

10th March 2022

Mr. Sam Keenan,
Committee Secretariat Committee of Public Accounts,
Leinster House,
Dublin 2,
D02 XR20.

e-mail: c/o PAC@oireachtas.ie

Your Ref: S0770 PAC33

Dear Mr Keenan,

Thank you for the Committee's recent invitation to discuss the National Broadband Plan (NBP) and your follow up correspondence requesting some additional information. Please see below.

Expenditure On Consultancy Services

"NBI's expenditure on consultancy services since it signed the National Broadband Plan contract (pg. 6)."

During our appearance, this query (the topic of NBI's expenditure on consultancy services) was raised prior to NBI establishing the fact NBI can only be subsidised for amounts paid towards capital expenditure (both passing and connecting) and rental of third-party infrastructure. In fact, the available subsidy is limited to 92% of the amounts paid in this regard, subject to a €2.6bn cap.

Consequently, over the 25-year period, it is for NBI to generate sufficient commercial revenue to fund the balance of capital expenditure and infrastructure rentals, all network maintenance and repair costs, all required network upgrade costs and all of the many costs associated with operating the network. This includes all staff costs, facilities costs and any amounts paid in respect of legal, financial, technical and tax advisors.

NBI Infrastructure Designated Activity Company
3009 Lake Drive, Citywest, Dublin 24, D24 H6RR

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WWW.NBI.IE

Registered in Ireland. Company Number: 631656
Directors: D. McCourt (American), M. Adams (American), P. Haran, B. Gray, H. Akhavan (American),
M. Sónmez (German), A. McCullen, D. McCauley, W.D. Scott (American).

As no state subsidy is applied to fund these costs, other than those which are capital in nature, over the life of the project, we do not believe that it is appropriate for NBI to provide further details in this regard to the Committee.

Connectivity for Urban Premises

“A note outlining how the National Broadband Plan will ensure connectivity for premises in urban areas that are currently unconnected or cannot access high-speed broadband (pgs. 40-41).”

National Broadband Ireland does not control the scope of the Intervention Area under the NBP, and therefore has no authority to add premises that are not pre-approved for service.

Where members of the public believe their premises should be considered for inclusion in the NBP, contact can be made with the Department of Environment, Climate and Communications at broadband@decc.gov.ie for investigation.

The DECC advises that commercial operators have indicated their plans to supply Gigabit services to all premises in the BLUE area of the NBP Map by 2026. Under State aid rules, the Department is not permitted to displace commercial investment by intervening in areas where commercial investment exists or is planned, as to do so would be an infringement of these State aid rules.

Where urban premises are currently unconnected, cannot get access to high-speed broadband and are in the intervention area, NBI is mandated to deliver a service to these premises. For the Committee’s information we classify these premises in urban areas not easily served by NBI’s FTTP Build as “Urban Infill” as can be easily seen on the Intervention map as amber premises surrounded in areas of blue.

