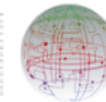


Multiple Framework Contract for the Support to Structural Reforms in EU Member States

Support for Broadband Competence Office (BCO) structuring and for broadband Projects

Expansion of Very High-Capacity Networks in underserved areas

July 5, 2023



DEPARTMENT OF ELECTRONIC COMMUNICATIONS
DEPUTY MINISTER OF RESEARCH, INNOVATION AND DIGITAL POLICY



Table of Contents

1	Introduction	03
2	Focus on investment details & GBER requirements	06
3	Selection Process & Tender documents contents	12
4	Progress and Next Steps	18

1

Introduction

Introduction

Objectives of the Investment

The Investment 1 aims to:

- ✓ Improve connectivity in areas of Cyprus where there is no private interest
- ✓ Accelerate deployment of ultrafast access infrastructures (VHCN) in these areas
- ✓ Address territorial disparities and market failure of broadband availability



The budget of the Investment is **35,000,000 EUR**, entirely made available through the RRF.



Disbursement of the aid to the selected beneficiaries will be possible until **December 2025**, as foreseen under the RRF targets.



It is expected that at least **44,000 premises** in underserved areas (lots) will be covered by ultrafast access networks.

Objective and main parts of the Investment Intervention Model and Types of Interventions

The implementation of the Investment will follow a **Private DBO (Design, Build and Operate) – Gap Funding model**. The Contractor will undertake the design, construction, and operation of the network, as well as part of the financing and the public sector will cover the funding gap with a grant.

The scheme will support investments in ultrafast access infrastructures in underserved areas of Cyprus through two types of interventions:

Type A investments



Ultrafast fixed access networks providing at least **300 Mbps download speed**



upgradable to 1 Gbps download speed



located in areas where no networks providing 100 Mbps download connectivity are currently present or planned by 2025

Type B investments



Ultrafast fixed access networks to provide **1 Gbps symmetrical speeds to SEDs**, hospitals and buildings housing government agencies,



in areas where 300 Mbps download speeds at peak time conditions are not available or planned by 2025.



2

Focus on investment details & GBER requirements

Focus on investment details & GBER requirements

Calculation of the funding gap

The implementation of the investments will follow a **Private DBO (Design, Build and Operate) – Gap Funding model**.

‘Funding gap’ refers to the difference between investment costs and expected profits for private investors.

In order to assist the Providers who will submit a proposal to the tender procedure an excel template has been developed indicating the information that are required.

Template guidance	
General	Information/input is to be provided in the cells highlighted in BLUE. Built-in formulas and links are indicated in ORANGE. Cells highlighted in RED, where the formulae are to be provided by companies.
Tab "Project with State aid" Depreciation period - infrastructure	The depreciation period for infrastructure is fixed at 20 years. The depreciation of infrastructure is calculated automatically.
Tab "Project with State aid" Depreciation period - equipment	Introduce the depreciation period for equipment. The depreciation of equipment is calculated automatically.
Tab "Project with State aid" WACC	Introduce the project WACC, either using the predefined value of 7.71% or calculating the internal company WACC (based on the template in the WACC tab).
Tab "Project with State aid"	During the investment phase, the depreciation is shown in the depreciation rows (15 and 19) only in the investment years, irrespective of how long the depreciation lasts for. Once the investment phase is over, any remaining depreciation belonging to this phase is then added on to the commercialization depreciation and the investment depreciation rows are left empty.
Tab "Project with State aid"	For commercialization, the depreciation is shown in rows 36 and 40 and captures the depreciation belonging to the commercialization phase, as well as any remaining depreciation from the first phase.
Tab "Project with State aid"	Terminal value is calculated by default using the terminal value of book assets methodology.
Tab "Project with State aid"	SG&A (selling, general and administrative expenses) are the sum based on CoS for all administrative costs (efforts for marketing and sales, IT, Finance and all other administrative efforts)

