

Briefing for Public Accounts Committee

Note on Information and Communication Technology programmes

The major projects supported under the Information and Communication Technology programmes subhead in 2017 were:

- **Metropolitan Area Networks**

The Metropolitan Area Networks (MAN) are a publicly owned network of ducting and fibre optic cable laid in a ring formation in a metropolitan area.

- **Galway Mayo Telecoms Duct**

In 2005 the Department funded the installation of a telecommunications duct between Ballymoneen in County Galway and Bellanaboy County Mayo alongside the new gas pipeline. Duct into Castlebar and Westport was subsequently installed. A public procurement for a Management Service Entity will commence shortly.

- **National Broadband Plan**

The Government's National Broadband Plan aims to provide high speed broadband to every premises in Ireland, through a combination of commercial and State led investment.

- **Eircodes**

The Department oversees the Eircode Service Provider to ensure a fully operational postcode system realising the benefits to the public, public sector bodies and private sector (including online services) from locating all addresses in the State and use of geospatial analysis.

Metropolitan Area Networks (MANs) Programme

The State, with the support of the European Union, invested over the period 2002-2009, in the provision of 88 wholesale, open access fibre networks in 94 regional towns and cities. These Metropolitan Area Networks (MANs) consist of carrier-neutral duct and fibre rings linking the main commercial and public buildings to "co-location centres" where service providers locate their telecommunications equipment and access the network. These state-of-the-art facilities are available to service providers to enable them offer high-speed broadband to their retail customers without having to build their own networks. 28 MANs were completed under Phase I of this Programme and 60 (covering 66 towns) under Phase II.

In 2004, following a public procurement process, the Concession Agreement for the Management Services Entity (MSE) was awarded to enet for an initial 15 year term to manage, maintain, and operate the 28 Metropolitan Area Networks i.e. Phase I MANs. The MSE (e-net) received no payment in respect of the Phase I MANs.

In 2009, following a second public procurement process, enet was appointed MSE for the 60 Phase II MANs for an initial 15 year term. In recognition of the extent of the market failure and challenges posed in terms of commercialising the MANs located in Phase II towns which have lower population densities, enet receives €1.2 million per annum in management fees. Payments are also made to contribute to the cost of care and maintenance of the Phase II MANs on behalf of the State, and this figure varies annually.

Both MSE procurements were published in the Official Journal of the European Union. Both Concession Agreements provided for an extension of a maximum of 10 years.

Galway Mayo Telecoms Duct

The objective of this programme is to provide a fibre backhaul network capable of delivering high speed and ultrafast broadband access on an open access carrier neutral basis to parts of the west of Ireland, an area that is poorly served in terms of availability of fibre or duct infrastructure.

In 2005 the Department funded the installation of 132 km of telecommunications duct between Ballymoneen in County Galway and Bellanaboy County Mayo alongside a gas pipeline. In May 2007 further construction of 24 km of duct was approved from the main trunk to Castlebar and Westport. The infrastructure is owned by the Minister.

The network will be available to telecoms operators to provide a range of telecommunications services to the market. The operators will be responsible to connect their own access infrastructure to this infrastructure.

The Department is currently in the process of preparing a procurement of a Management Services Entity (MSE) to manage, operate and market the infrastructure. Pending the appointment of the MSE, the Department has entered into an interim agreement with Gas Networks Ireland to provide limited dark fibre services to customers between Bellanaboy and Ballymoneen.

National Broadband Plan

A detailed note is provided below.

Eircodes

In October 2013, the Government approved the award of a contract to Capita Business Services to develop, rollout and operate the National Postcode System under licence for an initial ten-year period. Eircodes were launched in July, 2015.

One of the main drivers for the introduction of the unique postcode was to deal with the challenges faced with non-unique addresses in Ireland including difficulties encountered by the emergency services in locating addresses. The choice of a unique postcode over an area based code was in recognition of the fact that greater than 35% of all address points in Ireland are non-unique addresses which is significantly higher than any other OECD country.

