by a community of owners of several buildings, the aid will cover the digital television systems installed in each of the multi-households buildings.

Proyecto de real decreto por el regula la concesión directa de subvenciones destinadas a compensar los costes derivados de la recepción o acceso a los servicios de comunicación audiovisual televisiva en las edificacions affectadas por la liberación de la banda 700 MHZ (segundo dividendo digital).

¹⁶ According to Spain, this corresponds to the reprogramming of the central common amplifier or the adjustment of single channel amplifiers to the multiplexes' new frequencies.

2.2.7. *Technological neutrality*

(23) The draft Royal Decree states that the Measure will not favour any specific technology as it will not be conditional on the application of a particular technological solution. Beneficiaries may choose any existing technology that allows reception of or access to television services.

2.2.8. Amount of aid

- (24) The maximum aid amount is calculated on the basis of market price of the most economic technological solution, the type of reception infrastructure to be adopted and the number of multiplexes that have to change frequency.
- (25) The aid will take the form of direct grants. Spain estimates the aid amount will vary from EUR 100 to maximum EUR 650 per multi-households building, depending on the need of additional equipment and the number of multiplexes that have to change frequency.

2.2.9. Aid intensity, cumulation, monitoring and overcompensation

- (26) The compensation will not exceed 100 % of the costs borne by the communities of owners of multi-households buildings for adapting or acquiring television reception equipment. If a beneficiary chooses a solution more expansive than the cheapest technical solution, the amount of the compensation will not be increased as a result.
- (27) Aid granted in accordance with the Measure cannot be cumulated with any other aid. Red.es will control that the aid is used for the eligible costs only and that it does not exceed the amount of eligible costs. The control will be carried out on the basis of the invoice and the report made by the installation company.
- (28) Failure to comply with the aid requirements will lead to the obligation to repay the subsidies increased by interests on arrears.

2.2.10. Budget

(29) The total budget of the Measure is EUR 150 million.

2.2.11. *Duration*

(30) The Measure will be implemented from the date of its approval by the Commission to 30 September 2020. Neither the expenses that would be eligible for compensation nor the aid applications may take place after 30 September 2020.

3. ASSESSMENT OF THE MEASURE

3.1. Existence of aid

(31) Article 107(1) TFEU defines the concept of State aid. According to this Article, the aid fulfilling the following criteria constitutes State aid that falls under the scrutiny of the Commission:

- (a) The aid is granted by a Member State or through State resources in any form whatsoever.
- (b) The aid confers a selective economic advantage to undertakings.
- (c) The aid distorts or threatens to distort competition.
- (d) The aid affects intra-Union trade.

3.1.1. State resources

(32) The Measure is financed by the budget of the State Secretary for Digital Advancement which is part of the Ministry of Economy and Business. Therefore, the Measure is financed by State resources. The public undertaking Red.es which will organise the whole process of awarding compensation must also submit to the State Secretary a report on the funding provided. The aid may only be awarded in compliance with the draft Royal Decree subject of this decision. Therefore, the Measure is imputable to the State.

3.1.2. Selective economic advantage

- (33) Article 107(1) TFEU only applies to public support granted to recipients carrying out an economic activity. The recipients must therefore be undertakings¹⁷ performing an economic activity¹⁸ and offering goods or services on a market in order for State aid rules to apply.
- (34) The Spanish authorities claim that the Measure does not constitute State aid as the direct beneficiaries, namely communities of multi-households buildings owners, are not engaged in any economic activity. Furthermore, they consider that the Measure does not constitute an indirect advantage to undertakings as it is technologically neutral. They consider it will not benefit to a greater extent to a certain group of undertakings. Consequently, they consider the Measure does not entail any selective advantage and hence, does not constitute State aid in the meaning of Article 107(1) TFEU.
- (35) The objective of the Measure is to ensure access to television services to households in a context where, due to a regulatory change, the continuity of television transmission is affected. The Commission acknowledges that the aid aims to support communities of multi-households buildings owners for the adaptation of the common television reception equipment. It will allow them to have access to television services via any technology platform available in Spain (terrestrial, cable, Internet or satellite). The purpose of communities of owners is to decide on matters pertaining to the building common to all owners. In this respect, communities of multi-households buildings owners cannot be considered as undertakings performing an economic activity falling within the scope of Article 107(1) TFEU, since they merely represent the owners and do not offer any services or goods to its members or to anyone else.

¹⁷ As defined by the European courts case-law. See in particular judgment of 12 September 2000, *Pavlov and Others*, joined Cases C-180/98 to C-184/98, ECLI:EU:C:2000:428, recital 74.

Judgment of 12 September 2000, Pavlov and Others, joined Cases C-180/98 to C-184/98, ECLI:EU:C:2000:428, recital 75.

