

# National broadband plans: shared objectives but different approaches to public intervention

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The development and roll-out of national broadband plans (NBPs) is ongoing in countries around the world. Their degree of progress varies. They typically require well-designed public intervention schemes with significant public subsidies to achieve ubiquitous coverage, particularly in rural areas and other hard-to-reach locations.

Through our experience of designing and implementing a number of these schemes for governments, as well as helping network operators to bid for subsidy funding, Analysys Mason has observed that the intervention approach can differ considerably. Governments should address several critical factors, each of which will help to improve the chances of success for NBP schemes. Specifically:

- it is essential for prospective operators to understand how the scheme will be delivered and what their obligations will be
- the future sustainability of the solution is of critical importance.

## Educating the market

To make a successful bid for a subsidy scheme, operators need to understand the nature and scope of the project, and the nature of any risk to which they will be exposed. As Analysys Mason has seen, there is no one size to fit all NBP schemes. There is a significant difference between a whole-country approach, encapsulating a single project and provider, and a multiple-project approach in which management could ultimately be devolved down to a local level. These approaches each bring their own requirements when it comes to management oversight.

- **In Ireland**, the NBP strategy has been to manage it as a single contract and subsidy is distributed to one party, albeit with the project divided into deployment areas.
- **In the UK**, the NBP currently has three pre-defined tiers of project size, with subsidy controlled centrally. Success depends on bidders at each tier understanding their obligations. The government has worked closely with the market on project specification. Having participated in this discussion at a granular level, interested investors are able to bid with a comprehensive knowledge of scope, expectations and risk.

Other countries have adopted a significantly more fragmented approach. In this case, much will depend on whether subsidy is defined for projects in advance, or if it is up to local public bodies or even communities to bid for subsidy. In a 'free-for-all' scenario, there is a risk that at the national level, the scheme will be impossible to manage and will fail to achieve the overall objectives – for example, it could lead to inconsistent solutions and gaps in coverage (a 'postcode lottery').

However, if the market is well versed in the government's objectives and approach, and knows the competencies that will be needed, investors will be in a much stronger position to bid successfully – and to

deliver networks that meet NBP goals (that is, networks that are sustainable over the long term without requiring additional subsidy, thereby helping to achieve value for public money).

## Attracting the market

Educating the market is also a matter of making it attractive to potential investors. A scheme that consists of multiple projects (such as that in the UK) has attracted a good number of interested parties, with many of them proving to be well-funded new operators. A single-project approach on the other hand will, by definition, require organisations with extensive investment backing because of its scope and scale, as was the case in Ireland.

Analysys Mason has seen how a shared risk approach can both incentivise and assure the market, although the extent of risk for the government also needs to be taken into account, for example if a government is liable for contract assumptions that are breached during implementation. It is also important that public bodies clarify their primary aim; typically, this is investing in support of a policy objective (to achieve national broadband delivery), rather than aiming to be a network operator. As in all aspects of NBP public funding, this clarity is important in achieving outcomes that deliver value for money.

Any scheme also has to assure operators that subsidy will not be allocated to locations where broadband capability already exists, bringing with it a risk of subsidy of overbuild. The technical specifications and mapping of existing and planned coverage are critical elements in this aspect, but mapping of existing and planned coverage can be a contentious issue. Analysys Mason has significant experience of defining NBP technical specifications and mapping requirements, as well as analysing network coverage claims.

## Determining the appropriate degree of prescription

Ultimately, a subsidy scheme must be viable in all respects appropriate to the scope of the project, delivering value for public money and meeting the objectives of the NBP. It is in the interest of everyone – government, potential investors, operators and the public – that the scheme should be as clearly defined as possible.

Every type of subsidy scheme has potential advantages and disadvantages, and a key part of a government's approach should be in determining the necessary degree of prescription for the project. Ireland and the UK have both adopted a centrally, clearly prescribed approach. Analysys Mason has seen how effectively this clear definition can help to attract investment and achieve high-quality bids.

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Analysys Mason has significant experience in supporting government bodies (national, regional, local) to design, deliver and monitor these schemes to ensure value for money and help achieve long-term sustainability of solutions. We also have experience of supporting investors and operators to successfully bid for funding subsidies in these schemes. If you are a government, operator or investor, and interested in support on a NBP scheme please contact Ian Adkins, Principal.