

Presentation of study results

Broadband acceleration study part 1: findings and recommendations

2 February 2016 • Matt Yardley, Ian Adkins, Andrew Daly

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Background to the study

- The **objective** was to identify regulatory and policy-level measures to accelerate broadband market development
- EU **best practice** is to maximise private investment where possible and only intervene where necessary
- Our **approach** included:
 - market consultations and desk research
 - demand forecasting and network cost–revenue modelling
 - regulatory and policy-level analysis
 - socio-economic cost–benefit analysis

The DAE targets have been a key consideration

The European Commission's Digital Agenda for Europe (DAE) targets include:

- All EU households should have access to broadband at 30Mbit/s or higher by 2020
 - i.e. all households are covered at 30Mbit/s
- 50% of EU households should subscribe to broadband at 100Mbit/s or higher by 2020
 - this requires high levels of 100Mbit/s coverage *and* high take-up within those areas
- **These are ambitious, non-binding targets and we expect that the majority of Member States will struggle to meet them**

Source: <https://ec.europa.eu/dgs/connect/en/content/digital-agenda-europe>

Cyprus is in a reasonable position on broadband

- Although it is a 'small' island, Cyprus has:
 - a similar position to some other European countries on current NGA broadband coverage
 - a population density profile like other countries in Europe (which is a major cost driver for further broadband network deployment)
 - a competitive market with planned investment in broadband
- This suggests that at least some of the conditions for the successful development of broadband in Cyprus already exist today

We modelled a number of scenarios to help understand potential market development

- Our quantitative modelling of market scenarios included:
 - costs of current, planned and potential future network developments
 - revenue and return on investment
 - geographical differences (in costs and demand), to determine likely private investment
- We considered how the market might evolve, taking account of plausible differences in a range of parameters, including:
 - technology choice
 - type of wholesale access
 - market share evolution among operators

