

# GreySky

Procuring Broadband Advantage

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NextGen11

## Introduction

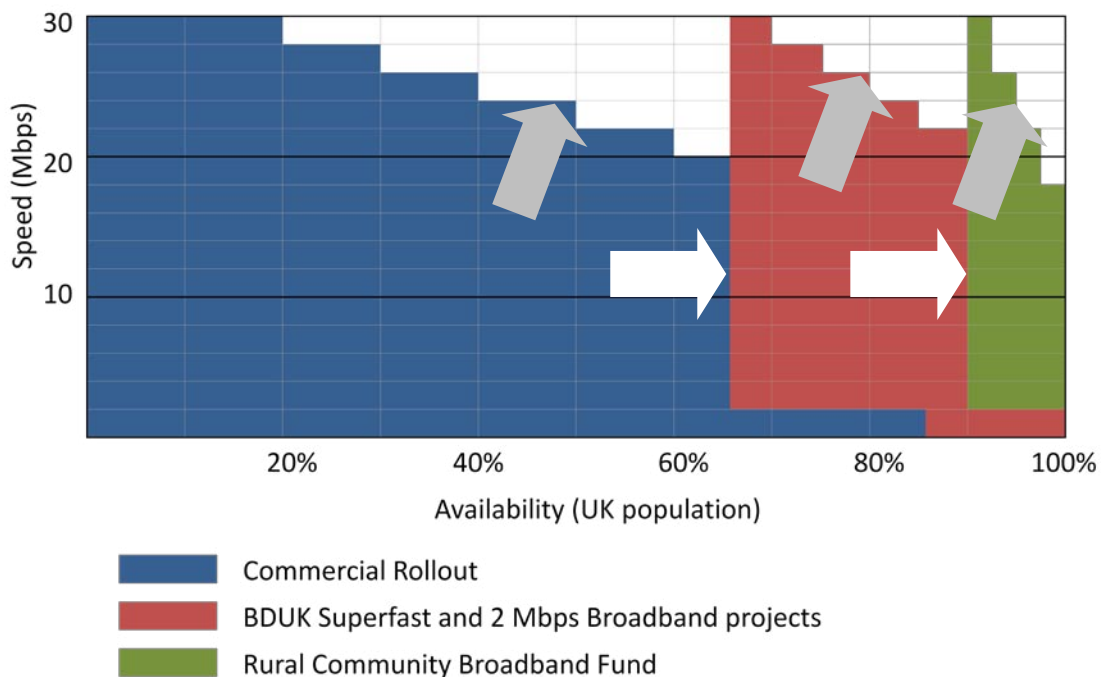
The procurement for the BDUK and Rural Community Broadband Fund frameworks will need to support public sector and European Commission procurement rules, including rules on State aid. Plenty of advice has been written on the mechanics of these procurement rules, so this presentation focuses on the specific issues of getting the best deal for superfast broadband deployments – for councils, communities, and suppliers.

## Frameworks

The different frameworks have different focuses. Commercial rollout is expected to deliver superfast broadband to two-thirds of the UK population – at 15 Mbps or faster, and has delivered basic broadband to 86% already.

BDUK will deliver sfb to 90%, and basic broadband to 100%.

The Rural Community Broadband Fund aims to increase sfb into the final 10%.