Company:	
Project:	Investment 1 into VHCN Cyprus
Date:	3/7/2023
Version:	1
Premises	
Start year	2023
Depreciation periods	
→ Depreciation of equipment (years)	8
→ Depreciation of infrastructure (years)	20
WACC (weighted average cost of capital)	7.71%

	unit	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Investment phase																
a) Feasibility studies, costs of obtaining the permissions required	Mil Eur															
b) Costs of equipment	Mil Eur															
→ Depreciation of equipment	Mil Eur															
c) Costs of acquisition / construction of infrastructure	Mil Eur															
→ Depreciation of infrastructure	Mil Eur															
d) Costs of materials / supplies / utilities (electricity etc)	Mil Eur															
e) Personnel / administrative costs including overheads	Mil Eur															
f) Other costs / access costs / yield loss	Mil Eur															
Commercialization phase																



Information/input is to be provided by the bidders is indicated -color highlighted- and relevant instructions are given in the guidance sheet. Built-in formulas and links have also been included so that some required fields to be calculated automatically.

Focus on investment details & GBER requirements

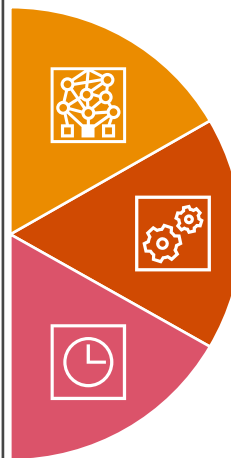
Offering of wholesale access products

For the fixed access networks subsidized (investment types A and B), at least the following products should be made available:

- bit-stream access
- virtual unbundled access ('VULA'),
- access to street cabinets, poles/masts/towers, ducts
- dark fibre (if technically possible)
- full physical unbundling (for type B investment)

Project funding applications must contain all conditions for the provision of wholesale access.

For each wholesale access product the technical specifications describe:



- The part of the network that it should be offered
- The technical characteristics of the service and further requirements
- The minimum duration of the service

Note: The requirement regarding the concentration of traffic from the lots into one or more central POPs has been updated based on the comments received by the Providers.

“The existing PoPs of the Providers that may be located in other areas of Cyprus can be used, only in case that there can be an accounting separation of the profits that come from the subsidized network and other networks interconnected with the specific PoP”.

Focus on investment details & GBER requirements

Claw-back mechanism



GBER requirement, Article 52(9)

Member States shall put in place a monitoring and claw-back mechanism if the amount of aid granted to the project exceeds EUR 10 million.

Design of Investment 1

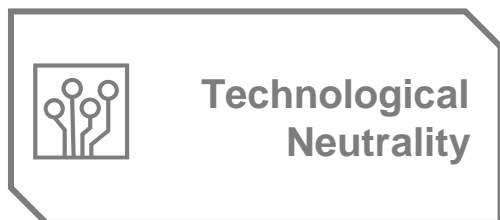
- ✓ Aid beneficiaries will have to refund the **unexpected gains which exceed an increase of 30% as compared to the gains calculated for the funding gap** in the project proposal phase.
- ✓ The Cypriot authorities will monitor the existence of unexpected gains **every two years, starting from year 5 after contract signature** up until the end of the lifetime of the infrastructure (20 years).
- ✓ For each calendar year the aid beneficiary will have to submit the final balance of costs and profits deriving from the Infrastructure and every two years the template (see below) provided in the tender dossier.

Template guidance	
General	Information/input is to be provided in the cells highlighted in BLUE . Built-in formulas and links are indicated in ORANGE .
WACC	Input WACC used in the Funding model Excel, cell D12
Aid intensity	Input aid intensity
Projected cashflow, C. Terminal value all investments	Insert value from cell AA73 from the Funding Gap calculation
Real cashflow, Total costs	Calculate real total costs of the project using the same methodology and cost categories used for the projected Funding model
Real cashflow, Project sales / revenue	Calculate real sales / revenue of the project using the same methodology and revenue categories used for the projected Funding model
Real cashflow, C. Terminal value all investments	Calculate the real terminal value of all investments using the same methodology in the Funding model

PROJECTED CASHFLOW														
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
A. Discounted cashflow														
B. Discounted terminal value all investments														
DNRp = discounted net result (projected)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REAL CASHFLOW														
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
C. Operating costs during commercialization phase														
Total costs														
Discounted operating costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Sales / revenue														
Project real sales / revenue														
Discounted operating sales / revenue														
E. Terminal value all investments														
Discounted residual value														
DNRr = discounted net result (real)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Focus on investment details & GBER requirements

Technological and Environmental neutrality



GBER requirement

The aid shall be allocated to providers of electronic communications networks and services [...] in line with the principles of public procurement rules and **respecting the principle of technology neutrality.**

Scheme's design

The measure **will not favour or exclude any particular technology**, both in the selection of beneficiaries and in the provision of wholesale access.