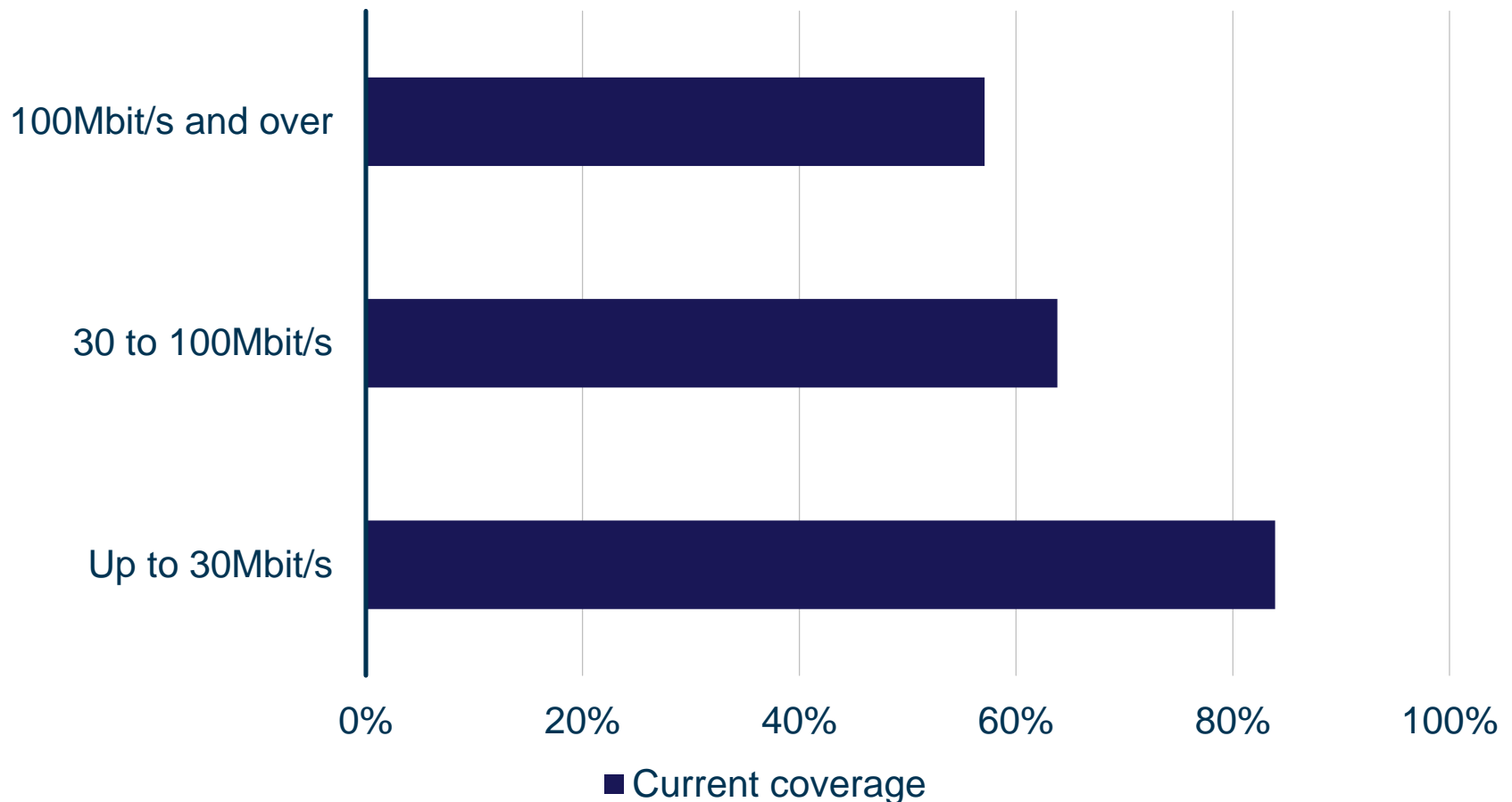
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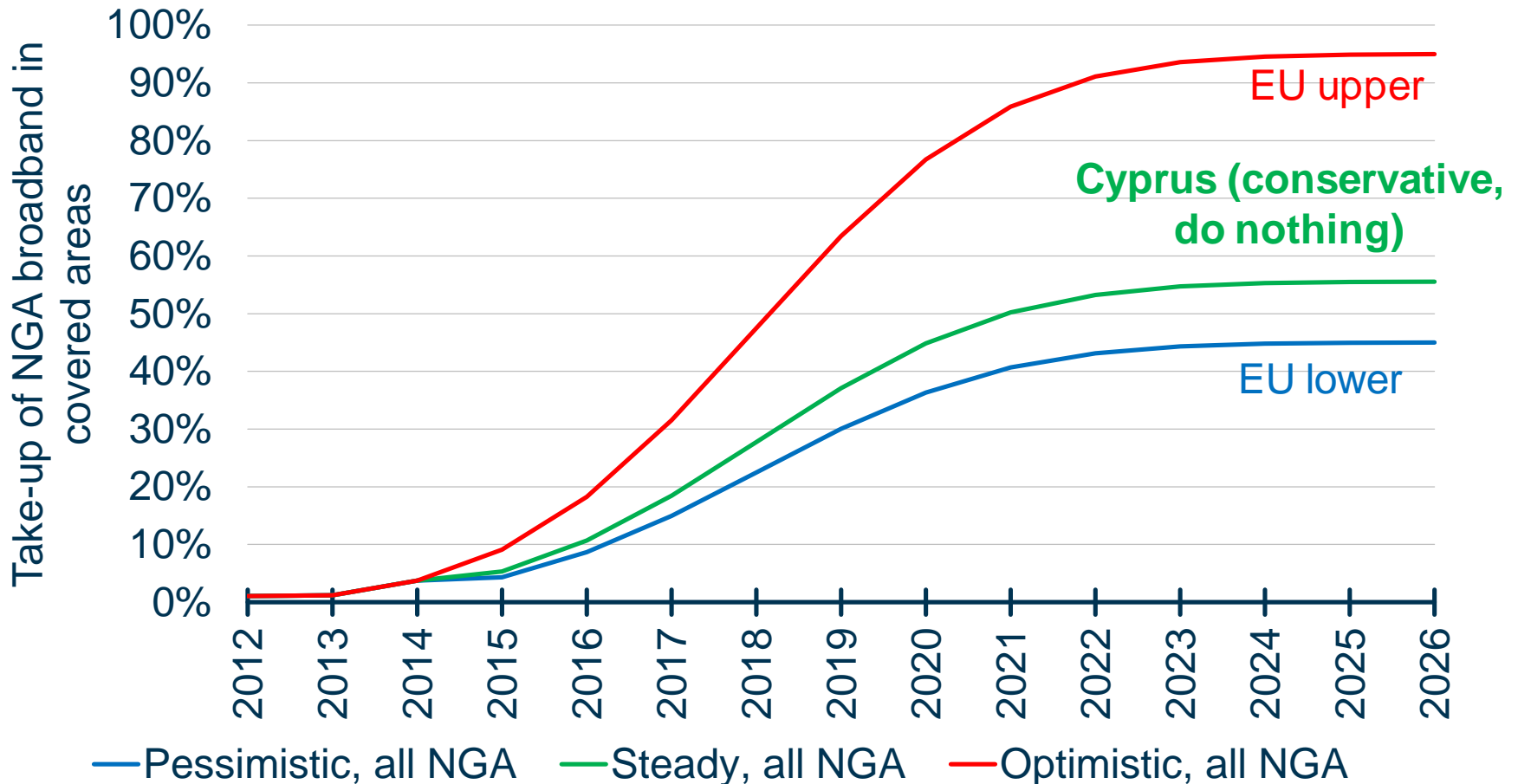
Cyprus is already partially covered by a range of next-generation access technologies

