



Opening Statement to the joint Oireachtas Committee on Communication, Climate Action & the Environment

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Thank you Chairman and members of the Committee. We welcome the opportunity to attend this session today to discuss our role in the Cost Benefit Analysis (“CBA”) and the benefits report in relation to the National Broadband Plan (“NBP”).

Your investigation has particular interest in the following three themes:

- (i) roll-out time
- (ii) value for money including the cost benefit analysis and
- (iii) ownership

and for today, we will be providing input on the cost benefit analysis element of the second theme only, given our limited scope.

I will start with a brief introduction, my name is Amy Ball and I am a partner in the PwC Advisory practice, leading the Technology, Information, Communication and Entertainment practice. I have over 25 years experience, spending 15 years of that time working as a senior executive in both the Telecommunications and Technology sectors prior to joining PwC in 2012. I am the lead partner on the CBA advice provided by PwC in relation to the NBP. I am joined by my colleagues, Fiona Smith, a director in our Corporate Finance Practice and also by Luke Redmond, an economist in our Consulting team. Together, we have extensive experience of delivering similar services across the public and private sector.

PwC was appointed in January 2015, following a competitive tendering process, as strategic advisers on the NBP including assisting with the CBA as set out below.

We were commissioned to complete a CBA on behalf of the Department of Communications, Climate Action and the Environment. The objective of the CBA is to assess the extent to which a State intervention to support the attainment of the primary NBP objective of Universal Next Generation Access will yield a positive return to Irish society. The CBA was prepared as part of a wider-NBP project, which included:

- a technical, design and planning work-stream; (Analysys Mason-led);

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- a financial appraisal and procurement work-stream (KPMG-led), including value for money, ownership and cost model; and
- an NBP strategy work-stream (PwC-led) which includes the CBA

The team described above led the CBA, which falls within the scope of this Committee session today. Separate aspects of our work were performed by international experts from other PwC offices, with the UK firm of PwC responsible for the strategic advice and PwC Netherlands responsible for state aid advice.

Cost Benefit Analysis (“CBA”)

All public projects over €20 million are required to complete a CBA in accordance with the Public Spending Code (“PSC”). Our work on the CBA was completed over a four year period with numerous iterations with the final CBA published in May 2019.

The technical option as advised to us by the technical project advisors, Analysys Mason, is for 100% Fibre-to-the-Premises. They concluded that this technology was the optimal solution for the delivery of the NBP objective of universal NGA in the Intervention Area (“IA”). Therefore this technical option forms the basis of the CBA assessment. However, the Department advised us that they reserved the option to change the technical solution on a case by case basis during deployment where it makes technical and commercial sense to do so during the build period.

KPMG was responsible for developing the cost model taking into consideration the final Bidder costs and assumed take up over the duration of the contract. This cost forms the basis of the cost element of the CBA.

Each of the workstreams operated independently and no one team had visibility of the detailed calculations of each of the constituent parts. At no point did any change to the costs influence the benefits case, as both were prepared on a standalone basis by different parties.

The basis of the benefits compilation remained consistent throughout an iterative process over the four year period, but was updated for new data points including, for example, changes to demographics, reduction of households in IA and change in economic parameters.

We adopted a conservative approach to the evaluation of benefits throughout. Additional adjustments were agreed at formal review stage with DPER in response to debate on certain subjective matters. As the PSC is not exact, and requires an element of judgement in its application, the debate related to certain assumptions which were based on domestic data and international research. We evaluated DPERs queries and adjusted the CBA consistent with our conservative approach to benefit evaluation and in light of expected updates on the PSC. Our CBA is, and always has been, positive relative to the costs and benefits at each iteration.

We ran three different scenarios in our CBA. All scenarios resulted in a positive benefit to cost ratio (“BCR”) over the 25 year period with the Central Scenario resulting in a BCR of 1.3 to 1.



In accordance with the PSC, the only benefits included in the CBA are those that have empirical evidence available to substantiate them. The benefits we have qualified as part of the CBA work are classified into two categories; Residential (which are €2.2bn in Central Scenario) and Enterprise (which are €1.5bn in Central Scenario).

Residential benefits within this CBA analysis include:

- Bundled communications: realised savings available by purchasing communication 'bundles'
- Service waiting: reduced time required for value-adding online activity to be completed
- Remote working: time and cost savings for white collar workers being able to work remotely
- Transaction savings: time and cost savings from online shopping

The CBA analysis identifies Enterprise benefits totalling €1.5bn to farm and non-farm enterprises in the IA, non-IA enterprises, and from additional job creation (employment benefits) for enterprises within the IA.

Additional Work Undertaken

It was not possible to quantify a significant number of benefits in relation to the NBP due to the lack of available empirical evidence. As a result, the Department requested a separate piece of work on the qualitative benefits which was completed in August 2018 and published by the Department in May 2019.

The objective of this report was to outline any additional benefits deemed to be non-quantifiable that could complement the quantifiable benefits outlined in the CBA model. Such benefits include e-health, e-education, social inclusion, rural development, tourism and climate change.

The approach and content of this report consists of:

- Desk-based research to support each of the qualitative benefits; and
- Interviews and case studies with individuals and businesses both inside and outside The IA.

I thank the Committee for the opportunity to appear today and to make this statement. We are happy to take questions members may have relating to the advice we provided on the CBA for the NBP.