Delivering the National Broadband Plan

May 2019
National Broadband Plan

- Very dispersed nature of homes and businesses across every townland
- Building around and beyond the Light Blue eir FTTH is a significant challenge
- Circa 540k premises plus new homes built over 25 years
- Over 1.1m citizens or 23% of population and growing
- 56,000 farms and 44,000 businesses
- Circa 670 primary schools
Final Tender Proposal received Sept 18

• A new standalone open access wholesale company to be called National Broadband Ireland (NBI) will be established.

• NBI will comply with the Minister’s 25 year contract, with an additional 10 year commitment to offer services at no cost to the State (ie, 35 year commitment).

• NBI will responsible for the design, build and management of the network and the operations of the open access wholesale company for 25 years.

• 133,000 homes passed in first two years, 70-100,000 per year thereafter.

• It will sell many wholesale services to other wholesale and retail service providers serving the residential and business broadband market.

• NBI will not have it’s own retail presence competing with other retailers.
NBI Structure

Bidder Team have:
built 16 greenfield telecom
operating companies and
rolled out 24 national
telecommunications networks

Will have circa 265 staff,
experienced Mgt team
already in place

Circa 1,500 contractors engaged by
subcontractors

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Technology and services

- Primarily a **Fibre-to-the-Home** (FTTH) network.
- Fibre is **high upfront Cap ex and low op ex model** whereas wireless is the opposite, low upfront cap ex and high op ex and upgrade costs in future.
- A fibre build maximises the **re-use of existing pole and duct network across the State** – mainly eir poles and ducts.
- Bidder may elect to provide an **alternative technology** solution e.g. fixed wireless solution where more cost effective and meets local requirements for small percentage.
- **Future proofed** for decades to come.
- Business (or residential) customers will be able to purchase symmetrical products e.g. **1Gbps and 5Gbps available**.
The final bid price received

- Overall subsidy that may be required capped at €2.97bn inclusive of VAT and contingencies

- Majority is payable over first 10 years but payments continue up to year 25

- Contingency included in overall subsidy sought - €545m – can only be drawn down for specific activities that must be verified before paid

- VAT on all the above circa €355m

- Subsidy by county driven by length of network and number of premises

- Subsidy only paid once contracted milestones achieved
Positive benefits to Rural Ireland

Benefits based on existing usage and known trends (over 25 years)

- €12,000 per home
- €7,100 per farm
- €15,200 per business

Benefit to Cost Ratio (BCR) is 1.3:1 under the central scenario and excluding below benefits.

Benefits not included:

- Expansion of remote working
- Remote health monitoring & diagnosis
- Cloud based services and connected devices
- Digital learning
- Smart farming
- Realising the benefits of e-government generally over next 30 plus years
- See next slide
Other Benefits not included in calculations

Qualitative Benefits

- HEALTH
- BIG DATA
- ENVIRONMENT
- EDUCATION
- TOURISM
- CLOUD COMPUTING
- ENTERPRISE & JOBS
- TRANSPORT
- AGRICULTURE
- ENTERTAINMENT

Home Check-Up
Digital Resources
Tourist Sites
Internet of Things
Job Creation
Autonomous Driving
Analytics
Reduced Emissions from Teleworking
Social Inclusion & Rural Development
Multi Person Video Calls
E-Delivery of Public Services
Ultra High Definition TV
Smart Farming Methods

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Broadband Connection Points (BCPs)

- Nearly 300 BCPs will be connected across all counties by end of year 1
- BCPs are intended to enable local authorities to provide access to high speed broadband services in advance of the full fibre network being built, for example:
  - 51 Schools,
  - 14 Tourism Locations,
  - 3 Business Parks,
  - 22 Local Businesses
  - 138 community centres

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Ownership

- Fibre asset is built mainly on existing networks
- Maximises interconnectivity
- Saves costs and lowers risk to the State
- Incentivises continuous renewal and vibrant market use
- Creates self-sustaining network and wholesale company
- The eir pole and duct network fully regulated including price by ComReg
- State owns the MANs network which forms a critical element of the technical design
- The NBP company required to comply with strict contractual obligations for 25 years.
Wholesale/Retail Prices

• End user prices will be similar to urban prices

• Retail operators will offer bundled products (broadband, phone, TV and mobile) which will allow end-users to realise savings enjoyed by end users in urban areas

• End-users will be able to avail of increased retail competition and be able to switch retail providers and take advantage of switching/introductory offers

• Wholesale connection charges set at a level of €100 per premise

• Wholesale monthly rental prices benchmarked to eir regulated wholesale prices
Main Protections to State

• Monthly/quarterly and annual accounting and tracking of forecasts versus actuals
• Strict pre-agreed milestones to be met, subsidy not paid until confirmed as delivered
• Strict year on year performance regime with penalties
• Claw-back of excess profits and/or terminal value at the end of the contract including for savings in deployment costs, connection costs, operating costs and improved revenues
• The contract includes a commitment from the commercial operator to serve end users up to year 35 at no additional cost to the State
• State step-in rights (in the event of material non-compliance)
• Claw-back and savings to State during contract occur if take up is higher and costs are lower
• State will recoup the:
  • *majority of savings from subcontractor/material costs budgeted for post bidder tender processes*
  • *Majority of any excess profits should they arise over long term*
Post Contract Governance

• Specialist team in DCCAE to oversee compliance with Contract
  • programme management of the build activities
  • ensure meeting milestones to pass premises, otherwise no payments made
  • ensure quality of work through independent certification of works before payment
  • Ensure delivery of the broadband service to retail operators/end users

• Ensure close collaboration with infrastructure owners when deploying on their infrastructure and ensure most cost effective third party network used

• ComReg review and oversight of the eir products and prices leased by NBI
Alternative options considered

Main options considered;

- Direct subsidy to a State company
- A lower level ambition to say 95% of premises
- Alternative technologies

Alternative options considered would;

- result in higher long-term cost for the goal of universal access
- cause State Aid and Legal risk
- not deliver future end user needs efficiently
- require a fresh consultation on a revised Map and Strategy
- require a new procurement and State Aid approval process
- result in significant delays
Thankyou

May 2019