Summary of *current* NGA population coverage in Cyprus



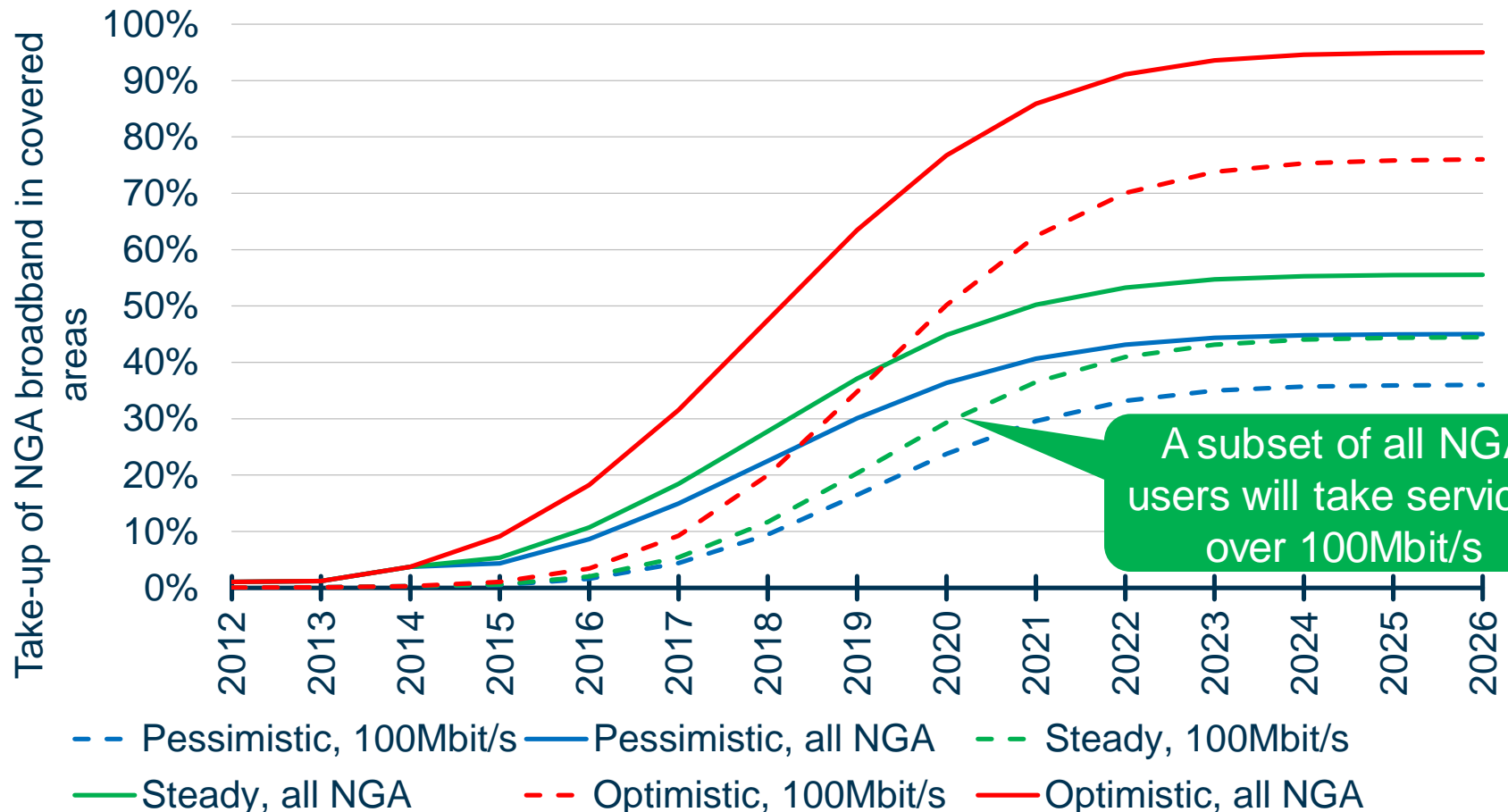
Our demand analysis indicates scope to stimulate more demand for NGA speeds

Forecast of 30Mbit/s broadband take-up in Cyprus



Demand stimulation will also be important for 100Mbit/s take-up (which relates to the DAE)

