



Broadband Aggregation Programme

Using Government purchasing power to
increase the UK's broadband infrastructure

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Broadband Aggregation Programme

2002 - The Context

THE CHALLENGE...

- UK falling behind key economic competitors in terms of broadband infrastructure – broadband access for only 70% of population
- Regional inequalities in access to broadband hampering economic development areas in greatest need
- Social inequalities in access to broadband hampering access to electronic information, learning & services for poorer social/economic groups in greatest need

THE OPPORTUNITIES...

- New Government programmes for broadband connections to all schools over 3 years and all health institutions over 7 years – substantial customer 'buying power'
- Need to ensure best value for money for large Government purchasing programmes in a market dominated by a few large telecoms suppliers

2003 - The Vision

The Goal...

'The UK is to have the most extensive and competitive broadband market in the G7 by 2005'

The Way Forward...

"We spend millions every year on IT and communications. It is clear that if we can manage our role as purchaser better we can both improve value for money and have a significant impact on the availability of broadband"

Tony Blair — Prime Minister

"The Government and public sector will be spending £1 billion on broadband over the next 3 years. And we will ensure that we make the most of that substantial buying power..."

By using this approach, we estimate the public sector will save around £200 million. Not only will this bring maximum value for money for the taxpayer, but it will also bring broadband to parts of the country that otherwise might find it difficult to get access."

Stephen Timms — E-Commerce Minister

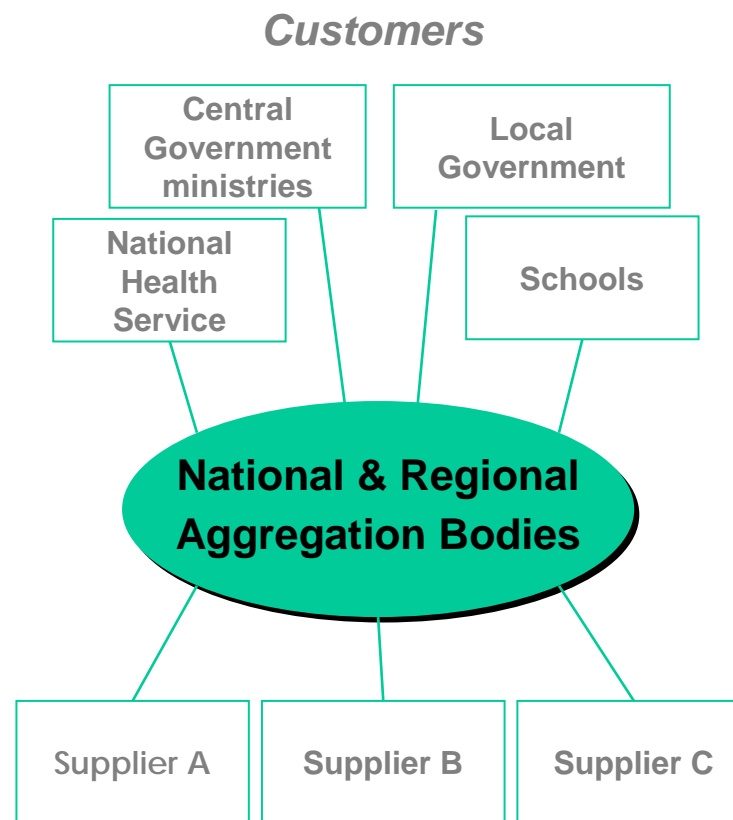
2004 – The Government Initiative

- Market intervention by Government to address the challenges by using its purchasing power to maximise the opportunities:

1 x national and 9 x regional '*Broadband Aggregation Bodies*' set up as procurement agencies serving all public sector institutions to:

- ✓ Reduce costs of broadband for both central and local government through combined purchasing & co-ordinated network design
 - ✓ Spread broadband availability into new regions to benefit businesses and people by stimulating market-led investment in broadband infrastructure
- 'Core' of aggregation: Schools & National Health Service institutions
 - 'Open' contract arrangement set up with 17 top telecoms suppliers to ensure maximum competition on good Government terms
 - Partnership with Regional Development Agencies to ensure initiative contributes to local economic development.