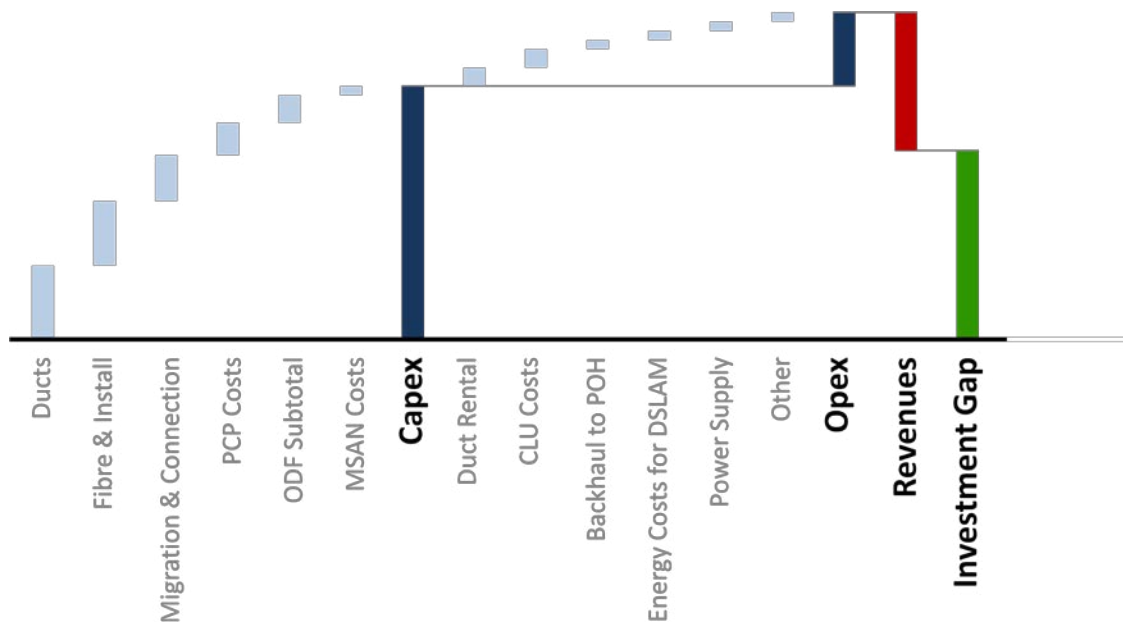
## Challenge

The challenge is to move the lines – increasing the availability and the speed of broadband delivered through the different frameworks.

## Commercial Viability

Effective procurement is a collaboration. The Local Authority needs to deliver the best for the community; the service provider needs to maintain commercial viability. They need a common ground to understand how the different requirements balance.

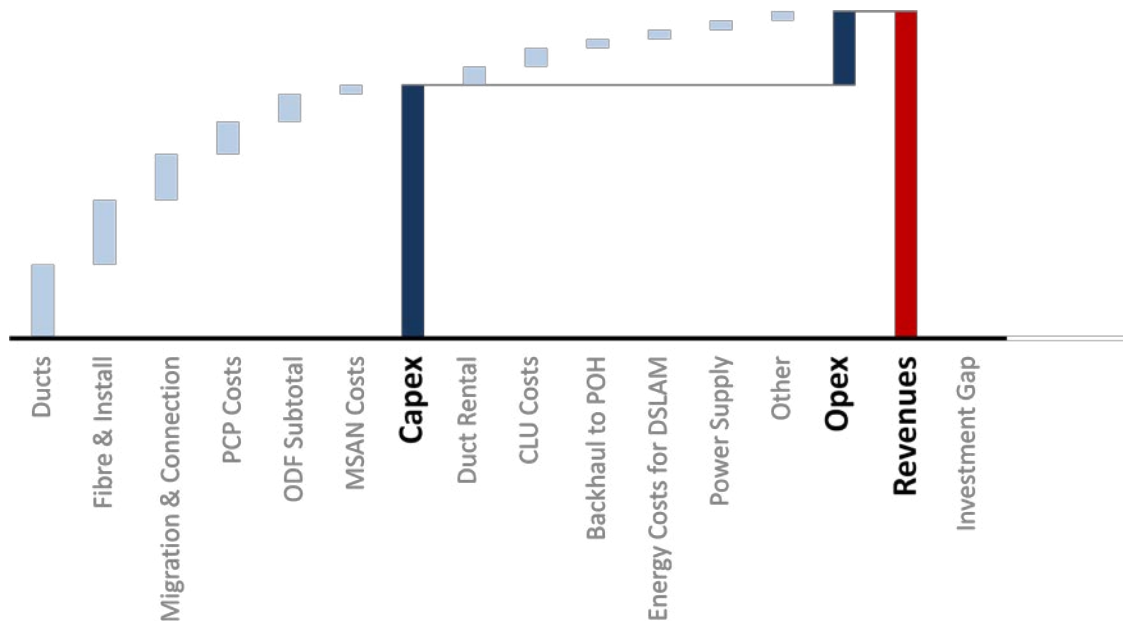
A BDUK report on the development of the funding allocations presented a diagram that provides a useful common ground – showing how the capital and operational costs are balanced by revenues and the “investment gap”.