Forecast of 30Mbit/s and 100Mbit/s broadband take-up in Cyprus



Our scenario analysis shows a variety of outcomes against key decision criteria

← *Decision criteria* →

Network and competition scenarios

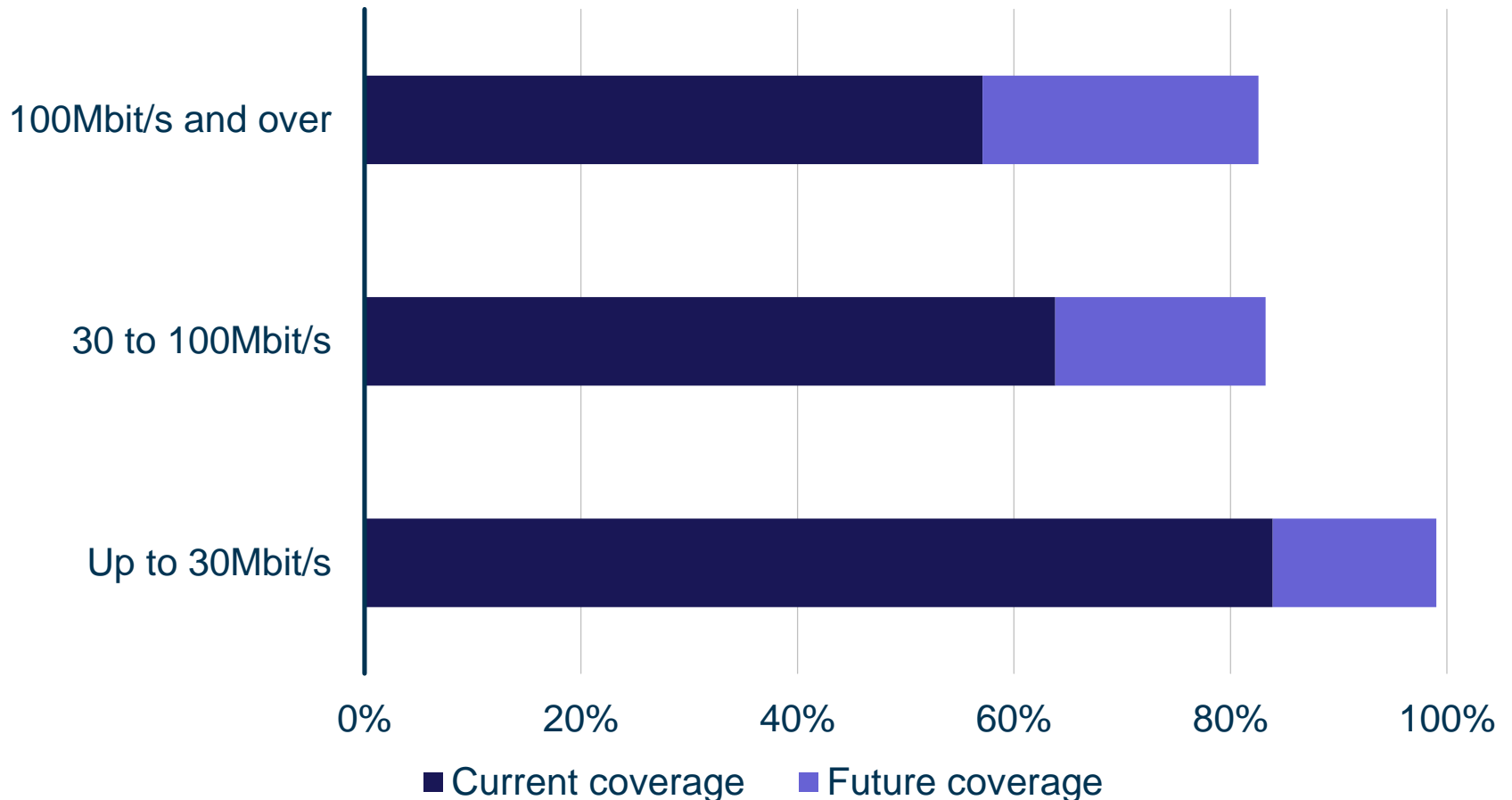
Scenario	Attracting investment	Encouraging competition	100Mbit/s availability	Socio-economic benefit-cost ratio	State-aid implications
R1 (FTTP, active, large market share)	-0.4% IRR	Active only	Full coverage by 2020	2.58	Moderate implications
R2 (FTTP, passive, large market share)	1.2% IRR	Passive and active options	Full coverage by 2020	2.74	Moderate implications
R3 (FTTP, FTTC, LTE, active, large market share)	15.8% IRR	Active only	Partial coverage by 2020	3.89	Minimal implications
R4 (FTTP, active, small market share)	-19.2% IRR	Active only	Full coverage by 2020	1.07	Significant implications
R5 (FTTP, passive, small market share)	-10.9% IRR	Passive and active options	Full coverage by 2020	1.59	Significant implications
R6 (FTTP, LTE, active, small market share)	-3.2% IRR	Active only	Partial coverage by 2020	2.15	Significant implications

This scenario involves a cost-effective mix of technologies offering good broadband speeds, but falls short of the 2020 targets (though they would likely be met in future years)

