**Cyprus**

The application is for obtaining public aid on two distinct markets (according to the Broadband Guidelines of the European Commission in December 2021):

* High Speed (>100 Mbps for download) *Fixed* Broadband,
* High Speed (5GB) *Mobile* Broadband.

For each market, state intervention is needed on both sides of the market:

* Subsidy to the supply side: to extend the network coverage
* Subsidy to the demand side: to increase take-up.

1. **Some data on the current Supply in each market**

**1.1 Market shares**

It is worth noting that in the case of Cyprus, the suppliers on the two markets are the same. In both markets, Cyta (incumbent) has a dominant position. However: (sources: *Communications Committee)*

* On the Fixed Broadband market: in 2017, market shares are distributed among 4 main operators, as follows:

1. Cyta 57.6%,
2. Cablenet 20.8%,
3. Primetel 15.3%,
4. MTN 6.5%.

* On the Mobile Broadband market: the supply side is more of a duopoly between Cyta and MTN, with combined market shares amounting to 90%. More specifically,

1. Cyta 54.4%
2. MTN 36%.
   1. **Network (Fixed Broadband)**

In 2017, around 48% of new entrant subscriptions use Cyta’s infrastructure (the remaining 52% use their own infrastructure). (Source: *Communications Committee*).

*Objective a: provide access to internet connectivity with a download speed of at least 100Mbps (upgradable to 1Gbps) + Gigabit connectivity for SEDs.*

1. Cyta is expected to participate in the procurement process. No other private investor has come forward and shown interest.
2. Target areas are identified with a light green colour on the document *Investment 1.* Number of premises = 42,975; development cost per premises is roughly EUR 1250 per premise (twice more expensive than for premises in urban areas). Estimated funding gap of EUR 27.9 million.

A few comments:

1. Areas where download speed < 30Mbps fall under Article 52(3a) GBER.
2. Areas with only one access network for SEDs (socio-economic drivers) with download speeds between 100 and 300 Mbps fall under article 52(3c).
3. Areas where download speed >100 Mbps do not qualify for deployment for households under the GBER.

**1.3 Network (Mobile Broadband)**

No data made available on the current ownership shares of existing networks.

*Objective b: uninterrupted 5G coverage with download speed > 100Mbps:*

1. Cyta and EPIC have private plans (up to 2025) for extending 5G coverage in Cyprus. The areas that will remain without coverage is large but concern only 21,860 inhabitants. It is in these areas that state aid could help.
2. In the regions concerned by Cyta and EPIC investments, investment is in terms of upgrading radio equipment.

A comment worthy of note:

* Most of the planned intervention areas are already covered by 4G. The intervention therefore does NOT fall under the GBER.

1. **Subsidy on the demand side (based on the recommendations made by the Italian Competition Agency)**

**For Cyprus, for fixed broadband:**

* *Measure*: scheme providing direct subsidies to households (and firms?)
* *Aim:* ensuring that as many households and SEDs as possible get access to effective Internet access connections, which in turn will allow them to access online services with optimal performance.
* *Current data:*

1. demand for fast broadbandservices is low even if increasing. In 2017, FFTH represent only 0.03% of the technology market shares, aggregate technology market shares of DSL and cable above 99%.
2. However, fast broadband are widely accessible but access is very unequal, with full coverage in urban areas vs 60% coverage in rural area. There are currently 42.975 premises without any coverage and that are not targeted by private investments plans.
3. Broadband Price Index of 65, way below the EU average of 87 (for 2017 and 2018).

* *Beneficiaries (supply)* any company that can provide the eligible fast broadband services, **irrespective of the fact that they offer the service using their own network or through wholesale access to the network of other operators**.

*Comment:* hence if Cyta is the only company that invests and receives state aid for extending the network, it should be made clear that Cyta will have to accept (against appropriate and potentially regulated financial compensations) to rent the network to other operators (since the beneficiaries of the voucher will clearly be those people in rural areas; see below).

* *Beneficiaries (demand):* household (firms?) and SDEs for improving their current connectivity.

*Comment:* would be great to have an estimate of the number of beneficiaries.

**General recommendations:**

* The voucher should be a fixed and pre-specified amount (i.e. a lump-sum subsidy) and NOT a percentage of the price of the plan. Otherwise, the scheme would render the demand relatively more inelastic than before the introduction of the scheme; that could give an incentive to operators to increase prices, which would be counter-productive given that prices are already way above the EU average. If the voucher is of a fixed amount, operators will still have the incentive to compete on the economic terms of their respective offers.
* The amount of the voucher could be set as a function of the current average price of plans across operators.
* The amount of the voucher should cover part of the monthly connection fees and activation fees.
* The voucher should be technology neutral to avoid distorting competition and giving an advantage to the operator that owns the particular network.
* The operators should not be required to verify the information related to a subscriber’s eligibility to the voucher scheme. This additional admin costs could discourage operators from proposing the voucher scheme. Information transmitted by subscribers regarding their eligibility should be verified by competent authorities.
* All operators should be eligible, regardless of whether they own the appropriate network or they access the network of another operator. The point being to avoid giving an advantage to the incumbent that owns most of the network.
* Requirements for using the voucher:

1. The voucher should be used to improve the subscriber’s connectivity. Bad idea to make the voucher conditional on a subscription to the highest available speed (as this may give the subscriber the incentive to change plan not because he has a need for it, but just for the sake of using the voucher + would give an advantage to the operator who owns the appropriate network).
2. A subscriber should be allowed to change operator during the validity period of their voucher. If instead subscribers were captive, less incentive on the supply side to decrease prices / be more competitive.