RRP requirement

In all measures included in Component 4.1 of CY RRP that foresee construction works and purchase of new equipment, machinery, vehicles etc., all procurement procedures will require **compliance with the Do No Significant Harm (DNSH) principle.**

Scheme's design

The scheme also includes a requirement for complying with the **Do No Significant Harm (DNSH) principle** as regards the construction works and purchase of new equipment, machinery, vehicles etc. required for the subsidised network.

In order to limit the negative environmental effects, the granting authority encourages **the re-use of existing public and private infrastructures** for deployment of subsidized networks.

Focus on investment details & GBER requirements

Changes under the updated GBER

This scheme has been designed in accordance with the provisions of the General Block Exemption Regulation 651/2014 as last amended in July 2021. On 9th March 2023, the Commission endorsed a revised version of the GBER, which resulted in the following changes in the Investment's design:



1. Investments in passive infrastructure

The new GBER requires that **at least 70% of total investment** into passive broadband infrastructure.



2. Wholesale access

The new GBER requires that “*network shall not only provide access to at least three access seekers but shall also **make available at least 50% of the capacity to access seekers***”.

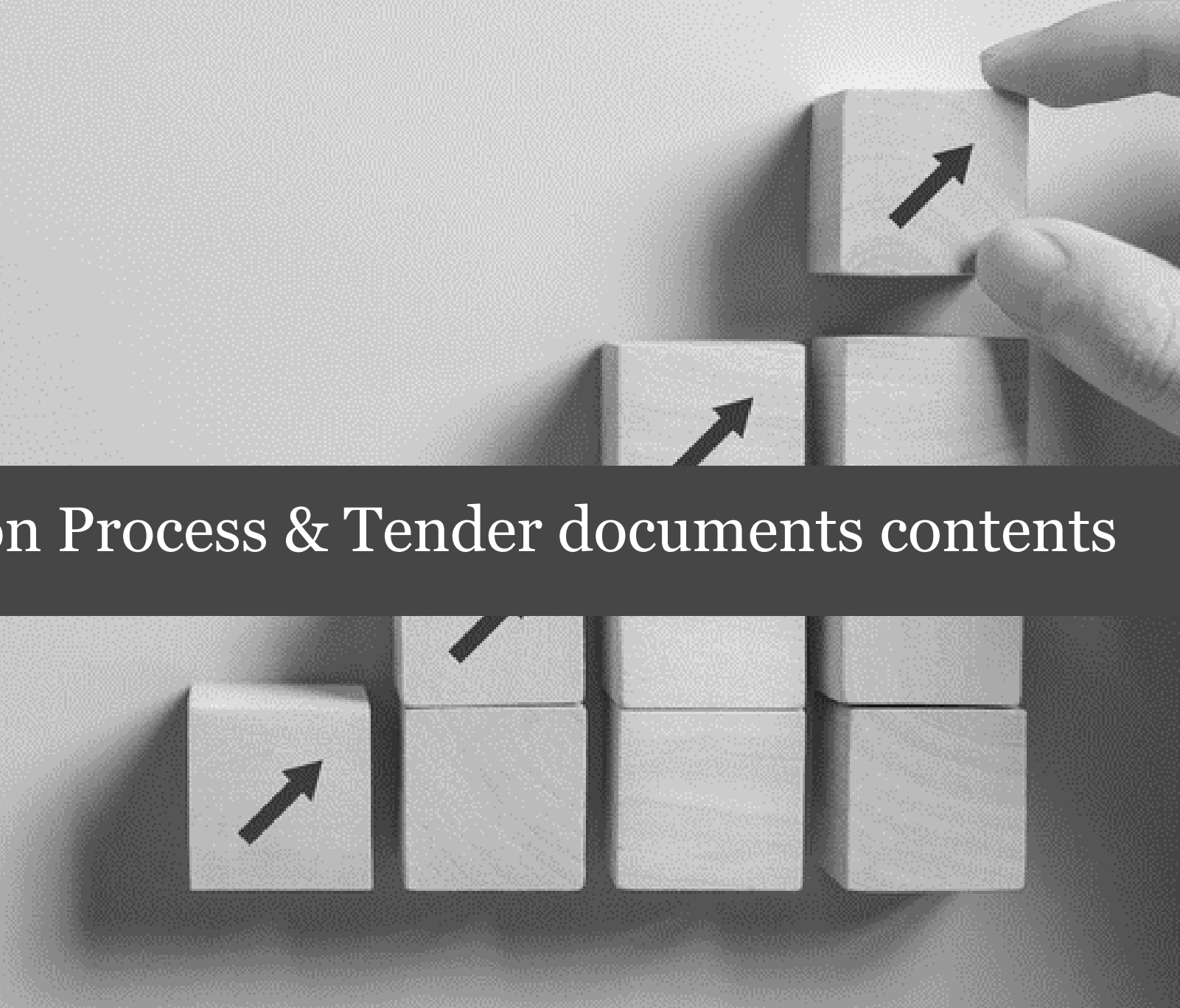


3. Wholesale access pricing

The new GBER requires that the **wholesale access price has to be given to tenderers as part of the tender documentation**, according to the Member State's National Regulatory Authority regulated wholesale prices.

3

Selection Process & Tender documents contents



Selection Process

Tender documents contents

Details

- ✓ **Open selection process for all telecom operators** in Cyprus
- ✓ In line with public procurement processes
- ✓ The infrastructure built will **be in the property of the undertaking** that receives funding following the competitive selection procedure

01

Part A: Guidelines for Economic Operators

This part will include details for the investment, the bidding and awarding process.

