

SABER draft deliverable D2.2 “Early Guidelines on Satellite Services Procurement”

Disclaimer:

This is a draft document and an iterative process is being used to evolve the deliverable.

This document, as an early draft prepared by the satellite industry, is intended to provide a starting point for feedbacks, as well as for discussions during the workshop on 23 April in Brussels, in order to explore the views of all SABER partners and external stakeholders.

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1. Introduction

Thanks to the recent introduction of new, accessible and affordable, pan-european satellite broadband services, satellite solutions are gaining an important role to tackle the digital divide in the EU, because of two main reasons:

- The cost of providing a broadband connection is fixed and not dependent on the geographic location of the user or their distance from nearby infrastructure. For this reason, in some areas (e.g. areas with scattered un-served users), satellite is the most cost-effective solution.
- Broadband satellite solutions can be deployed immediately.

In consideration of their lack of know-how in satellite broadband (namely in terms of the performance indicators which are somehow different with respect to terrestrial wired and wireless solutions), more and more the Member States need clear guiding principles and rules on how to procure and deploy satellite broadband access (using grants for subsidising the on-site supply, installation and activation of an user terminal) in compliance with EU funds and state aid legislation.

Therefore the main scope of these guidelines is to provide Public Authorities (PAs) with technical and administrative guidance (hereinafter ‘the Guidelines’) to define tools for financing satellite broadband access and to allow the deployment and management of satellite broadband services with public (EU, national, regional, etc.) funds.

The Guidelines could be used to integrate the “Regional guidelines concerning EU broadband investments in the context of ERDF and EARDF” currently being updated by DG CONNECT and DG REGIO.

The document was mainly elaborated with reference to the “COUNCIL REGULATION (EC) No 473/2009 of 25 May 2009” whose Annex III specifically recognises the eligibility of the expenses for satellite broadband user ground equipment among the types of operations for broadband infrastructures in rural areas.

The proposed solutions are based on best practices and case studies implemented in various EU Member States (see references in annex 1) and the EU Guide to Broadband investment (Analysys-Mason 2011).

2. Planning the implementation of the Satellite Broadband Access Scheme

According to the “Communication from the Commission- Community Guidelines for the application of State aid rules in relation to rapid deployment of broadband networks”, “Member States should clearly identify which geographic areas will be covered by the support measure in question” through a detailed mapping exercise and a consultation exercise to “ensure accordingly not only a high degree of transparency but serve also as an essential tool for defining the existence of ‘white’, ‘grey’ and ‘black’ zones”.

Once the public consultation stage is over, and the subsequent updated mapping of the digital divide and the infrastructural deficit in the white rural areas of the regions are completed, the different individual areas subject to different network actions can be defined, preferably on the basis of a cost-benefit analysis of the various solutions for broadband connectivity. The cost-benefit analysis includes an objective investigation to identify the technical solutions that have the greatest capability to provide broadband connectivity in each of target area, as well as the lowest cost per active premises, in order to obtain focused tender procedures with the minimum necessary amount of aid, and consequently ensure a more effective and efficient

result of the subsidy.¹

The Satellite Broadband Access Scheme (hereafter the “Scheme”) consists of financing of users' access (e.g. supply of a modem and an antenna including installation) for citizens residing in areas where morphologic conditions make either impractical or not cost-effective the set up of terrestrial or other wireless facilities within a defined timeframe.

The Scheme is justified by the need to provide to everyone the same conditions of access to broadband in accordance with the provisions in the Communication from the Commission COM (2010) 245 "A Digital Agenda for Europe" which "*defines the aim of providing basic broadband to all European citizens by 2013.*"

SUMMARY OF THE GUIDELINES FOR ACTIVITIES AND SOLUTIONS TO IMPLEMENT THE SATELLITE BROADBAND ACCESS SCHEME

For the implementation of the Scheme, the PAs (Public Authorities) can choose between two different solutions:

“Multi Provider Approach (MPA)”

This refers to a fast and simple approach based on a call-off procedure for the pre-selection of satellite broadband resellers (service providers) that meet economic and technical criteria requested to provide high-quality broadband access services within the scope of the Scheme. The pre-selected resellers are the beneficiaries of the Scheme; the eligible end-user, who is the final recipient of the scheme, can choose among them the one which will be in charge of supplying, installing and activating on site a subsidised user access ground equipment.

“Single Provider Approach (SPA)”

This refers to the traditional approach based on a call for tender, intended to select the best economic operator among the applicant satellite broadband resellers (service providers). The awarded reseller, beneficiary of the Scheme, will be in charge of supplying, installing and activating on site a subsidised access ground equipment to the end-user, who is the final recipient of the Scheme;

¹ See for instance Commission Decision N222/2006 – Italy, Aid to bridge the digital divide in Sardinia.