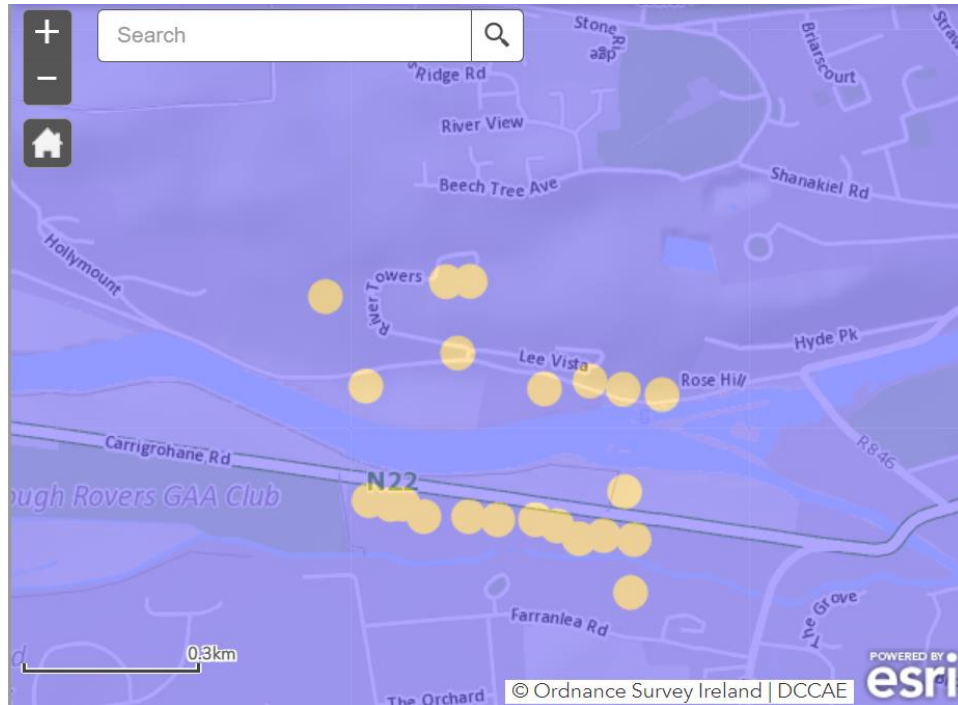


FIGURE 1 – Example of Urban Infill required / Carrigrohane Rd (N22), Cork City

To meet our obligation to deliver, NBI is consulting with the market through a tender process to identify alternative wholesale solutions, which could deliver a solution to these types of premises. If suitable third-party network solutions are identified, they will be provided by 3rd party Licensed Operators but branded and wholesaled as NBI network solutions that are provisioned, activated and assured via NBI's BSS/OSS system and subject to the same contractual SLA's as the rest of the NBI Network.

As regards the tender itself, the prequalification process has been completed and 5 service providers indicated that they were in a position to provide alternative solutions which meet our contracted requirement with Service Level Agreements, underpinned with penalties.

Tender documentation was provided to the 5 service providers who passed the PQQ stage prior to Christmas. Two of the bidders have elected to exit the process, the remaining 3 indicated that they would make a response. Responses were received at the end of January and are currently being evaluated. Piloting of suitable solutions (if any) will commence during the summer following detailed design during Q2 2022.

Ownership Structure

“A detailed note on the ownership structure of NBI, including how voting rights are determined in the company (pgs. 43-44).”

- The shareholders of NBI Infrastructure DAC and NBI Deployment DAC are Metallah Limited and the Minister, who holds a special share with certain consent rights in respect of NBI Infrastructure DAC and NBI Deployment DAC.
- All companies used in the NBI structure were new entities, set up specifically for the NBP. NBI Infrastructure DAC and NBI Deployment DAC were required by the Government to be new companies. It is a common feature of infrastructure projects to use new entities so that no historic or unrelated liabilities could adversely affect the relevant business.
- The shareholder of Metallah Limited is Granahan McCourt Dublin Limited, and above Granahan McCourt Dublin Limited there are numerous other holding companies and investment vehicles into which the various investors have invested at different levels.
- The investors in NBI are:
 - (a) Granahan McCourt.
 - (b) Tetrad Corporation.
 - (c) Oak Hill Advisors.
 - (d) Twin Point Capital; and
 - (e) Other minority investors, including members of the senior management team of NBI.
- There have been no changes to the ownership or control of NBI since the effective date of the Project Agreement.
- The corporate structure was established to facilitate an investment structure that satisfied the requirements of (i) the tender process, (ii) the project agreement and (iii) the investors’ requirements.
- Control is by virtue of voting rights, rather than ownership. While there are a number of layers to the corporate structure, fundamentally David McCourt, via majority voting rights in each tier of the company structure, retains control of NBI. He manages this through 51% control of GMC Fund Limited.