02

Part B: Terms of Contact

This part will include both the general and specific Contract terms for design, construction and maintenance of the scheme.

03

Part C: Technical Specifications

This part will offer a detailed description of the minimum performance and technical requirements of the subsidised network.

04

Part D: Mapping of Intervention Areas

This part will include the mapping of the three lots in which the territory of Cyprus will be divided for the implementation of the scheme and all supportive available data.

Tender Documents Contents

Part A: Guidelines for Economic Operators

The first part of the tender documents provides details on:



Details on the procedure (e.g. definitions, deadlines)



Applicable Legislation



Eligibility Criteria



Preparation and submission of bids



Bidding and Selection Procedure



Closure of the tender process and signature of Contracts

It is also accompanied by the following Annexes, which provide the interested entities with the templates they need for the structure of their proposal:

1. Technical Offer
2. Annex of Contract
3. Letter guaranteeing Bidder's Participation
4. Declaration Certifying the Bidder's Personal Situation
5. Certificate for Protection of Workers
6. Financial and Technical Capacity (of the Bidder)
7. List of Contractor's Certificates
8. Letter guaranteeing Contract Performance
9. Letter guaranteeing Advance Payment
10. Agreement
11. List of Bidder Details
12. Financial Offer
13. Analysis of the Financial Offer
14. Declaration of Other Bodies
15. Letter guaranteeing Faithful Execution for the Operation and Maintenance of the Project
16. Data for the technical offer
17. Evaluation criteria
18. Declaration for EU Regulation AP 833_2014

Tender Documents Contents

Part B: Terms of Contract

The General Terms of Contract include all the details that will be imposed during the Investment implementation. Among others, they determine:

- The responsibilities of the Contractor
- The responsibilities of the Contracting Authority
- The terms regarding labor and technical equipment
- The payment system (and its timing)
- The steps that need to be followed in case of an amendment of Contract