The cost to the Exchequer of the roll out of the National Postcode System, Eircode, over the 10-year cycle of the contract is expected to be €38m (inc VAT). The total spend to date is €26.1m. Details of the take-up of eircodes are attached at Appendix 2.

Reasons given for why companies exited the NBP tendering process

SIRO, the ESB-Vodafone joint venture, formally communicated to the Department its withdrawal from the competitive procurement process on 25 September 2017. SIRO stated that “The company shares the Government’s ambition to reverse the digital divide by increasing the penetration of high speed

gigabit broadband to over half a million (500,000) homes and business across Ireland. Following a comprehensive review, SIRO cannot develop a competitive business case to justify continued participation in the National Broadband Plan bid process and therefore has decided to withdraw.”

eir formally communicated to the Department its withdrawal from the competitive procurement process on 30 January 2018. The letter of withdrawal stated “our decision to exit the NBP process is driven by a range of commercial, regulatory and governance issues” and “based upon the significant commercial issues and complexity within the tender process, together with growing uncertainty on a range of regulatory and pricing issues that reside outside of the NBP process, the company's board has decided that the risks are too great for its continued participation in the NBP. Therefore, eir has reluctantly taken the difficult decision to withdraw from the tender process.”

In the Minister’s letter in response to the eir withdrawal the Minister made reference to a meeting on 23 January where officials had clearly set out that there was “ample opportunity to continue to engage on outstanding red line issues and it was premature for eir to take a decision to exit the process”. The Minister acknowledged that eir’s withdrawal was a commercial decision for itself and further noted eir had made a commitment to support the NBP and any successful bidder.

Briefing historical note on Broadband plans, MANs, and Enet

The issue of Ireland’s broadband infrastructure has been examined as far back as the late 1990s and has been the subject of a number of Reports since then¹. These reports concluded that there was a deficit of broadband infrastructure in the regions outside of Dublin which impacted enterprise development, including FDI, in the regions. The reports noted that Government intervention in the market would be necessary to aid regional development and to avoid the creation of a digital divide. The MANs programme was developed to address the problems identified.

The decision to build the first phase of the Metropolitan Area Networks (MANs) programme was taken by the Government in March 2002. The key objective of the programme was the widespread availability of open-access, affordable broadband infrastructure in the MANs I areas. Construction commenced in 2003, with the last of the Phase I 28 MANs completed in 2005. The Government approved MANs II in November 2003 to address broadband infrastructural and service deficits in the MANs II areas (60 MANs covering 66 towns were built under MANs II).

Details of the location of the MANs under Phases I and II and the number of operators using each MAN is in Appendix 1.

The MANs cost approximately €178m of which €81.1 million was funded under the European Regional Development Fund.

¹ 1998 Broadband Telecommunications Investment in Ireland
1998 Competitiveness Council – A key factor in Electronic Commerce and Competitiveness
2001 Telecommunications Working Group
2001 IBEC Investment in Telecoms in Ireland – an ongoing perspective
2002 Forfas –Updated Broadband Report

Rationale for Extending maintenance of MANs contract with Enet

Enet was awarded the first Concession Agreement for an initial 15 year term in July 2004. In July 2009, following a further procurement process, Enet was awarded an initial 15 year contract to manage the 60 Phase II MANs. Both Concession Agreements provided for an extension of a maximum of 10 years. In order to provide certainty to the telecoms market, and to ensure the continued availability of the MANs infrastructure, the term of both MSE Contracts were extended to 2030 in March 2017 as provided for under the terms of the Concession Agreements.

