

# STUDY

April 2005

## PUBLIC INTERVENTION in BROADBAND MARKETS

**SPAIN**

**Ens Gestor project**

---

*Study conducted by the research firm Cabinet Analysys  
on behalf of l'Autorité de régulation des télécommunications  
and Caisse des Dépôts et Consignations*



## NOTICE

*Autorité de régulation des télécommunications* (ART) and *Caisse des Dépôts et Consignations* (CDC) have called on the firm Cabinet Analysys to conduct a study on the project “Ens Gestor”.

The study will be made public in a concern for transparency and information.

The study's conclusions are the sole responsibility of the firm and do reflect in any way the opinions of ART or of CDC

## **Ens Gestor**

Ens Gestor is a project that aims to develop a regional fibre network in Catalonia to link the region's population centres with Barcelona. The project is at an early stage of development and operations are expected to commence in 2005.

### ***Background information***

#### **► *Strategic rationale***

The rationale for the project is to develop a future-proof network in Catalonia. It is perceived that the private sector does not have an interest in developing this type of infrastructure as costs would be high and the operators do not invest at the level expected. Officials involved in the project believe that telecoms network infrastructure (ducts and cables in particular) is a natural asset for the public sector to own (even if not necessarily to operate).

#### **► *Strategic objectives***

The main objective of the project is to promote and allow the delivery of advanced broadband services to all citizens and businesses of Catalonia; fostering the final operators to do it. This is perceived as imperative in the context of the region remaining competitive in Europe.

#### **► *Project framework***

The project framework is still being defined, but it is expected that the public sector will build the network infrastructure, and that it will remain under public sector ownership. A second strand for the project which is also being proposed is to amend the law to require all public services companies to install the relevant ducting infrastructure required to reach the customer premises with fibre when they are constructing any public infrastructure. This is expected to result in a widespread coverage of the region in about 15 years.

### ***Description of selected solution***

#### **► *Private sector role***

Because the network is expected to be built by the public sector there is a limited role for the private sector in this project. It is expected that the organisation that will ultimately manage the network could be private.

For this project, the government of Catalonia expects to negotiate with private sector companies owning other type of infrastructure in the region the rights of way on their duct infrastructure.

#### **► *Business model***

The business plan for this project is still being finalised but current thinking suggest that the required investment will be approximately EUR-50 million per year for four years. The expected internal rate of return more than 7% over 25 years. The risk is expected to be minimised by covering the largest populations first, where there is already proven demand for broadband services.

#### **► *Role of government agencies***

The two organisations involved in this project are the Generalitat de Catalunya, the regional government of Catalonia through the Centre de Telecomunicacions i Tecnologies de la Informació, and Localret, a consortium of 800 municipalities in Catalonia established to promote telecoms in the region. The two organisations are finalising the creation of a limited liability company to manage this project and promote broadband in Catalonia. The shareholding structure of the company has not yet been decided.

The regional government of Catalonia has the necessary powers to develop this project without any approval or intervention from central government in Madrid.

#### **► *Financial requirements***

The network is expected to be funded with public debt. Application for EC funds is being considered, but it is not the first option.

► *Economic and technical specifications*

Once the network is constructed, it will be managed by the limited liability company created by the Generalitat and Localret strictly as an operator neutral network and providing open access to all interested parties. The plan is to avoid putting switches in the network and provide only dark fibre services in the first stage.

It is expected that the fibre links will carry traffic for the public administrations as well.

It is anticipated that prices for services will be related to cost. Tariffs are to be set in relation to cost and not to distance. The plan is also to set prices by area. The bigger the area that is contracted, the lowest the price per unit to be paid.

► *Project design*

The plan is to start using the infrastructure that is already owned by the Generalitat. The regional railway company (Ferrocarriles de la Generalitat), for example, is a public company owned by the Generalitat which will provide access to ducts and rights of way along the railway lines to build the network.

It is also expected that the big companies located in the region will agree to provide rights of way or to use their duct infrastructure. For example, Gas Natural has a long distance network that is mostly empty and the project team is looking to see if it is possible to share the company's telecoms infrastructure for this project.

The regional fibre network is expected to be complemented by pilots with alternative technologies for local access such as WiFi, WiMAX and PLC.

► *Regulatory and legal issues*

The plan is to start the project with a low profile, in particular deploying the backbone to the medium population centres in the region and initially helping the operators to deploy their networks and services.

Other legal requirements such as compliance with all EC regulations are being considered.

### ***Impacts and feedback on implementation***

There is no information to report as the project has yet to be launched.