General Terms of Contract



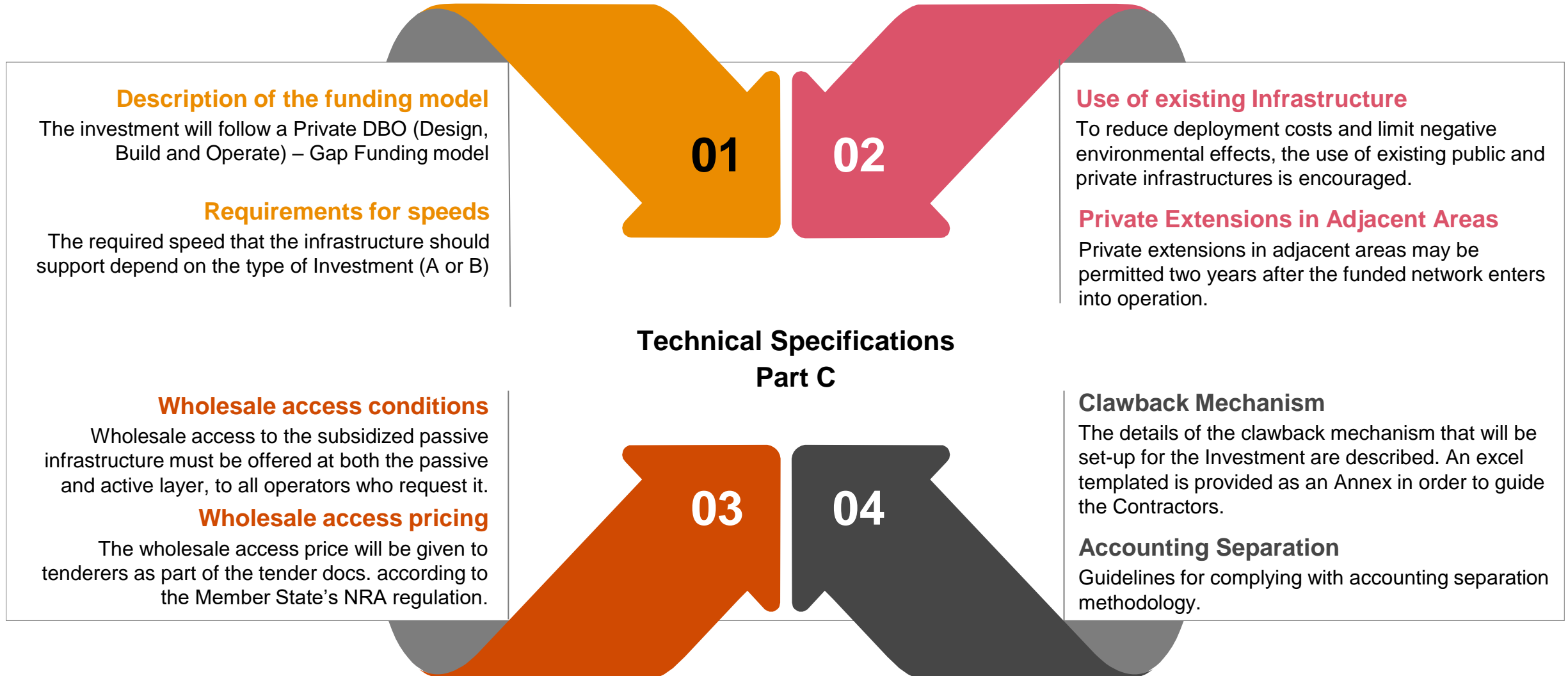
Specific Terms of Contract

The Specific Terms of Contract have been drafted in order to indicate specialised provisions and differentiations from the General terms that refer in particular to Investment 1.

Required terms imposed by the RRF CY or EU legislation have been included here.