The Department's decision to extend the existing agreements or to retender for a new concessionaire at the end of the term of the Concession Agreements was informed by the findings of a detailed review of the MANs Programme which was completed by the department in 2016. The Review established that the MANs Programme has proved itself to be an effective and appropriate way of delivering telecommunications infrastructure to the regions. The technology solution chosen (fibre) was appropriate, and it has made a significant contribution to inducing competition and greater availability of services within the sector. It concluded that the MANs were still relevant and their removal from the regional market would be detrimental to both service providers and customers, and by extension the State. The Review also concluded that the MSE model is the most appropriate vehicle to enable access to the MANs and should be continued in the medium to longer term.

In summary, the Review recommended that:

- A. the State retains the MANs infrastructure
- B. the Concessionaire/MSE governance model should be retained into the medium term, and consideration should be given to making the two MANs Concession Agreements co-terminus, at a minimum. This will link the stronger performing MANs Phase I with the growing potential of MANs Phase II into a single MANs Programme.

In light of the foregoing recommendations, the Department carried out a detailed analysis of the issues relating to the two options of:

- i. extension of the Term (and the relevant duration of same); or
- ii. return to the market for the purposes of securing a new Concession Agreement.

As part of this analysis, the Department assessed the merits of the extend and retender option and their potential implications, benefits and risks in terms of 6 key considerations - policy, market relevance, legal, State Aid and financial, along with administrative issues, with a view to recommending the direction to be pursued.

Norcontel Consultants were engaged in April 2016 and provided advice and modelling on the financial and commercial aspects of both options. The conclusion of Norcontel's financial analysis of the options, using three scenarios to check the sensitivity of the outcome, was that extending the current Concession Agreements to 2030 presented the more beneficial option for the State.

Having regard to the analysis conducted by the Department and informed by the financial and market analysis conducted by Norcontel, the preferred option and recommendation was as to extend the current Concession Agreements to the maximum permissible to provide that they expire on the same date, viz. a 10 year extension to the MSE I Agreement and 6 year extension to the MSE II Agreement.

Extending the Concession Agreements was deemed to offer more assurances and certainty to the market, as to the future availability and viability of the infrastructure during a dynamic time in the wider telecommunications market. It also offered greater guarantees on continued levels of infrastructure investment, in turn ensuring that the MANs remain relevant in the regional telecoms market, and attractive for retender (and/or sale) at a future date.

The indicative financial projections demonstrated that, under a modest growth scenario, the State stood to benefit by an increased total Concession Fee (investment in MANs increased footprint and revenue share) of some 23%, with an overall net benefit of some 38% by extending the Concession Agreements rather than retendering. Significant additional financial benefits were expected to accrue to the State as a result of successfully agreeing modified commercial terms under an extension scenario.

As both Agreements contain explicit provisions to extend the term of the Agreements by up to 10 years, no procurement was necessary.

The current Agreements cannot be extended beyond March 2030 and a decision will be taken in advance of this date on the State's future role in the MANs.

Note on approach by BT in relation to their interest in MANs contract and contact with BT in relation to this

In June 2017 BT advised the Department that it wished to express an interest in participating in a procurement process for the Management Services Entity for the MAN's. BT referenced the reply to parliamentary questions in May 2017 where the Minister advised that the current Concession Agreements had been extended co-terminate in 2030, in line with the relevant contractual provisions. The Department replied to BT Ireland advising them of the position.

Rationale for State's purchase of €200m stake in Enet

The Irish Infrastructure Fund, a domestic pension fund manager established by Irish Life Investment Managers, purchased a 78% shareholding in enet in 2017. The Irish Infrastructure Fund has a number of investors, one of which is the Irish Strategic Investment Fund ("ISIF").

The Department has no role in investment decisions by the Irish Infrastructure Fund.

Note on whether the State's extension of MAN maintenance contract affected Enet's valuation and the ultimate price of the State's stake in Enet

E-net is a private company and the valuation of the company is a matter for the market.

Update on NBP

The National Broadband Plan (NBP) aims to ensure that every home, school and business in Ireland has access to high speed broadband.

This is being achieved through a combination of:

- commercial investment across Ireland; and
- a State intervention in those areas where commercial operators acting alone are unlikely to invest. These are primarily rural areas.