Key:
 Green = good
 Amber = fair
 Red = poor

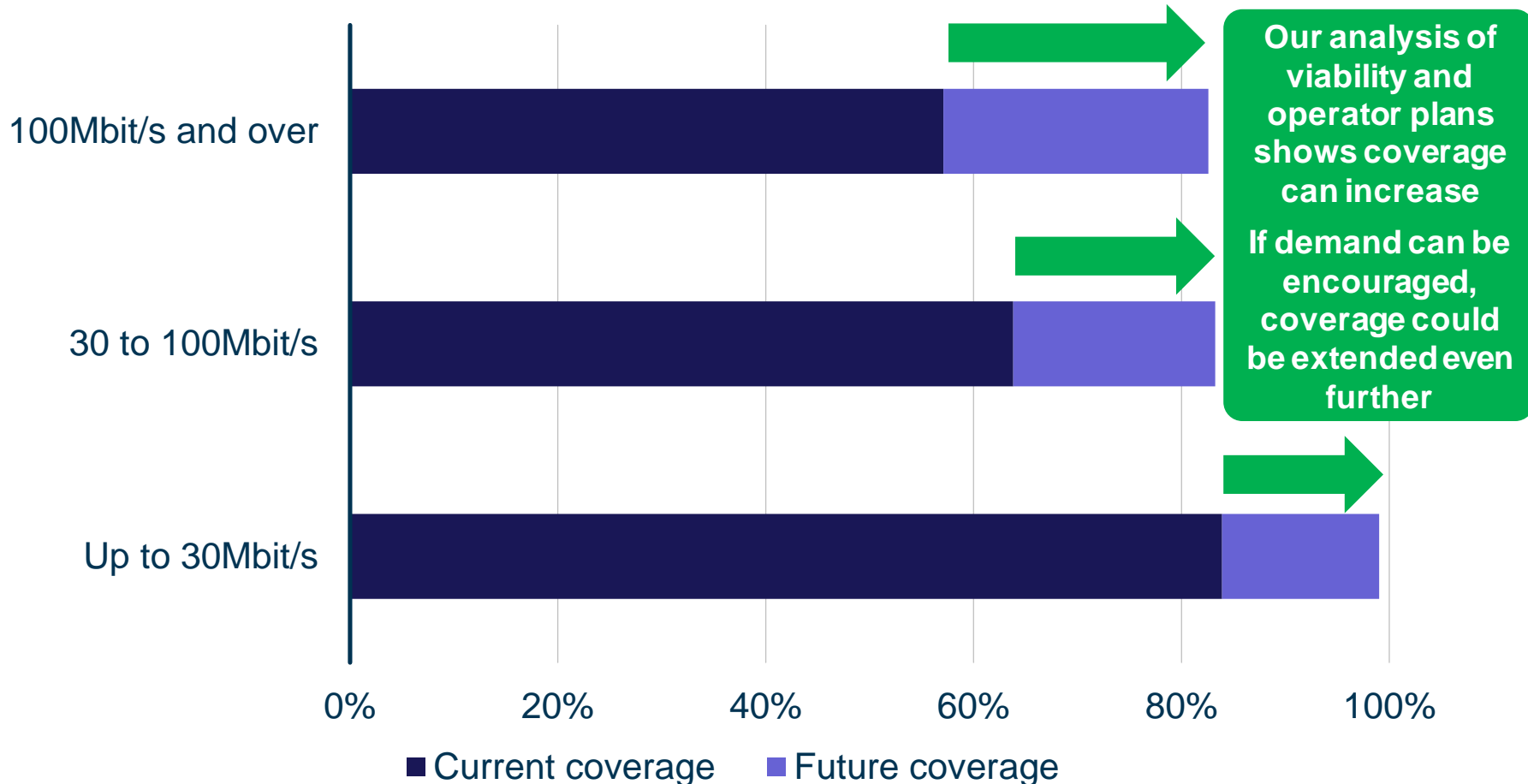
Operators have plans to invest in coverage; our analysis suggests they might invest even more