2.1. Implementation methods

The Public Administrations (PAs) may implement the Satellite Broadband Access Scheme by means of two different solutions: the Multi Provider Approach “MPA” and the Single Provider Approach “SPA”.

2.1.1. “MPA”: selection of Approved Economic Operators through a call-off procedure

This solution, called Multi provider approach or “MPA” minimizes the lengthy administrative procedures typical of the preparation and management of calls for tender and allows the final recipients to choose the best suitable satellite broadband solution on the market.

The selection of the satellite broadband resellers (service providers), which are the beneficiaries of the Scheme, is done through a call-off procedure. In fact, as the Scheme entails the financing of users' access, they somehow act as intermediaries between the PAs managing the funds and the end-users eligible.

How does the Call-off procedure work?

The PAs identify qualitative selection criteria for the creation of a list of approved economic operators (among satellite broadband resellers) that can provide broadband access services within the scope of the Scheme, though the on-site supply and installation of the user equipment.

In the case of Schemes intended to achieve the 2013 DAE Target, it is recommended that eligible economic operators meet among others the following qualitative criteria:

- Availability of 2-way telecommunications services via satellite with speed of at least:
 - 6 Mbps in download and 2 Mbps in upload, throughout the entire territory covered by the measure.
 - Global traffic volume allowance (download+upload) of at least 3 GB/month
 - Availability of residual connectivity at no cost for the end-user, possibly with reduced performance, when reaching the maximum volume allowance..

Economic operators must provide at least the following information, to be included in the list:

- The company's data and contact details;
- A statement confirming they meet the general and specific eligibility requirements (i.e.: specific General Authorization from the Competent Authority and registration in the Communications Operators Registry if available or something equivalent), to ensure that the economic operators is fully entitled to provide the service.
- Availability of 2-way telecommunications services via satellite with capacity of at least 2 Mb/download (throughout the entire territory covered by the measure);

- The description of the actual services proposed on the market, including at least:
 - download and upload connection speed
 - traffic management policies
 - service subscription prices, including VAT, and excluding any temporary special offers

The aforementioned notice, that when required has to be published in the Official Journal of the PA in charge of the Scheme, must also include the following information:

- The purpose of the list of approved economic operators (pre-selected satellite broadband resellers / service providers).
- Link to the website of the authorities where a copy of the application form can be downloaded.
- The list of documents needed to prove that the requirements of the call are met by the participants.
- The address where the application must be sent to.
- Contact details of the person in charge of the subscription procedure.

Once the list of approved economic operators is established, PAs and the operators will sign an agreement to manage the relationship for the reporting and monitoring system of the individual transactions in accordance with the rules approved within the relevant legislation (i.e. OP, law, rules and regulations, etc.)

Voucher for the final recipient (end-user)

This solution provides financial aid in the form of a voucher to procure and put into service an antenna and modem for internet access for residents in areas where the Scheme is implemented. Each voucher will have serial number identification and will be equivalent to the total cost for the on-site supply, installation and activation of a user terminal.

The issue of vouchers will be electronically managed and controlled by the PAs, taking into account the coverage of the selected area. Each voucher can only be issued as a pre-filled form with information identifying the end-user (final recipient) Then the end user has to include the relevant operator chosen within the list of pre-selected approved operators . This information must also be indicated in the voucher request, which may be carried out either by the end-user or the operator.

The end user (final recipient) has to provide a declaration that assures he/she meets the eligibility criteria defined by the Scheme.

It is suggested that the validity of the voucher is limited to 120 (one-hundred-twenty) days from the date of issue, i.e. each voucher has to be presented for obtaining the financial aid within 120 (one-hundred-twenty) days from the date of issue. This system allows the authorities to obtain effective reimbursement of the aid if the access service is not provided, whether due to the end-user changing his/her mind or any other reason.

The final recipient using the voucher must acknowledge the on-site supply, installation and activation of its subsidized terminal by filling-in the form provided by the PAs for such

purpose and giving it to the selected operator together with the subscription to the broadband internet access service.

As a result of regular reporting provided by the approved operators to the PAs, the financial aid will ensure reimbursement of the costs incurred by the operators for the procurement, installation and activation of the equipment by the end-user.

The final recipients can be households as well as PAs and SMEs.

2.1.2. “SPA”: call for tender for selecting a Supplier

If, for any reason, the “MPA” is not viable, the PAs may alternatively decide to launch a call for tender, in accordance with applicable rules and principles, to select a single economic operator (in a Single Provider Approach or “SPA”) that will provide broadband access to the eligible end-users and activate the user access through the on-site supply and installation of the user access ground equipment.

The technical specifications for the bidding conditions will be determined by the contracting authority, taking into account the specific technology of services via satellite and the service features available on the market. To discriminate the quality of the tenders answering the call, it is advisable to identify, in the bids, the following elements:

- The maximum download and upload connection speed for each service level;
- Expected contractual traffic volumes on a monthly basis for each service level;
- Rate system for the "always-on" service, i.e. maintenance of residual connectivity, with possibly reduced performance, at no cost for the end-user, even after reaching the maximum expected traffic volume on a monthly basis.