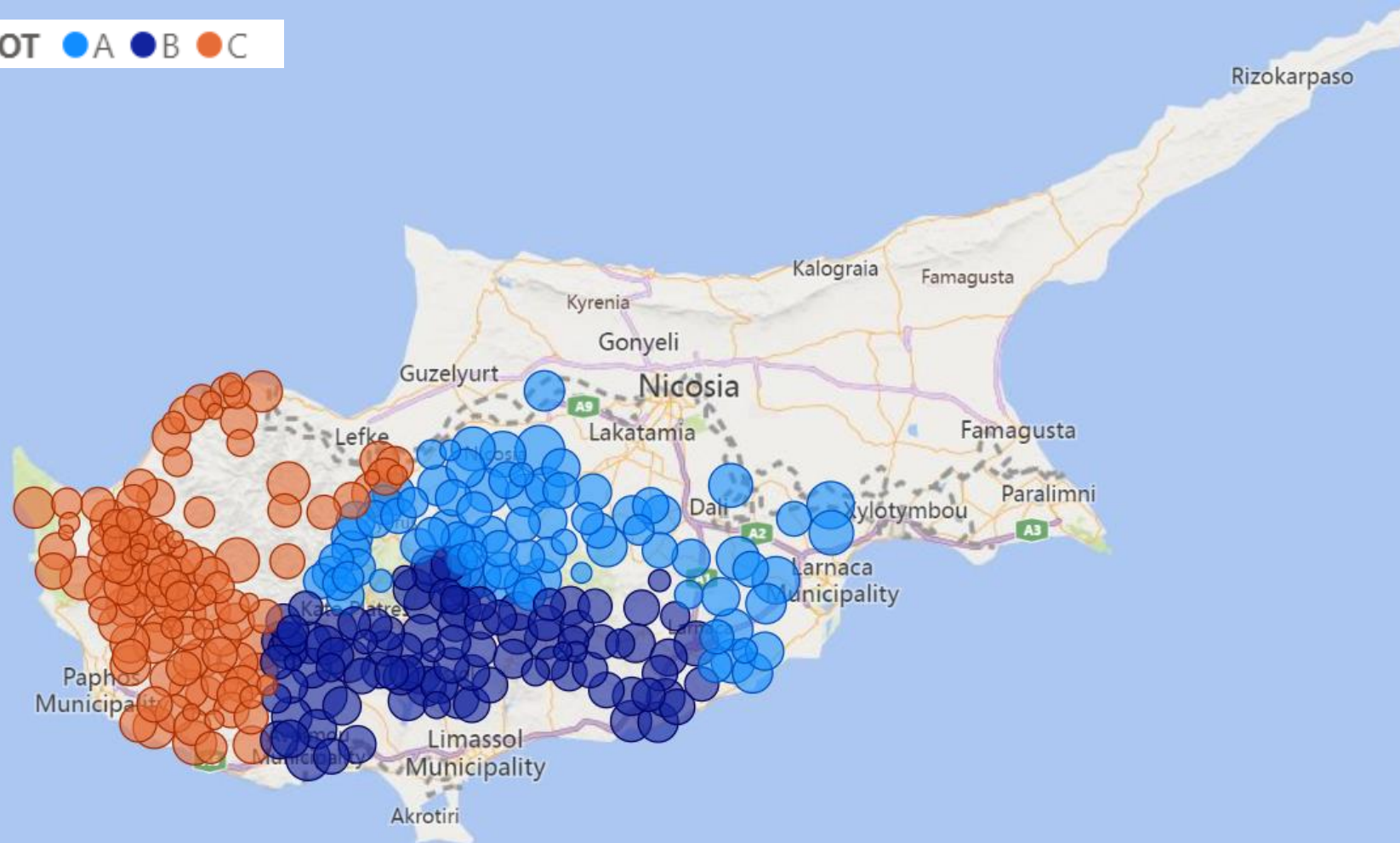
Tender Documents Contents

Part C: Technical Specifications



Tender Documents Contents

Part D: Mapping of Intervention Areas



Data available for each Lot (among others)

- Postal Codes (PC)
- Number of Organised Communities per PC
- Number of Buildings in Inv.1
- Number of Buildings in Inv.1 in Organised Communities
- Average distance from buildings in Organised Communities to the nearest cabinet
- Total population
- Total number of households
- Population Density per PC
- Total number of SEDs per PC

4

Progress and Next Steps

Progress and Next Steps

1. Preparation of the Scheme's Description

The initial description of the scheme has been prepared by the project team in liaison with DEC.



The public Consultation of the measure has been published in July 2022 inviting any potentially interested stakeholders to provide comments.

2. Public Consultation of the measure

3. Make changes to Project description

Adaptations were made based on the results of the public consultation and the updated GBER requirements.



4. Preparation of the tender documents

Present

5. Launch tender procedure



6. Sign contracts with the Contractor of each lot

Thank you

[pwc.com](https://www.pwc.com)

This has been prepared in the context of the project “Support for Broadband Competence Office (BCO) structuring and for broadband Projects”, for the purposes of the coordination meeting. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Business Solutions SA., its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2023 PwC. All rights reserved. “PwC” refers to PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com /structure](https://www.pwc.com/structure) for further details.