

# STUDY

April 2005

## PUBLIC INTERVENTION in BROADBAND MARKETS

IRLANDE

Group Broadband Scheme

---

*Study conducted by the research firm Cabinet Analysys  
on behalf of l'Autorité de régulation des télécommunications  
and Caisse des Dépôts et Consignations*



## NOTICE

*Autorité de régulation des télécommunications* (ART) and *Caisse des Dépôts et Consignations* (CDC) have called on the firm Cabinet Analysys to conduct a study on the Group Broadband Scheme (GBS).

The study will be made public in a concern for transparency and information.

The study's conclusions are the sole responsibility of the firm and do reflect in any way the opinions of ART or of CDC.

## **Group Broadband Scheme (GBS)**

The GBS provides grants to community-lead broadband access networks in towns of fewer than 1500 inhabitants. The scheme mirrors the Group Water Scheme which encourages communities to get together as a group to get assistance from the government.

The programme was announced in May 2004 and it is under review at the moment as applications for funding in phase one of the programme has been completed. In phase one, seven projects have been approved and a further 50 are under consideration by the DCMNR.

### ***Background information***

#### ***► Strategic rationale***

The GBS aims to address a clear failure in the market as eircom has announced it will only broadband-enable local exchanges in towns with more than 1500 inhabitants.

#### ***► Strategic objectives***

This programme is focusing on addressing the local access market in rural communities with fewer than 1500 inhabitants in which eircom believes it is not commercially viable to deploy broadband without help from the government. The project aims to address an imbalance between rural and urban populations.

#### ***► Project framework***

Local communities are expected to take the leading role in the GBS in partnership with an ISP. These organisations jointly apply for funding from the DCMNR to build and operate the broadband network.

The programme operates on a first-come, first-served basis. Funding for a particular community will be provided to the first applicant if it meets all the requirements.

### ***Description of selected solution***

#### **► *Private sector role***

Because ISPs must apply for funding jointly with communities, ISPs are actively looking for interested communities and if they feel there is a business case they will approach the communities directly. However, it is up to the communities themselves to shop around to see which ISP is the one that can provide the best and most cost effective service to them (there is a list of all ISPs in Ireland in ComReg's website). The communities themselves do not contribute any of the funds but facilitate the organisation of the bid. However, some ISPs seek a financial contribution from the community. It is then for the ISP to make the submission for funding.

Local communities cannot deal themselves with telecom matters.

#### **► *Business model***

The maximum grant available under the programme is EUR50 000. Half of the grant amount is provided to the ISP when services start, and the other half is given when a certain target, which has been previously agreed, is met. Because of the small scale of each project, only a top level business plan is required from all applications showing a full P&L statement of the company, projections of cash-flows and that in 2-2.5 years the project will be break-even.

The GBS provides ISPs with a grant of up to 55% of the capital cost required (depending on the region in question and the thresholds set by the EC for state funding).

Ildana Teoranta, an ISP that has been awarded one of the projects, estimates that the capital investment required for its solution is approximately EUR35 000.

## Role of government agencies

The DCMNR manages the programme. It evaluates all applications for funding and provides the grants.

### ► *Financial requirements*

The total budget for this project is EUR25 million and it is provided under the National Development Plan 2000–2006.

### ► *Economic and technical specifications*

Retail prices are set by the ISP, but they have to be competitive. ISPs are not required to provide wholesale services under the framework of this project. However, they do have to comply with all other relevant national regulations.

Ildana's price for a residential broadband connection is EUR25/month (EUR30 for unlimited access). Installation is charged at EUR200.

### ► *Project design*

Wireless has been the most popular technology so far, but eircom has also made some applications for funding to enable exchanges for DSL. Satellite has also filled the gap in remote areas of the country.

The design of a network provided by Ildana is the following:

Ildana claims that because Ireland is at the western edge of Europe, satellite coverage is not as good as in central Europe and it had to develop its own satellite package. It operates two hubs outside of Ireland. These two locations are lower in cost than Ireland even after paying for backhaul from these locations to Ireland.

Capital cost for the hubs was EUR1 million each.

Because of the issue of satellite coverage and contention problems, Ildana has bought a space segment of 40Mbit/s (an entire satellite transponder), so that it can dynamically adjust contention ratios.

With this architecture Ildana could theoretically provide up to 32Mbit/s downstream and up to 8Mbit/s upstream. However, by virtue of the choice of technology used for distribution in the local loop, the total bandwidth available to the community is closer to 6Mbit/s.

Services are distributed from the satellite backhaul using wireless technology.

► *Regulatory and legal issues*

Because the project provides grants using European funds it has to comply with all regulations regarding acceptable levels of state aid to the private sector. When evaluating the applications, the DCMNR has to make sure that there is no overlap with other EC or government funds in the region in question.

In this project, there is no need to comply with an open tender procedure for each community as the amount of grants is small and does not reach the threshold of EUR200 000 that would require them to do so.

***Impacts and feedback on implementation***

As the programme is being implemented on a rolling, phased basis and phase one has already closed, the DCMNR is analysing the results of the first phase to see if there are any improvements that can be made to the programme. A total of 52 applications for funding were submitted in phase one. However, 27 of them happened in the last month of the phase so for most of the life of the project, the team at the DCMNR was concerned that the project was not attracting enough interest. A range of difficulties were identified and solutions are expected to be addressed for phase two.

- community groups are finding it difficult to get enough residential demand
- the organisation of voluntary groups to coordinate with the ISPs is time consuming
- the scheme is a complex one for the amount of money involved for each individual grant.

At October 2004, a total of 52 applications had been made. Seven grants had been approved and a few more had been refused. The main reasons for refusing grants included:

- a MAN was planned for a certain community under the extension of the MAN project
- local communities failed to provide a joint application with an ISP.

Companies like eircom, Ildana and Last Mile Wireless have been awarded grants.