The objectives of the National Broadband Plan are to:

- Deliver a State intervention to ensure a national high speed broadband network for Ireland (minimum download speeds of 30 Mbps and upload speeds of 6 Mbps).
- Provide high quality and reliable broadband services to every premises in Ireland with a choice of service providers to consumers.
- Ensure the network can meet current and future data demand (minimum speeds increase over 25 year contract).
- Maximise the re-use of existing infrastructure.
- Incentivise additional commercial investment.
- Stimulate growth and retention in jobs while enabling e- farming, e-health, trading online, e-education, tourism, savings for consumers etc.

Following a detailed and comprehensive mapping, coverage and consultation exercise in 2014 and 2015, the High Speed Broadband Map (www.broadband.gov.ie) sets out those areas where commercial operators are delivering or have plans to deliver high speed broadband (BLUE areas). It also identifies the Intervention Area (AMBER) where a State intervention is required.

The Intervention Area comprises:

- 540,000 premises
- 1.1million people
- 68% of Ireland's farms
- Over 600 schools
- Over 44,000 businesses, mostly micro

The procurement process takes the form of a competitive dialogue process. The competitive dialogue involves multiple stages. The following are high level milestones reached following the launch of procurement **22 December 2015**

- **Stage 1 - Pre-qualification:**
 - 5 bidders submitted **March 2016**
 - 3 bidders qualified
- **Stage 2 – Invitation to participate in dialogue**
 - Issued to 3 bidders **July 2017**

- **Stage 3 – Invitation to Submit Detailed Solutions**
 - Invitation **July 2017**
 - Submission by 2 bidders **September 2017**
- **Stage 3 – Further Dialogue and Invitation to Submit Refined Detailed Solutions**
 - Submission by one bidder **June-August 2018**
- **Stage 4 – Dialogue Closed/Final Tender**
 - Submission **18 September 2018**

The assessment of the Final Tender is ongoing.

NBP Costs to date including costs to the Department

The total value of payments made in relation to the National Broadband Plan since 2013 is just under €22.8m (including VAT).

A breakdown of payments made by year is set out in Table 1 below:

Table 1: Total NBP Payments by Year

Year	Cost
2013	€394,507.01
2014	€681,326.58
2015	€2,978,462.99
2016	€2,345,659.49
2017	€10,050,457.78
2018	* €6,308,212.59
TOTAL	€22,758,626.44

All figures include VAT *(Payments up to and including 4 December 2018)

Un-redacted version of Analysis Mason consultant’s report on the review, operation and management and access to the MANs

The Department has been engaging with the Management Services Entity (e-net) in relation to the implementation of the recommendations of the Report on Pricing and Access Arrangements for the MANs. It is intended to publish the report shortly. A small number of minor redactions of commercially sensitive information may be necessary.

Appendix 1 Details of location and utilisation of MANs

MANs Phase One

	Town	County	No. of Operators using MAN
1	Cavan	Cavan	17
2	Kingscourt	Cavan	3
3	Cork	Cork	44
4	Carlow	Carlow	19
5	Letterkenny	Donegal	21
6	Gweedore	Donegal	5
7	Galway	Galway	34
8	Kilkenny	Kilkenny	21
9	Portlaoise	Laois	17
10	Carrick on Shannon	Leitrim	9
11	Manorhamilton	Leitrim	6
12	Limerick	Limerick	42
13	Dundalk	Louth	25
14	Drogheda	Louth	18
15	Ballina	Mayo	11
16	Belmullet	Mayo	0
17	Kiltimagh	Mayo	5
18	Carrickmacross	Monaghan	5

	Town	County	No. of Operators using MAN
19	Monaghan	Monaghan	15
20	Tullamore	Offaly	13
21	Roscommon	Roscommon	5
22	Sligo	Sligo	23
23	Clonmel	Tipperary	18
24	Dungarvan	Waterford	12
25	Waterford	Waterford	25
26	Athlone	Westmeath	27
27	Mullingar	Westmeath	17
28	Wexford	Wexford	24

