



Review of the Group Broadband Scheme

Submission from the Border, Midland and Western Regional Assembly

October 2004

Review of the Group Broadband Scheme

1. Introduction

The Border, Midland and Western Regional Assembly welcomes this opportunity to submit our views in relation to the Group Broadband Scheme that was launched in March of this year by the Department of Communications, Marine and Natural Resources.

The Regional Assembly wishes to make this submission in the context of the following:

- The Regional Assembly is the designated Managing Authority for the Border, Midland and Western Regional Operational Programme under the current NDP 2000-2006. The E-Commerce and Communications Measure is an ERDF co-funded measure under this programme, and it is the responsibility of the Assembly, as Managing Authority to ensure the correctness of the implementation of the measure.
- The Regional Assembly provides the secretariat for the Monitoring Committee for the Regional Operational Programme and presents twice yearly progress reports (prepared by the Communications Development Division) to the Monitoring Committee for consideration.
- The Regional Assembly is also concerned with the provision of an integrated infrastructure in the region, including telecommunications, and given the dispersed settlement pattern within the region, is particularly concerned with the provision of telecommunications infrastructure to smaller towns and rural locations.
- Under the auspices of the ERDF Innovative Actions Programme, the Regional Assembly developed and is currently implementing a pilot action on wireless broadband in the BMW Region. The Group Broadband Scheme uses an approach that is very similar to that applied in the pilot action. Many of the issues raised in this submission draw on our experience in implementing this pilot project

2. Meeting the objectives of the Group Broadband Scheme

The objective of the Group Broadband Scheme is to “...*promote the roll-out of broadband access through the establishment of sustainable broadband services in small towns, villages and rural hinterlands through community-led initiatives.*”

Overall, the BMW Regional Assembly welcomes the introduction of the Group Broadband Scheme by the Department of Communications and we believe that, subject to some enhancements (detailed in this submission), it does provide the basis for the roll-out of broadband services to a large number of rural towns and their hinterlands that otherwise would not be likely to have such services provided through

the market (market failure). Furthermore, we consider that the Group Broadband Scheme can help to bring Ireland closer to 'universal broadband availability' and a date should be set as to when this might be achieved.

3. BMW Pilot Wireless Internet Service – Lessons Learned

The BMW Wireless Internet service first enabled delivery of rural broadband services to nine small rural communities throughout the BMW region in 2003. The Service which is being part funded by an EU Regional Innovative Actions programme and the exchequer supported CLAR programme, is providing 80% supports for the capital set up of wireless broadband solutions in Ballinlough, Ballyleague & Strokestown, Co. Roscommon, Virginia in Co. Cavan, Ballyhaunis and Killala in Co Mayo, Dungloe in Co. Donegal, Enniscrone in Co. Sligo and Lanesboro in Co. Longford.

Since Community/telco consortia were approved for assistance in July 2003, many lessons have been learned twelve months into the rollout of this pilot exercise. In some instances customer demand has been very encouraging with take up exceeding expectations. In other situations the rollout of the service has been quite slow and problematic.

The main lessons learned are as follows:

1. The Consortium approach does come with its problems such as the agreement of shareholding, company formation and time pressures on local communities & providers to attend & facilitate meetings locally.
2. Projects have been 'technically challenged' to overcome line of sight problems & local topology challenges.
3. Backbone connectivity has been a huge challenge and as in the case of the Ballinlough/Ballyhaunis and Virginia projects – building your own infrastructure through Wireless hops on to the relevant ISP data centre has been the most efficient and cost effective way to progress.
4. Where a backbone infrastructure needs to be put in place the maximum subsidy support is critical to pump prime the project at the outset. As many of the successful consortia have publicly said – the project would not have happened without the generous 80% support from the BMW Regional Assembly.
5. Inviting one town/community applications in hindsight restricted the growth potential of projects to surrounding areas however the GBS may be a solution to aggregating outlying communities.
6. The Regulatory environment & delays in receiving licenses has in some cases restricted the scope of projects. i.e. the 3.5ghz Licensing spectrum gives projects the advantage of added power capacity and increased line of sight potential than the unlicensed spectrum (2.4 & 5.6 ghz). In Dungloe for example, Eircom's FWA 3.5 license allows

transmission of a wireless signal from the telephone exchange in the town to the offshore island of Aranmore (10.5km away)

4. Structure of the Group Broadband Scheme

4.1 Aggregation of Projects

One of the outcomes of the scheme will be the creation of a large number of new entities offering broadband services to relatively small catchment areas. It is not in the long-term interests of technology providers to be engaged in a large number of small new entities due to the time consuming nature of this activity. From a commercial sustainability point of view, it may be more cost-effective to facilitate the clustering of areas (each with less than 1500 population on their own) in order to create regional networks of services. Such an approach would also be more likely to facilitate the entry of competitors into some markets in the long run. The current limits of 1500 population and €50,000 per project do not appear to facilitate this and could be counterproductive. The Regional Assembly considers this to be of primary concern going forward.

4.2 Grant Rate for Backhaul Costs

The current scheme offers grant aid at a maximum rate of 55%. The largest single cost item for areas without a close link to the backbone network is the cost of establishing backhaul. Consequently, for projects in such areas, the cost of providing backhaul has to be spread over a relatively small number of customers and the viability of providing the service may be in question. There may be scope within the EU state aid rules to offer grant rates higher than 55% for backhaul infrastructure. This should be explored by the Department of Communications. A higher rate of aid for backhaul costs would help to 'level the playing field' for all promoters and enable the scheme to be attractive in areas that are remote from the backbone network.

