

BRESAT – Naxos

Round Table 1: Introduction

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A presentation by

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Round Table 1:

D3.2.1 Funding Approaches & Use of PPP Schemes

- **This round table is essentially considering *alternative satellite broadband programme business models*** with the aim of deciding which is best and recommending this to the EU
- The goal is to deliver c.100 Mbps to all remaining households and businesses that will not be served by other technologies
- A new generation of satellite needs to be built and launched to deliver c.100 Mbps. One satellite is required to serve all of Europe, possibly with one for back-up/ redundancy.
- This will cost c.300m to build and 50m to launch per satellite.
- The satellite industry needs to raise this money on the financial markets before it can commission design, build and launch.
- To do this it needs to make a sufficiently strong business case.
- The satellite industry cant make a sufficiently strong business without help and support from the EU and member states – principally funding to derisk capital investment and assistance to customers to cover set up costs and high tariffs plus support with awareness raising and demand stimulation

What do we need to consider

- EU funding is public money – it needs to be invested wisely, it can be wasted. It needs to be invested so that:
 - ⇒ No more is invested than is needed to make the market work (to enable the satellite industry to invest and customers to buy)
 - ⇒ The form of investment meets the needs of the industry and of customers
 - ⇒ The investment does not confer unfair advantage on individual firms or distort existing/future investment plans (state aid/competition policy)

Components of a business model

- Geography – all EU or lots of smaller areas
- Timing – now or when
- Do customers need to have costs subsidised (set up and/or tariffs)...and for how long
- Do customers need other forms of help
- How big is the satellite industry's financial gap
- Is this best met by revenue or capital
- How can state aid/competition policy be best satisfied
- How can member states/regions raise funds

A useful business model planner

Demand side

Supply side

Awareness
raising/dissemination

Facilitating/broking

Gap funding

Public provision/PPP

A useful business model planner

	Demand side	Supply side
Awareness raising/dissemination	Promote benefits of broadband to customers; provide training	Show how many customers need broadband
Facilitating/broking	Bring customers together to buy in bulk (aggregation)	Bring suppliers together to discuss sharing risk and investment
Gap funding	Give money to customers to help pay for set up and/or tariffs	Give money to suppliers to help pay for investment in network/service delivery
Public provision/PPP	Public agency underwrites demand (guaranteeing minimum revenue to suppliers)	Public agency funds, builds and operates network (or PPP)

Shall we try and work up 3 contrasting business models

- Shall we spend the rest of the session working up 3 contrasting business models
- Using the matrix to set them out
- Then evaluate each against key criteria

Evaluation Criteria

Components of business model	High	Medium	Low
Helps satellite industry raise funds to invest			
Stimulates customer demand and ability to pay			
Satisfies state aid/competition policy			
Enables member states/regions to raise funds			
Optimal geography			
Timing			

Proposed business Model 1

- What service level
 - = Current generation satellite, next gen or both?
- What geography
 - = group of similar local areas, one whole member state, group of member states, whole EU
- What measures
 - = Demand-side – light touch, gap funding or PPP..or combination
 - = Supply side measures - light touch, gap funding, or PPP....or combination

Proposed business model 1

Demand side

Supply side

Awareness
raising/dissemination

Facilitating/broking

Gap funding

Public provision/PPP

Business model 1 Evaluation

Components of business model	High	Medium	Low
Helps satellite industry raise funds to invest			
Stimulates customer demand and ability to pay			
Satisfies state aid/competition policy			
Enables member states/regions to raise funds			
Optimal geography			
Timing			

Proposed business Model 2

- What service level
 - = Current generation satellite, next gen or both?
- What geography
 - = group of similar local areas, one whole member state, group of member states, whole EU
- What measures
 - = Demand-side – light touch, gap funding or PPP..or combination
 - = Supply side measures - light touch, gap funding, or PPP....or combination

Proposed business model 2

Demand side

Supply side

Awareness
raising/dissemination

Facilitating/broking

Gap funding

Public provision/PPP

Business model 2 Evaluation

Components of business model	High	Medium	Low
Helps satellite industry raise funds to invest			
Stimulates customer demand and ability to pay			
Satisfies state aid/competition policy			
Enables member states/regions to raise funds			
Optimal geography			
Timing			

Proposed business Model 3

- What service level
 - = Current generation satellite, next gen or both?
- What geography
 - = group of similar local areas, one whole member state, group of member states, whole EU
- What measures
 - = Demand-side – light touch, gap funding or PPP..or combination
 - = Supply side measures - light touch, gap funding, or PPP....or combination

Proposed business model 3

Demand side

Supply side

Awareness
raising/dissemination

Facilitating/broking

Gap funding

Public provision/PPP

Business model 3 Evaluation

Components of business model	High	Medium	Low
Helps satellite industry raise funds to invest			
Stimulates customer demand and ability to pay			
Satisfies state aid/competition policy			
Enables member states/regions to raise funds			
Optimal geography			
Other??			

An example business model
we worked up before

Proposed Business Model 1

- What service level
 - = Current generation satellite, **next gen** or both?
- What geography
 - = group of similar local areas, one whole member state, group of member states, **whole EU**
- What measures
 - = Demand-side – **light touch**, **gap funding** or PPP..or combination
 - = Supply side measures - light touch, gap funding, or **PPP**....or combination

Proposed business model 3

	Demand side	Supply side
Awareness raising/dissemination	Raise awareness of satellite bb, raise awareness of benefits, provision of IT literacy and user skills, strengthen local IT cluster – multi-channel bespoke for needs of each community	Raise awareness of resellers
Facilitating/broking	No aggregation	This workshop followed by subsequent discussions to bring key investors in PP together
Gap funding	100% installation costs, no tariff subsidy – white areas only	No gap funding as infringes state aid/ competition policy because satellite cannot be restricted to white areas
Public provision/PPP	Participating member states bundle public sector connectivity in white areas into 3-year contract	Both satellite manufacturers (25%) + all participating member states (25% -MIP) + EIB (50%)

Business model 3 Evaluation

Components of business model	High	Medium	Low
Helps satellite industry raise funds to invest		X	
Stimulates customer demand and ability to pay	X		
Satisfies state aid/competition policy	X		
Enables member states/regions to raise funds	X		
Optimal geography	X		
Other??			