MANs Phase Two

	Town	County	No. of Operators using MAN
1	Cootehill	Cavan	2
2	Kilrush	Clare	5
3	Bantry	Cork	5
4	Blarney	Cork	2
5	Carrigaline/Passage West/Ringaskiddy	Cork	20
6	Charleville	Cork	5
7	Dunmanway	Cork	2
8	Fermoy	Cork	7
9	Kanturk	Cork	3
10	Kinsale	Cork	3
11	Midleton	Cork	8
12	Mitchelstown	Cork	6
13	Skibbereen	Cork	2
14	Youghal	Cork	4
15	Ballybofey/Stanorlar	Donegal	4
16	Ballyshannon	Donegal	5
17	Buncrana	Donegal	6
18	Bundoran	Donegal	4
19	Carndonagh	Donegal	4
20	Donegal Town	Donegal	6

	Town	County	No. of Operators using MAN
21	Donabate / Portrane	Dublin	2
22	Lusk	Dublin	4
23	Skerries	Dublin	2
24	Athenry	Galway	3
25	Ballinasloe	Galway	6
26	Clifden	Galway	3
27	Gort	Galway	2
28	Loughrea	Galway	5
29	Killarney	Kerry	16
30	Castleisland	Kerry	7
31	Tralee	Kerry	21
32	Listowel	Kerry	6
33	Thomastown	Kilkenny	3
34	Abbefeale	Limerick	4
35	Newcastlewest	Limerick	6
36	Longford	Longford	7
37	Ardee	Louth	5
38	Ballinrobe	Mayo	4
39	Claremorris	Mayo	7
40	Knock	Mayo	0
41	Dunboyne/Clonee	Meath	6

	Town	County	No. of Operators using MAN
42	Dunshaughlin	Meath	2
43	Kells	Meath	8
44	Navan	Meath	14
45	Trim	Meath	8
46	Bailieborough	Monaghan	6
47	Castleblaney	Monaghan	7
48	Clones	Monaghan	3
49	Nenagh	Tipperary	10
50	Roscrea	Tipperary	5
51	Templemore	Tipperary	5
52	Edenderry	Offaly	6
53	Banagher	Offaly	0
54	Birr	Offaly	5
55	Cahir	Tipperary	6
56	Carrick on Suir	Tipperary	2
57	Tipperary	Tipperary	8
58	Cashel	Tipperary	5
59	Blessington	Wicklow	4
60	Kilcoole/ Newtownmountkennedy	Wicklow	3

Appendix 2 Eircode Statistics

1. Eircode Finder statistics

Eircode Finder Statistics	2016	2017	% Increase	2018*	% Increase
Total no. of lookups	6,018,890	10,267,200	71%	12,474,500	21%
Average monthly lookups	501,574	855,600	n/a	1,247,450	n/a

*Figure to end of October 2018.

2. Public Awareness Independent Nationally Representative Survey

Nationally representative face-to-face surveys to show the % of the public that know their Eircode.	2015 (at launch)	2017 (Year 4)	2020 (Year 7)	2023 (Year 10)
Public Awareness targets	60%	70%	80%	90%
Results from research surveys conducted by Amárach Research.	89%	84%	-	-

3. Commercial organisations up-take of Eircode licences

Commercial Bodies	2016	2017	% increase from Q2 2016 to Q2 2017	2018	% increase from Q2 2017 to Q2 2018
Business Users (licenced users)	400	800	100%	1,030*	29%

*Figure to end of October 2018.

4. International Digital mapping and satnav providers

In 2018 Eircodes are now integrated in all of the four major international digital mapping and satnav providers: **Google Maps, Tom Tom, HERE Technologies and Microsoft (Bing maps/Nokia maps)**

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