This diagram can provide a focus for understanding how the different groups involved in broadband rollout can collaborate to achieve the best final result – the widest sustainable deployment of superfast broadband.

## Commercially Viable

Before we consider how the different funds can work, first consider commercial viable areas. Here the net-present-value of future revenues equals or exceeds the net-present-value of capital and operating costs.



This is an important consideration. The first line on the introduction chart is the line separating commercially viable and BDUK investment. By stimulating revenues, more areas can be made commercially viable. This can be done in a number of ways – and can actually save money.

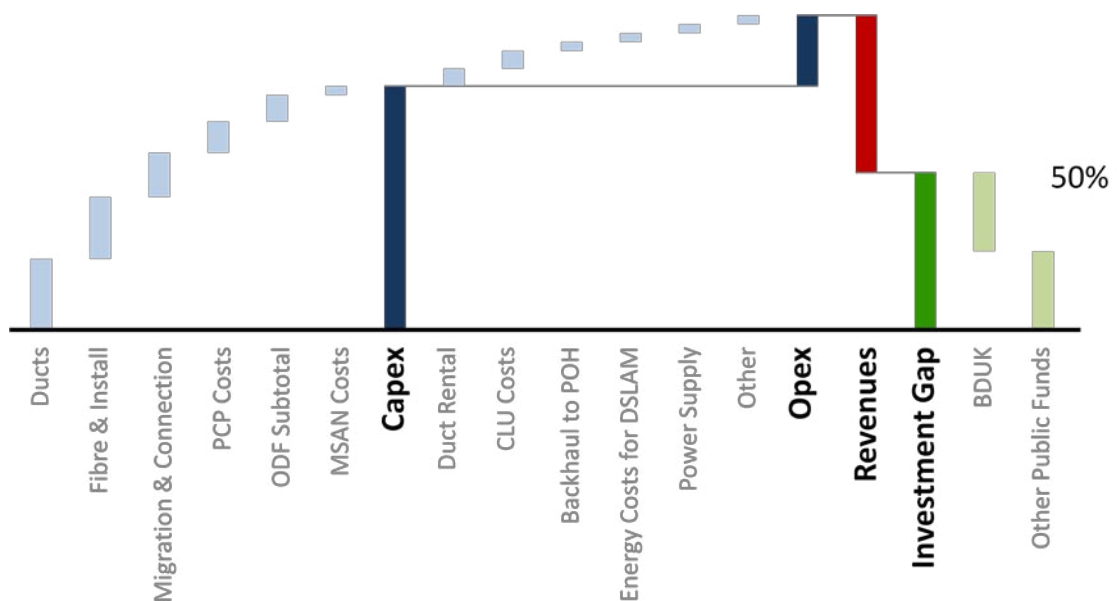
## Public Sector Commitment

The public sector is a major user of communication services. It may be possible to deliver these over commercial superfast broadband infrastructure – rather than over separate dedicated networks. This can provide additional guaranteed revenues throughout the area – allowing more areas to become commercially viable.

This is the approach that has been taken by Sunderland City Council. BT has recently announced a significant increase in the availability of superfast broadband services in the city. Other areas considering their spend on PSN can, perhaps consider how best this can influence sfb availability. There is an added advantage – done correctly, there is no State aid implication.

## Rural – the final third

The BDUK framework is focused on the final third, to 90%. The allocations and rules have been well communicated, so is there any scope for variation? And there is still nervousness – for example will the suppliers actually respond to invitations to tender?



The reality is that the procurement is competitive, and there is still scope for variation. For example – the speed and quality of services, and the scope of coverage – it doesn't **have** to stop at 90%. So where does the variation come from?