4.3 Eligibility of Initial Marketing and Administration Costs

The current scheme does not include provision for initial marketing, promotion and administration costs. All of these are essential items of expenditure incurred in establishing a viable service. A contribution towards these costs would enhance participation in the scheme and lead to better formulated applications. The basis for the Group Broadband Scheme is that locally-led initiatives have the potential to garner higher levels of participation than 'top-down' approaches.

4.4 Formation of Joint Ventures

The Group Broadband Scheme envisages that a local community organisation will establish a partnership arrangement with a broadband internet service provider. Our experience in the pilot wireless broadband scheme demonstrated that putting in place these arrangements can be very difficult and can lead to disputes and delays regarding ownership, shareholding and control. To minimise these problems, the Department of Communications should provide guidelines or model/sample agreements to applicants which would set out the different ownership, control, service agreement options available. This would also minimise the legal costs incurred by promoters in drafting their own agreements (re-inventing the wheel).

4.5 *Phased Payments of Grant Aid*

The current scheme makes provision for the payment of 50% of the approved grant aid at the 'commercial launch' of the service. By this stage, approved projects may have incurred 80-90% of their set-up costs. This potentially imposes a very heavy cashflow burden on new entities that may not have established a credit record with their financial institutions. It would be more appropriate to pay out 50% of grant aid when 50% of the set-up costs have been incurred, even if this is prior to the commercial launch of the broadband service.

5. **Application Process**

The Application process appears quite complex and places onerous requirements on community-based applicants. Based on our experience, consideration should be given to making technical assistance available to all applicants in order to:

- identify their broadband needs and the options available to them,
- advise on appropriate technology
- selection of suitable telecommunications providers and advice on suitable terms of agreement (brokerage)
- clarify application process and compliance requirements
- advise on legal structures and shareholding issues

There are a number of ways in which this could be done

1. The Department of Communications could provide a relatively small amount of money (€5,000) to applicant communities which would have to be used in sourcing some technical advice and facilitation and direct work with, and on behalf of the community groups
2. A panel of suitable advisers and consultants throughout Ireland (need not necessarily be of national standing) could be established by the Department of Communications, which groups could refer to if required
3. The Department of Communications could launch a call for tenders from interested parties for the provision of technical advice to applicants. The expertise required of tenderers should extend beyond technology to groupwork processes, local development facilitation and project planning and management skills. There are already precedents for this in the Regional Operational Programme e.g., the recruitment of Consultant Advisers for applicants under the Tourism Measure, by Failte Ireland.
4. The Department of Communications could enter into an arrangement with community enterprise and project workers already working on behalf of LEADER Groups, County Enterprise Boards, County Development Boards, Area-based Partnerships, Udaras na Gaeltachta, Shannon Development etc. to provide technical support to applicants. This would require a detailed series of briefings for such workers and an arrangement for the recoupment of costs incurred in the provision of technical assistance.

Either of the above arrangements could be put in place reasonably quickly without delaying the announcement of the second call for projects.

6. Evaluation Process

Our experience gained in the BMW Pilot Wireless Internet Project indicates that there would be a lot of merit in operating a two stage application process whereby the first application would be in draft format and following a review by the Department of Communications a list of items that require to be addressed in greater detail, or suggestions for improvement of the proposal would be made, and a final proposal would then be submitted

7. Overall Comments and Suggestions

Recommendations	Rationale
Provide Technical Assistance to applicants	This would greatly increase the number of applications, improve the quality of applications and speed up the process of proposal preparation as the majority of applicants would have limited prior experience in this area
Introduce a two stage Application Process	This would greatly improve the quality of applications received and provide a formal opportunity to the Department to indicate improvements that could be made to proposals before a formal decision to grant aid projects
Support should be provided for larger aggregate areas	This would avoid the creation of a large number of small commercially unviable broadband service entities
Introduce higher differential rates of aid for backhaul infrastructure costs	This would overcome the largest cost barrier for remote communities and enable more viable services to be offered
Include some promotional and administration costs at set up as eligible	These costs are essential for the successful promotion and launch of broadband services
Bring forward the payment of interim grants to facilitate the cashflow of projects	Projects may experience cashflow difficulties if a large proportion of their costs are incurred prior to the commercial launch of the broadband service
The Department of Communications should provide guidance and model agreements to promoters in order to facilitate the 'partnering' process with broadband internet service providers	This would minimise problems and delays regarding ownership, shareholding, service agreements and control.
The Department of Communications should convene a forum with the 6 project promoters approved under the BMW Pilot Wireless Broadband Scheme	This would enable an understanding of the issues, challenges and practical difficulties of promoters to be discussed and shared with policy makers and would

	form a useful part of the review process
A date should be set by which time 'universal broadband availability' is to be achieved ¹	This would ensure that a focus is maintained on delivering broadband connectivity to all areas, including remote and peripheral areas.

8. Conclusion

The Group Broadband Scheme uses a community-led model rather than a technology provision model to promote the roll-out of broadband access in small towns, villages and rural hinterland. Accordingly, we consider that many of our comments and suggestions, if taken on board, would be more appropriate in order for the community-led approach to be successful.

The BMW Regional Assembly would welcome the opportunity to discuss the above issues and recommendations with the Department of Communications.

¹ Universal broadband availability does not imply 100% of households connected to broadband