The Model - Regional & National Aggregation Bodies



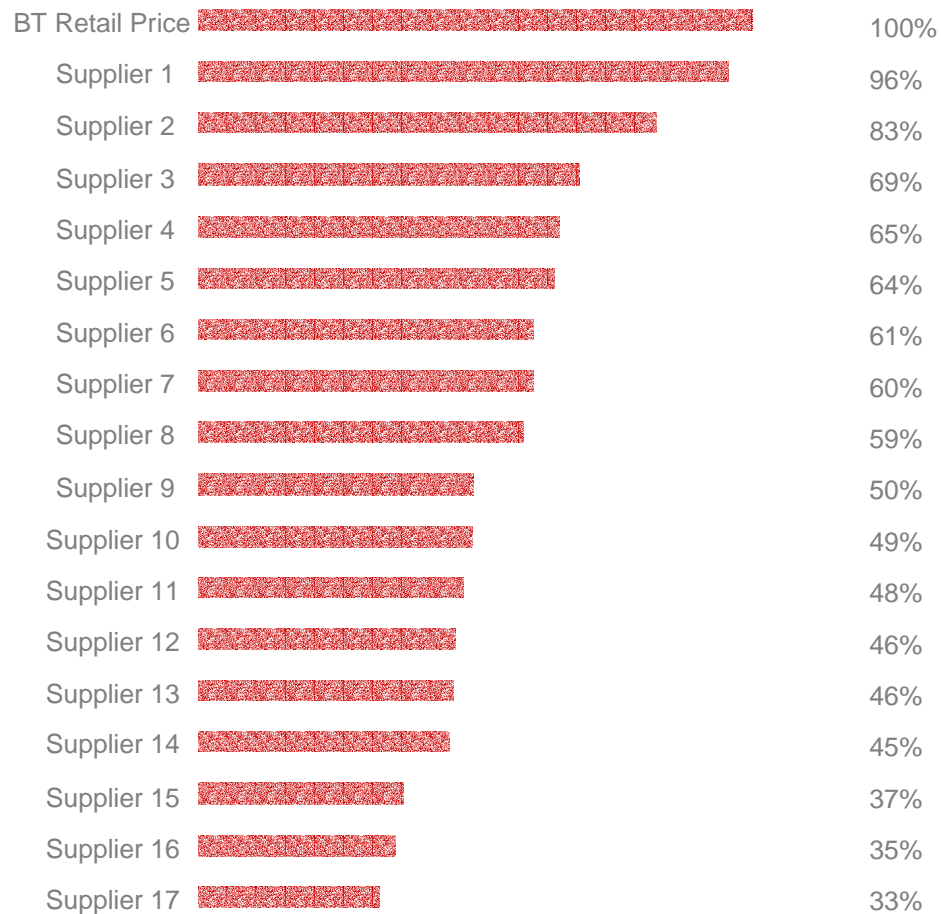
*DTI 'open' contract with
17 telecoms suppliers*

17 telecoms companies with an 'open' contract to supply the Aggregation Bodies



Illustrative sample of cost savings (Hampshire region)

Summary of Hampshire Sample Pricing % of BT
 -- 5 Year Contract Value (£ millions) -- Retail price



Notes

- Suppliers were given clear customers' specifications (which keeps prices low).
- Technical solutions offered by different telecoms companies were widely divergent. However all solutions met customers' requirements and hence could be comparatively judged against each other.
- Pricing estimates were based on 5-year total costs, including installation and running costs.

Source: SSR Evaluations, DTI

Short term achievements

- ✓ **Total value of contracts placed through the Broadband Aggregation Programme so far this year is £9million**
- ✓ **5% cost savings achieved in broadband networks for the National Health Service.**
- ✓ **Over 76 separate public sector procurement activities now being pursued, representing £300 million in contract value.**
- ✓ **Lost opportunities have still resulted in lower prices for end users – programme used as a benchmark.**
- ✓ **Acceleration of national broadband ‘roll-out’.**

Lessons Learned

- **Establish clear goals, rationale and success measures before the start.**
- **Get commitment from all necessary collaborators to the initiative. Optimum effectiveness depends on optimum participation.**
- **Ensure implementation costs and resources match the importance of the task.**
- **Invest responsibility for delivering Programme outcomes to key spending ministries. A shared sense of ownership across all participating ministries & local government is critical.**

Looking Forward - Longer Term Benefits

- ✓ **Catalytic effect on accelerating broadband availability**
- ✓ **Accelerated social and economic development**
- ✓ **More competitive broadband markets**
- ✓ **More efficient e-government**
- ✓ **Fast-track and robust Government purchasing**