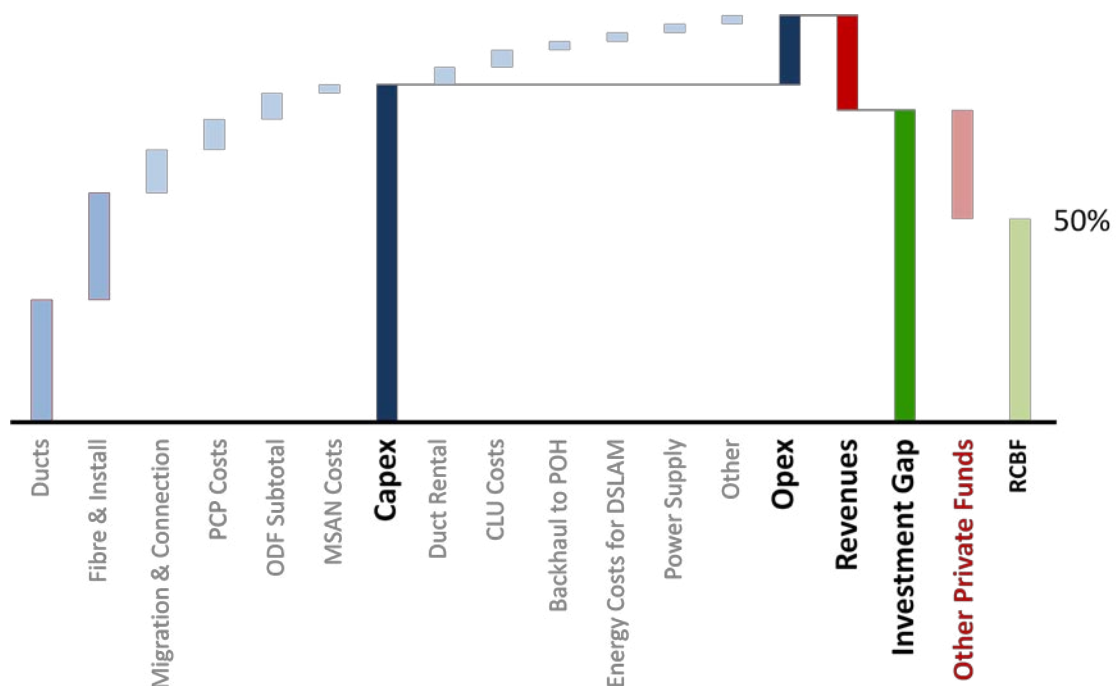
The key areas are in capital costs and revenues:

- Capital – can the Local Authority make it cheaper to install?
- Revenue – can they be increased or brought forward?

Capital investment programmes depend critically on the speed of revenue growth. We know that demand will emerge. All areas with sfbb will eventually have take-up exceeding 70% - but will it take 2, 3, 5 years – longer? The more confidence the Local Authority can give that there is existing demand, and that they will collaborate to stimulate the demand, the easier it will be for the supplier to invest.

## Remote – the last 10%

The “last 10%” is the most challenging environment there is. Communities are remote and sparse. It means the capital costs are high because there is simply a lot of infrastructure needed to reach them, and the revenues are low because there are just not many people there. The RCBF will fund up to 50% and up to £300 per connectable property (whichever is the smaller).



The last 10% needs the greatest level of collaboration – reducing capital costs as far as possible, but also managing demand.

Capital costs can be reduced by “dig-it-yourself” input to the project – reducing the cost of laying cables through physical input, and critically through engaging with the community to address the problem of way-leave charges. These can be cripplingly expensive for major operators over the distances involved, but can be arranged for no charge by the local community. The pilots in Cumbria are proving that this is possible.

In the most remote communities, revenues may not be as difficult as might be imagined. If there is no other form of broadband, take-up of sfbf can be rapid – reaching 70% or even higher very quickly in the project life. Written commitments from residents and businesses will help to make the case.

## Scale

In the end, though, other forms of finance may be necessary. Again, the pilots in Cumbria are looking at the sources of finance, and how to secure them. For the CRBF, the additional funding has to be private sector – which can be challenging. In these cases a radical re-think may be more appropriate.