- (36) In cases where the aid is directly granted to consumers, in this case communities of multi-household building owners, the case-law of the European courts confirms that advantages granted indirectly to undertakings may constitute State aid within the meaning of Article 107(1) of the Treaty.¹⁹
- (37) With regard to the other persons potentially impacted by the Measure, the Commission notes that a transfer of State resources by a State to a recipient can have indirect economic effects on other undertakings, such as undertakings operating at other levels of the value chain than the direct beneficiary. However, this transfer may not always amount to indirect State aid. In some circumstances, it may constitute mere secondary economic effects that do not constitute State aid. ²⁰ In any case, the existence of State aid within Article 107(1) TFEU does not depend on the objectives or causes of the public interventions, but on their effects. ²¹
- (38) This said, with regard to undertakings active in the broadcasting sector (see recital (15) above), it cannot be excluded that the Measure constitutes a selective advantage for the following reasons:
 - (a) Television service providers may indirectly benefit from the Measure as it would allow them to keep most of their audience and related revenues, while reducing their costs, would they have had to incentivise households to have access to television services on their own budget.²² This said, as the aid may be used for getting access to television services on any platform, the advantage may benefit all television service providers and not only those currently using the terrestrial technology.
 - (b) Platform operators may indirectly benefit from the Measure as it will ensure that affected households do not abandon access to television services and consequently ensure a certain level of activity. Similarly to the television service providers, this advantage may benefit any technological platform as the aid can be used for having access to television services via any technology, without making a distinction between the platform operators.
 - (c) Concerning hardware suppliers, the Commission is of the view that they do not indirectly benefit from the Measure as, first, the market of hardware suppliers and technicians is composed of hundreds of suppliers and technicians which could provide any kind of equipment.²³ Second, the

²¹ Judgment of 13 June 2002, Netherlands v Commission, C-382/99, ECLI:EU:C:2002:363, recital 61.

¹⁹ Judgment of 4 March 2009, *Italy v Commission*, T-424/05, ECLI:EU:C:2007:367, recital 108; judgment of 28 July 2011, *Mediaset v Commission*, C-403/10 P, recital 81.

²⁰ For instance, see recital 122 of Commission Decision of 1.10.2014 SA.27408.

²² For instance, without aid, television service providers may decide to carry out a long simulcast phase in order to give households sufficient time to operate the technical adjustments.

The Spanish authorities confirmed that more than 10 000 companies specialised in television services equipment are operating in Spain. Data is also available at: http://www.mincotur.gob.es/TELECOMUNICACIONES/REGISTROINSTALADORES/Paginas/ConsultaInstaladores.aspx

Measure does not seek, through its object or general structure, to create an advantage for those entities. As a matter of principle, any State aid has a downstream effect on suppliers to the State aid recipient. However, this does not necessarily create an advantage for the suppliers and technicians, *a fortiori* not when they are not targeted by the Measure

(39) However, the Commission considers that it is not necessary, for the purposes of this decision, to decide whether the notified measure confers a selective advantage to television service providers or platform operators within the meaning of Article 107(1) TFEU since, for the reasons indicated below, if it were to constitute State aid it would in any event be compatible with the internal market pursuant to Article 107(3)(c) TFEU.

3.1.3. Distortion of competition and impact on trade

- (40) State measures fall within the scope of Article 107(1) of the Treaty in so far as they distort or threaten to distort competition and affect trade between Member States. According to the case-law of Union courts, the concept of "effect on trade between Member States" is linked to the notion of distortion of competition and both are often inextricably linked. In this regard, the Court has stated that "In particular, where State financial aid strengthens the position of an undertaking as compared with other undertakings competing in intra-Community trade, the latter must be regarded as affected by that aid"²⁴.
- (41) The Measure may result in distortions of competition among undertakings active in the broadcasting sector (television service providers and platform operators) and would have the potential to distort competition in the internal market and to have an effect on intra-Union trade.
- (42) The Measure applies to the broadcasting sector which is subject to international competition. Television service providers and platform operators are competing on international markets, both for content and infrastructures. Furthermore, the Measure may distort competition between European operators which benefit from the Measure and those who do not.

3.1.4. Conclusion on the existence of aid

(43) As stated above, there is no State aid at the level of the multi-households buildings owners' communities. With regard to potential indirect beneficiaries, while the Commission concludes that there is no aid at the level of hardware suppliers, the Commission considers that it is not necessary, for the purposes of this decision, to decide whether the notified measure constitutes State aid within the meaning of Article 107(1) TFEU with regard to television service providers or platform operators since, for the reasons indicated below, if it were to constitute State aid it would in any event be compatible with the internal market pursuant to Article 107(3)(c) TFEU.

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Judgment of 4 April 2001, Regione Friuli Venezia Giulia v Commission, T-288/97, ECLI:EU:T:2001:115, recital 41.

3.2. Compatibility of the aid

- (44) As far as the Measure grants an economic advantage to indirect beneficiaries, it can be declared compatible with the internal market.
- (45) Article 107(3)(c) of the Treaty states that "aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest" may be considered to be compatible with the internal market.
- (46) In order for the aid to be compatible with the internal market under Article 107(3)(c), the Commission balances the positive and negative effects of the aid. In applying the balancing test, the Commission assesses the following questions:
 - 1) Is the aid measure aimed at a well-defined objective of common interest?
 - 2) Is the aid well designed to deliver the objective of common interest? In particular:
 - a) Is the aid measure an appropriate instrument?
 - b) Is the aid necessary? Does it have an incentive effect?
 - c) Is the aid measure proportional?
 - 3) Are the distortions of competition and effect on trade limited so that the overall balance is positive?