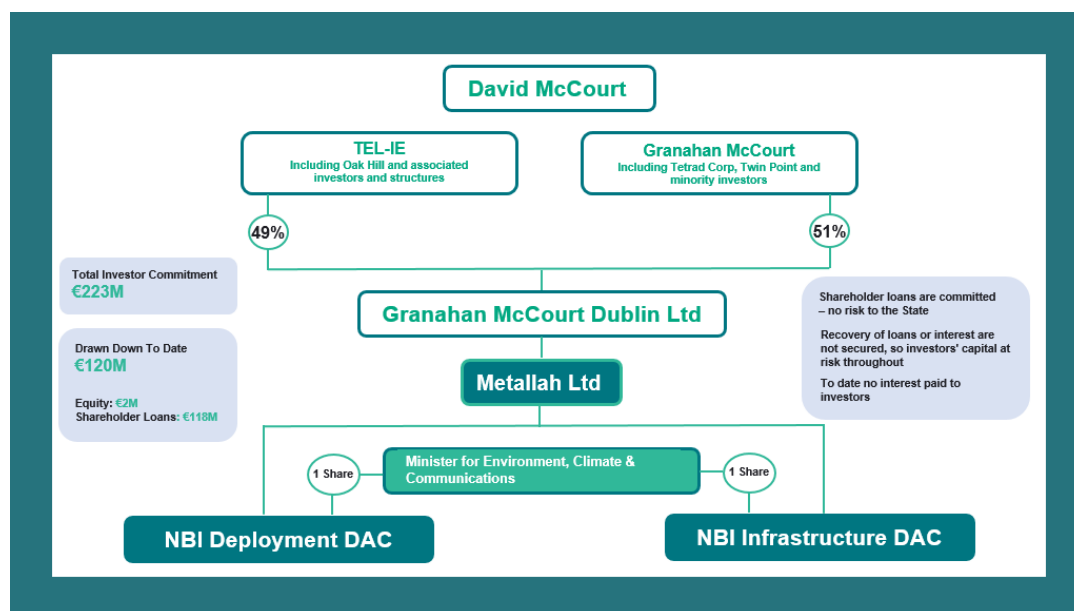


FIGURE 2 – Overview of Corporate Structure

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Laois / Offaly

The number of homes currently connected and passed by the National Broadband Plan in both Laois and Offaly, and the year-end projections for same (pg. 51).

As it stands, approx. 600 premises in Co. Laois are passed (served from the Carlow Town Deployment Area), with a further 4,000 premises anticipated in Q4 2022 (Portlaoise Deployment Area / Roscrea Deployment Area). The Carlow Town Deployment Area has only gone live in the last number of months, but we are already experiencing strong demand – approx. 7% with the expectation that this will grow over the first half of 2022. For comparison sakes, the initial connection rate typically reaches 30% after 6 months.

As regards Co. Offaly, approx. 1,500 are due to be passed by the end of the year (Athlone Deployment Area / Roscrea Deployment Area).

Please see below for detailed information.

Deployment Areas serving premises in County Laois

Deployment Area	# Premises in County Laois	Anticipated Date For Connection	Status
Carlow*	581	Ready for Service	Ready for Service
	12	Available To Pre Order now	Available To Pre Order
	21	5 premises – February 2022 – April 2022 16 premises – February 2022 – March 2022	Network Build in Progress
Portlaoise	3480	October 2022 – December 2022	Survey Underway
Roscrea*	552	October 2022 – December 2022	Survey Underway
Johnstown*	850	January 2023 – March 2023	Network Build in Progress
Ballylinan	1744	April 2023 – June 2023	Survey Underway
Castlecomer*	759	January 2023 – December 2024	Survey Planned
Mountrath	2496	January 2023 – December 2024	Survey Planned
Mountbolus*	554	January 2025 – December 2026	Survey Pending
Portarlinton	993	January 2025 – December 2026	Survey Pending
Templemore*	53	January 2025 – December 2026	Survey Pending
Tullamore*	174	January 2025 – December 2026	Survey Pending
Additional Premises	336	January 2025 – December 2026	Survey Pending

*Deployment Areas in other counties that serve premises in County Laois

Deployment Areas serving premises in County Offaly

Deployment Area	# Premises in County Laois	Anticipated Date For Connection	Status
Athlone*	198	September 2022 – November 2022	Survey Underway
Roscrea*	1315	October 2022 – December 2022	Survey Underway
Moate*	1139	April 2023 – June 2023	Survey Planned
Nenagh*	120	January 2023 – December 2024	Survey Planned
Banagher	1364	January 2025 – December 2026	Survey Pending
Birr	1856	January 2025 – December 2026	Survey Pending
Edenderry	1291	January 2025 – December 2026	Survey Pending
Mountbolus	1375	January 2025 – December 2026	Survey Pending
Portarlinton	939	January 2025 – December 2026	Survey Pending
Templemore*	49	January 2025 – December 2026	Survey Pending
Tullamore	1905	January 2025 – December 2026	Survey Pending
Tyrrellspass*	516	January 2025 – December 2026	Survey Pending
Additional premises	255	January 2025 – December 2026	Survey Pending

*Deployment Areas in other counties that serve premises in County Offaly

Lastly, I would again reiterate our invitation to the Committee membership to visit some NBI field works. This activity could absolutely be scheduled at the Committee's convenience and would afford Committee members a genuine opportunity to further engage with NBI and allow representatives to see the progress we are making, as well as offering a better understanding of the challenges that present themselves in delivering a project of this scale and complexity. If a site visit would assist members in better understanding this project, please contact Adam Ledwith (adam.ledwith@nbi.ie) to arrange the same.

Yours sincerely,



Peter Hendrick
Chief Executive Officer
National Broadband Ireland

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