Summary of *forecast* NGA population coverage in Cyprus



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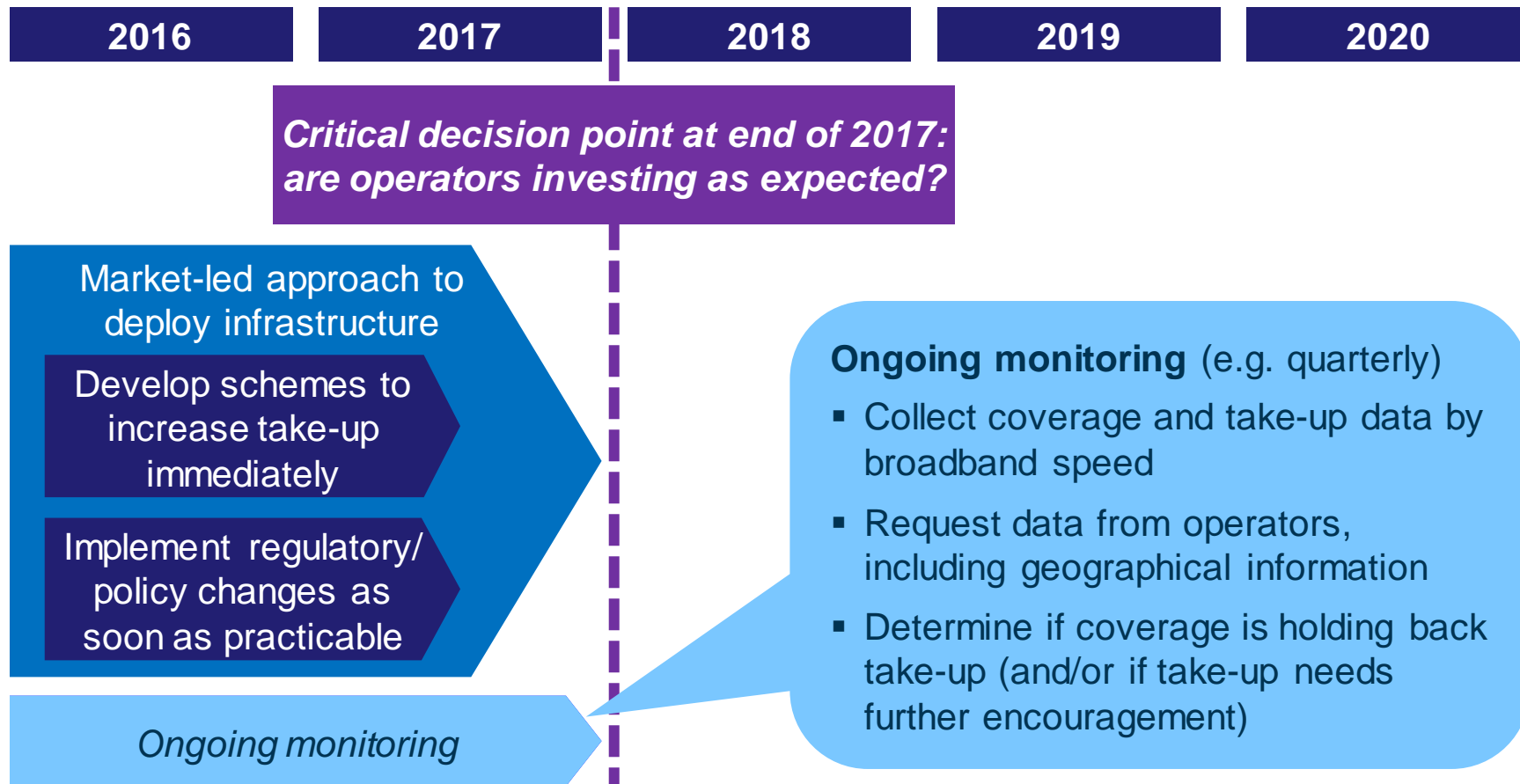


