Models for efficient and effective public-sector interventions in next-generation broadband access networks

Matt Yardley

analysys mason

Market context

- 2008 will see the first steps towards NGA in the UK
- No one knows how far NGA will go commercially
- Fibre in new build areas is a ‘no brainer’, but limited scale
- NGA costs significantly more than first generation
- There is an expectation that the public sector will play a role at some point
- The extremes are not realistic:
  - 0% intervention – economic and social value risks
  - 100% intervention – competition risks

About the report

- Process: UK public sector stakeholder consultations, BSG Executive input and desk research
- 16 intervention case studies:
  - European focus
  - range of different models used
  - used as an evidence base for good (and bad) practice
- Some ‘critical success factors’ identified:
  - these should help ensure interventions are ‘effective and efficient’ in the long term
- Recommendations

Some challenges

- Limited number of operational NGA interventions
- Lack of consistent information
- Lack of measuring ‘success’
- What would have happened in the ‘do nothing’ case

We define an "efficient & effective" intervention as one that …

- Defines clear goals in advance, with minimal political influence on network design
- Invests the minimal amount required to achieve its goals
- Limits market distortion
- Provides competitive services to end users
- Is delivered in a timely manner
- Involves financially stable parties

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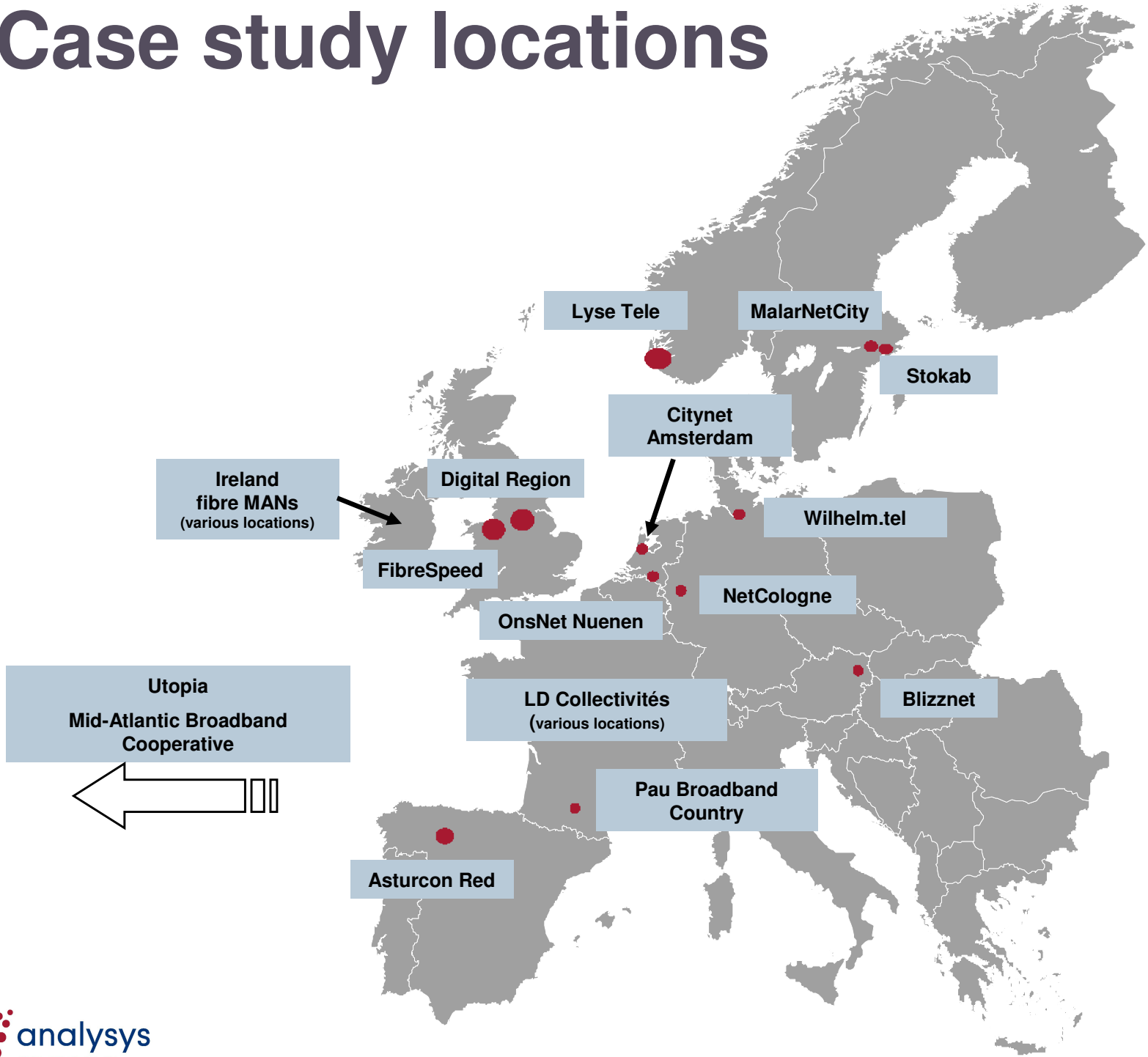
But even these are difficult to measure against in practice

Case study locations



Drivers for intervention

1a	Addressing market failure	Several possibilities, but NGA demand uncertainty is the most likely driver
1b	Addressing distributional policy objectives	Too early for residential NGA, but will be important in future (e.g. rural areas)
1c	Economic development	New firm creation and productivity gains
2	Social drivers	Community / public services
3	Semi-comm. public sector expansion	Synergies with local utilities

Models for intervention

- Demand side:
  - aggregation
  - stimulation
- Supply side:
  - procuring services
  - public–private partnerships
  - utility business expansion
  - co-operatives
  - property developers

Models for intervention: take-aways

- Demand side:
  - taking demand registration schemes one step further to 'contractual commitment'
- Supply side:
  - no clear 'winner'
  - some scale issues with certain models
  - utility expansion less relevant for the UK

Critical success factors for efficient & effective interventions

- Do not pre-empt the market unless there are good reasons to do so
- Use the open-access network model
- Design to minimise barriers to adoption
- Stimulate and aggregate demand
- Anticipate risks via detailed planning
- Comply with state-aid rules

Recommendations

1. Follow the critical success factors
2. Encourage deployment in areas of new build, regeneration and redevelopment
3. Pilot projects should be coordinated with a clear goal
4. Seek to offer a standard set of wholesale products
5. Consider using the same commercial partner(s) to run multiple, geographically-dispersed interventions
6. Further work on the commercial business case (willingness to pay, and costs)
7. Define appropriate metrics for measuring ‘success’ and measure through the lifetime of the intervention

Thank you

Matt Yardley

Head of Broadband and Media

Analysys Mason

matt.yardley@analysysmason.com

Mobile: 07766 058242

Fixed: 01223 460600