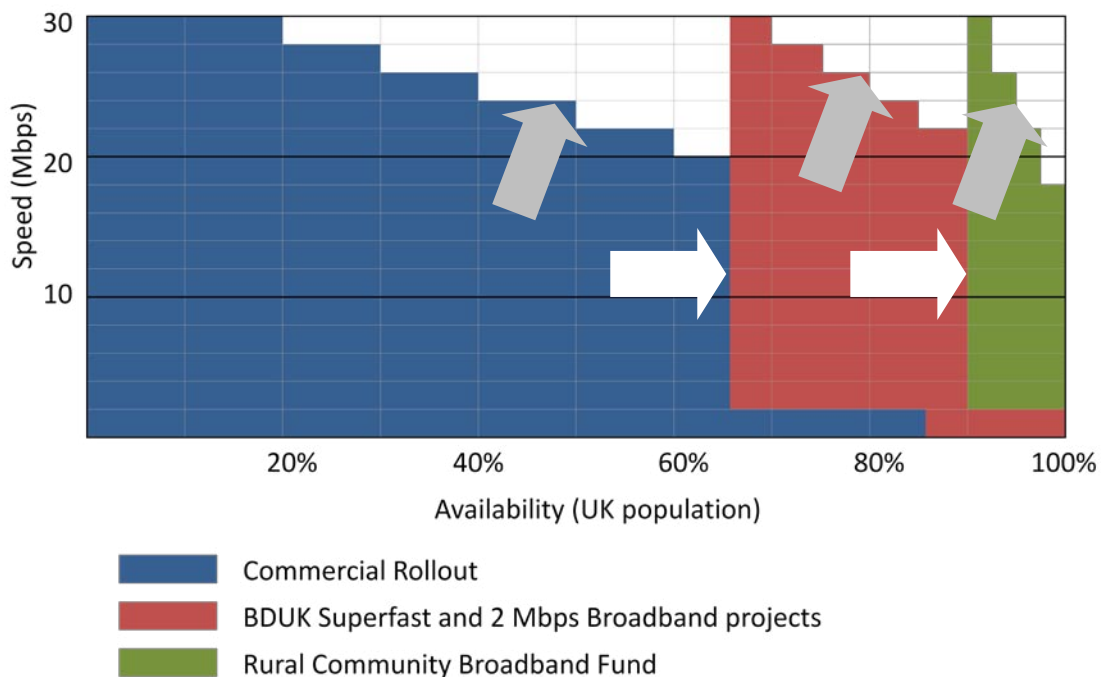
The scale of projects in the last 10% can be critical in making them viable. Projects often start as small community networks, often in the most challenging environments – even by the standards of the last 10%. Increasing the scope to include nearby villages, and possibly combining multiple projects, and integrating with the BDUK Local Broadband Plan can significantly increase revenue and funding potential with possibly little impact on capital costs – making the projects far more easily achievable and sustainable.

## “Cherry Picking”

Projects delivering broadband to remote rural communities are often concerned about “cherry-picking” by BT or other large commercial providers. Understanding the commercial viability of superfast broadband networks is the key to avoiding this – and working to ensure the commercial viability of the whole project, rather than just a small part of it.

## Broadband Rollout

Effective procurement can help to bring suppliers, Local Authorities and communities together to collaborate in delivering superfast broadband. But, “superfast broadband” is not well defined, and procurement must be technology neutral, so ensuring the quality of services delivered is not straightforward.



## Business Planning

Understanding commercial viability is half the challenge in managing the procurement process. The other half is understanding the community and its requirements. An effective business plan is central to an effective procurement process. By defining the needs of the community – the citizens, the Local Authority and the businesses; the economic and the social development objectives – the business plan allows the service providers to understand the services that are needed, and to ensure their technical plans deliver the infrastructure needed to deliver them.

## Links and Contact

The following links may be helpful in providing information on procurement and State aid for broadband projects:

Commercial Model – BDUK Data Model Explanatory Notes

<http://www.culture.gov.uk/images/publications/BDUK-Data-Model-Explanatory-Notes.pdf>

Procurement regulations

<http://www.opsi.gov.uk/si/si2006/20060005.htm>

Procurement guidance

<http://www.onenortheast.co.uk/lib/liDownload/14440/SP%20and%20European%20Funding%20Procurement%20Handbook%20v%203.0.doc>

State aid – broadband guidelines

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2009:235:0007:0025:EN:PDF>

State aid – supplementary guidance

[www.mtict.government.bg/upload/docs/State\\_aid\\_broadband\\_r.pdf](http://www.mtict.government.bg/upload/docs/State_aid_broadband_r.pdf)

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