3.2.1. Objective of common interest

- (47) As underlined in recitals (5) and (6) above, the Commission recognises the importance of the 700 MHz frequency band for ensuring the provision of high quality broadband services. It further stresses the need for a coordinated release of that frequency band while ensuring the specific needs of broadcasting services distribution.
- (48) The EPaC Decision provides a binding coordinated approach for the efficient use of the 470-794 MHz frequency band. As described above, the objective of the EPaC Decision is to liberate the 700 MHz band from the terrestrial television services which will migrate to the sub-700 MHz band, in order to allow the use of the 700 MHz band by mobile services.
- (49) The EPaC Decision also states in recital 20 that Member States should ensure continuity for the television broadcasting services that vacate the 700 MHz band. More specifically, Article 4 of that decision states that "Member States shall ensure availability at least until 2030 of the 470-694 MHz frequency band for the terrestrial provision of broadcasting services...".
- (50) The Measure aims to contribute to the smooth release of spectrum frequency to the benefit of mobile services development. It also aims to ensure continuity of access to television services. Therefore, the Measure pursues the same objectives as the EPaC Decision. It is hence aimed at a well-defined objective of common interest.

3.2.2. Aid well designed to deliver the objective of common interest

3.2.2.1. Appropriateness

- (51) By granting financial support to end-users, the Measure is appropriate to deliver the objective of common interest for the following reasons:
 - (a) The Commission has recognised that measures dedicated to end-users will prevent the interruption of television services, the creation of a gap in access to information caused by failure to adapt the reception equipment. It will also ensure the access to the public service of television and reduce the costs borne by some of the households for the release of the 700 MHz band.²⁵
 - (b) As recalled in recital (6) above, the EPaC Decision foresees compensation for the direct costs and in particular for end-users.
 - (c) The Measure is limited to communities of multi-households buildings owners whose reception equipment is affected by the 700 MHz migration process.

3.2.2.2. Necessity and incentive effect

- (52) The Measure is necessary to deliver the objective of common interest. The Measure aims at two things: first, it facilitates a smooth and coordinated release of the 700 MHz band by the terrestrial television services; second, it ensures the continuity of television services for the benefit of the viewers.
- (53) The Measure will incentivise communities of multi-households buildings owners for carrying the required adaptation of the reception systems. The Commission acknowledges that in the absence of compensation, it is likely that some users would not have finished adapting their equipment by the deadlines.
- (54) Furthermore, the Measure will incentivise the terrestrial operators to adapt the transmission equipment and to liberate the 700 MHz band more quickly than without the Measure. Thanks to the Measure, the release of the 700 MHz band will occur within the timeframe set by the EPaC Decision (June 2020).

3.2.2.3. Proportionality

- (55) The Measure is proportionate to deliver the objective of common interest for the following reasons:
 - (a) The level of compensation is based on the cheapest technological solution.
 - (b) The aid is limited to the costs actually incurred.
 - (c) The aid is limited to communities of multi-households buildings owners affected by the release.

²⁵ Commission Decision SA.32619, supra, recital 102 and Commission Decision SA.42680, supra, recital 49

(d) The aid will end in September 2020, inciting communities of multihouseholds buildings owners to undertake the expenses in a short period of time.

3.2.3. Limited negative impacts

- The potential negative impacts of the Measure will be limited. As recalled in (56)previous Commission decisions²⁶, technological neutrality is a cornerstone of the State aid compatibility. Taking into account this principle, compensation must include all technologies capable of providing the same service. The direct beneficiaries will be able to choose any existing technology giving access to television services. First, the draft Royal Decree contains such a provision. Second, compensation is not only provided for the adaptation of the equipment, which incentives communities of multi-households buildings owners to stay with the terrestrial offer, but also for the installation of new equipment, enabling beneficiaries to switch television transmission technologies. Third, channels that are available on the terrestrial platform are also available on other platforms.²⁷ even if not all of these platforms offer today the full range of the terrestrial channels. Even though those alternative platforms are subject to subscription, viewers may opt for a fee-based offer in order to benefit from premium content that is not available on terrestrial channels. In any event, as the compensation threshold is calculated on the basis of the cheapest technological solution, the same level of compensation will apply, irrespective of the chosen technology.
- (57) Furthermore, the Measure does not aim to improve the situation of one of the existing technologies.
- (58) The Measure has a positive overall balance. Indeed, on the one hand, the Measure has positive impacts on the multi-households buildings dwellers and on the implementation of the release of the 700 MHz band. On the other hand, the Measure has limited negative impacts on the competition and trade between Member States.

4. CONCLUSION

The Commission has accordingly decided that the aid is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union. Therefore, it does not raise objections.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

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²⁶ See for instance Commission Decision SA.32619, *supra*, recitals 107-109.

²⁷ See for instance television offer of the cable operator Telecable https://web.telecable.es/television/que-ver/canales?accid=cine-series [Accessed in March 2019]

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully For the Commission

Margrethe VESTAGER Member of the Commission