In general, the performance and quality criteria described for the “MAP” are also applicable in the case of the “SPA”

The assessment criteria for the bids must take into account, with the relative weights determined by tender regulations, at least the first two criteria above, the price of the equipment inclusive of on-site test, the user fees on a monthly basis, including VAT for each service level and any additional options for features that may be included.

In order to minimize the amount of aid required, the notice must also specify the estimated number of users (estimated on the basis of mapping), even if this shall not bind the PA to buy a minimum quantity of equipment.

2.2. The financial management

For both the MPA and the SPA approaches, the applications for aid and payment by the end-users (final recipients) must be submitted through the supplier included in the list of approved economic operator drawn up by the regional authorities after the public notice has been published, and then selected by the end user to provide him/her the broadband access, (in the case of MPA), or the supplier which has been awarded the contract through a tender process (in the case of SPA).

In the specific case of the SPA, the economic operators, before proceeding with the on-site supply and installation of the user access ground equipment, has to check with the Certification authority the effective availability of funds.

In consideration of the high number of final recipients, and in order to assure the regularity of the financial management of each Scheme, payments to the suppliers will only be made on the basis of regular reports submitted by the operator (beneficiary) to the Certification authority, including, in addition to the exact number of users that have been provided with connecting terminals at no expense, the following details for each end-user (final recipient):

- User identification code
- MAC address (Media Access Control)
- A statement of delivery, installation and activation having been carried out for the user equipment, object of the aid, including the delivery address
- References to the Internet access agreement with the operator for a term of at least 24 months

The PAs will monitor the implementation of this part of the Scheme and will ensure the aid is reimbursed in the event of non-compliance by the operator.

2.3. The Audit System

Considering the high number of end-user, it is strongly suggested to proceed firstly auditing the intermediate and indirect beneficiary and, where errors and irregularities do occur, the final recipients. This will facilitate the regularity of the audit activities and ensure that the relevant management and control systems are functioning effectively to prevent errors and irregularities,

This will also prevent excessive travelling time during the audit and consequent high cost for the PAs.

Both MPA and SPA need to be compliant with the State Aid rules.

In case of “De Minimis” application², the PA asks a declaration from the end user (SMEs) as to the amount of the Aid received (ceiling at EUR 200 000 per undertaking granted over any period of three fiscal years)

The following information must be provided from the selected beneficiary to the PAs in charge of the Scheme:

General:

- The start-up procedures - the baseline or the alternative solution - and their results;
- Information on the technological features of the solutions financed;
- The number of users who receive Internet access equipment;
- Any further information that may be required to be sent to the Competent Audit Authority to draw up the annual report on allotment of the aid in question.

Regarding the main data useful for compiling specific information, the following data must be provided for each transaction financed:

- A statement of delivery, installation and activation having been carried out for the user equipment, object of the aid, including the delivery address.
- References to the Internet access agreement with the operator for a term of at least 24 months or the term compatible with the subsidy
- Identification Number of the voucher related to the aid granted (for MPA);
- The financial features, accounts and procedures for the transactions, including all the elements necessary to check that the installation has been successfully completed (e.g.: communication, the satellite operator must ensure that the user identification code and reported MAC address devices have been connected);

In case of uncertainty of the Audit Authority on the beneficiary report, before checking the regularity with the final recipient, a double check on the effectiveness of the Scheme can be done directly through the satellite operator that provides the service to the specific final recipient.

²

3. Annex

EU Member States case studies website list

Ireland:

<http://www.dcenr.gov.ie/Communications/Communications+Development/National+Broadband+Schem e.htm>

Devon and Somerset County Councils (UK):

<http://www.connectingdevonandsomerset.co.uk/the-rural-connection/>

Wales (UK):

Public Administration website:

<http://wales.gov.uk/topics/businessandeconomy/broadbandandict/broadband/bbss/?lang=en>

Satellite Distributor website: <http://www.avonlinebroadband.co.uk/wales/> /

Auvergne (France):

http://ec.europa.eu/regional_policy/projects/stories/details_new.cfm?

[pay=FR&the=45&sto=1865&lan=7®ion=ALL&obj=ALL&per=2&defL=en](http://ec.europa.eu/regional_policy/projects/stories/details_new.cfm?pay=FR&the=45&sto=1865&lan=7®ion=ALL&obj=ALL&per=2&defL=en)

<http://www.auvergnehautdebit.fr/>

Satellite Distributor Website: <http://offres.numeo.fr/>

(Click as example on n°63 – Puy-de-Dome department to see conditions.)

Spain:

<http://www.cantabriaenred.com/aisla2/index.php>