Scope and approach

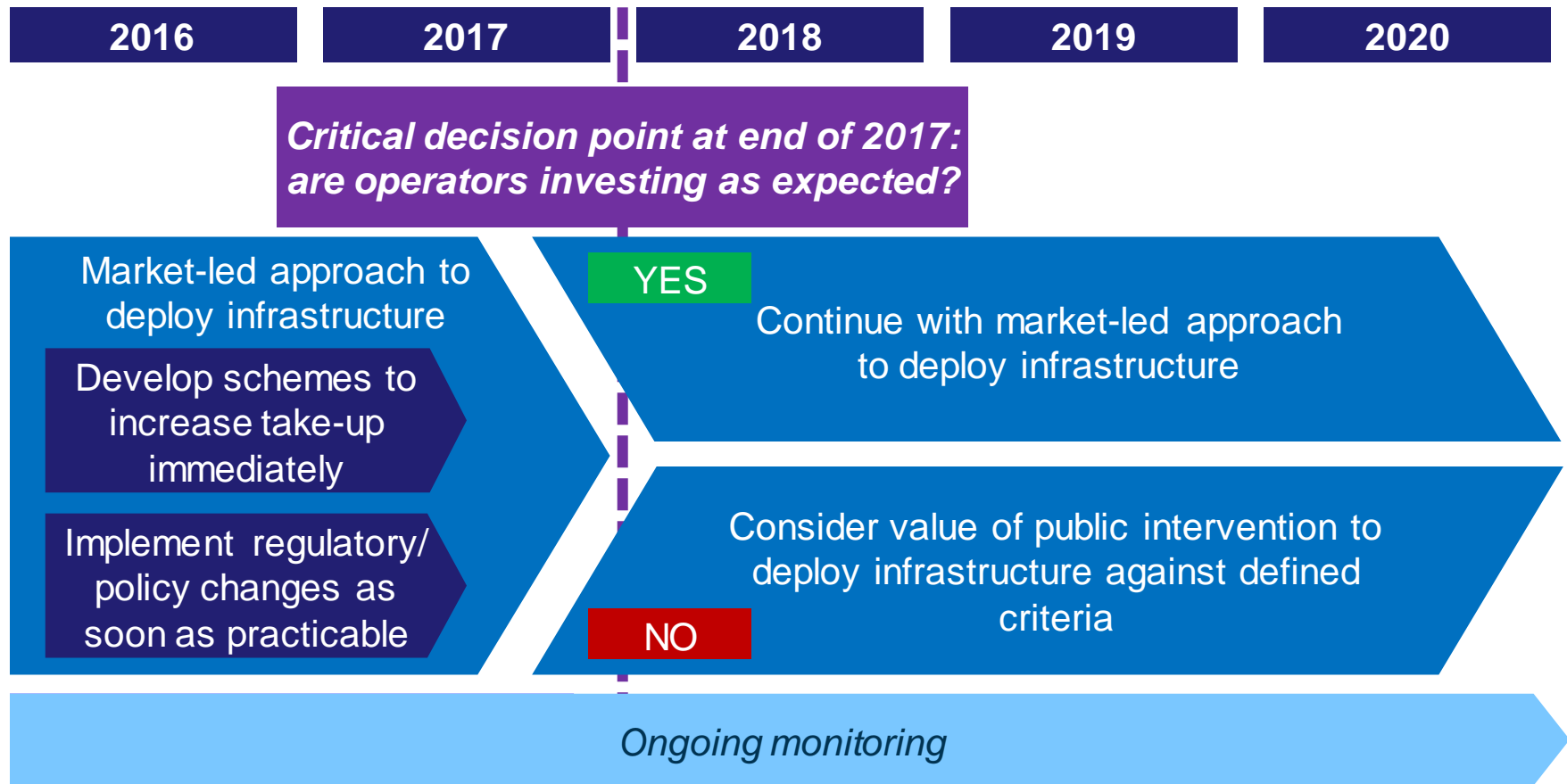
Main findings

Key recommendations

We recommend a market-led approach, with Government and regulatory support



A decision point in 2017 gives the government flexibility to make the right choice for Cyprus



We are proposing a set of supportive policy measures to help drive demand

- Marketing and advertising (government alongside operators)
- Alignment of 'digital champion' role to recommendations of study
- Continuation of e-Government plans

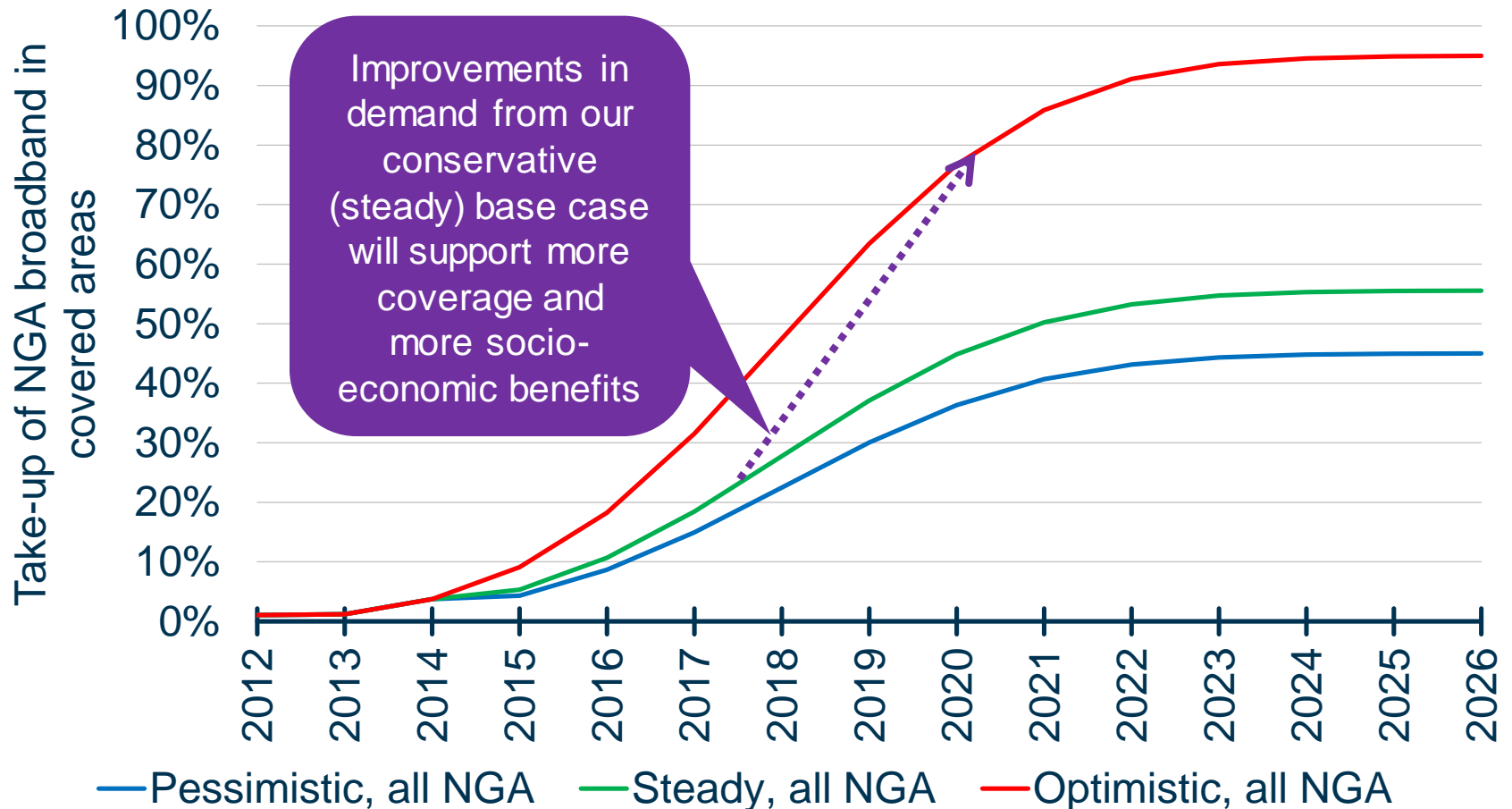


- Business support workshops
- Financial support to ICT-focused SMEs (e.g. loans)
- Connection voucher scheme

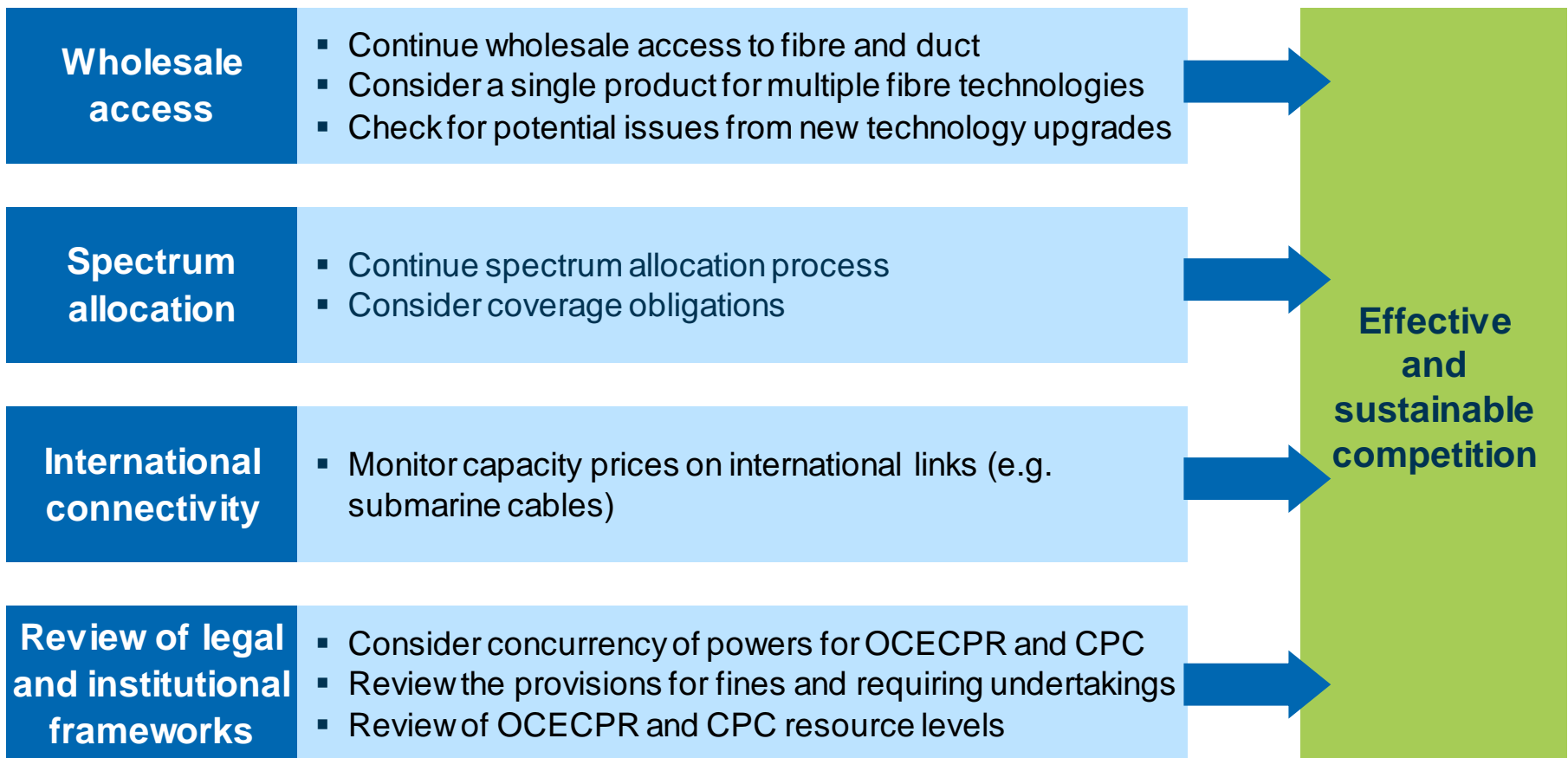
- Digital inclusion programme to boost digital skills

The policy measures should improve take-up towards the best performers in Europe

Forecast of NGA broadband take-up



We are also proposing regulatory and policy measures aimed at supporting competition



Key points



Our recommendations will promote competition

These should help both coverage and take-up, and have positive impacts on all uses: greater choice, better prices, improved service and more innovation

High-speed broadband take-up is currently low

We are therefore proposing some immediate actions to help move Cyprus towards the better performing EU markets. Higher take-up also improves the business case for operators and could promote further investment in coverage

Operators in Cyprus are investing and plan to go further

We do not want to destabilise this positive economic activity, hence we suggest deferring any decision to intervene on increasing coverage (2017 is proposed to review)

Thank you for your attention

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