

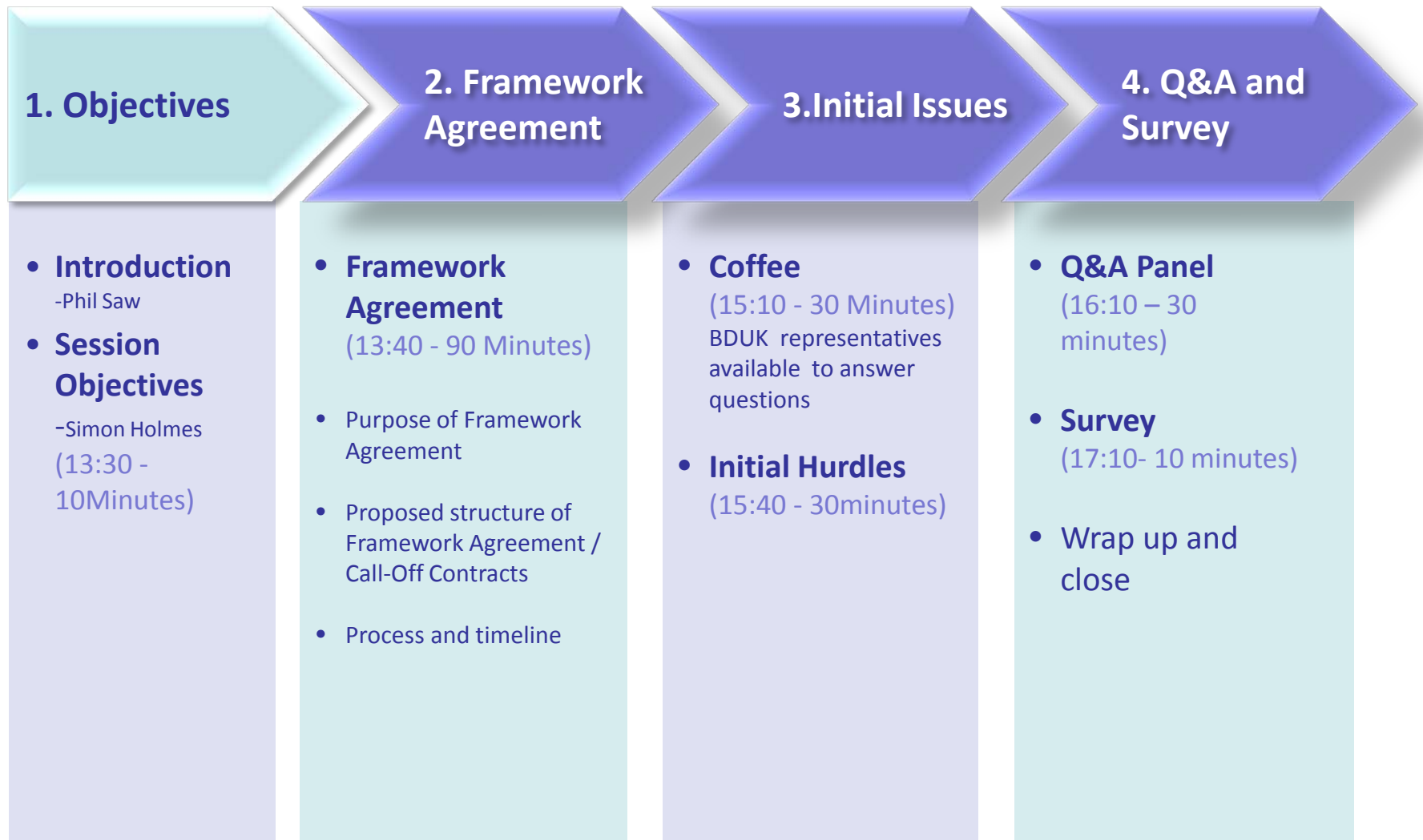
Broadband Delivery UK

Industry Day

8th June 2011

Commonwealth Club, London

Agenda



0.1 Goals and Delivery Principles

1. Objectives

2. Framework Agreement

3. Initial Issues

4. Q&A

BDUK Goals

To support economic growth in the UK, including in rural areas

To ensure this country has the best Superfast Broadband in Europe by the end of this parliament (2015);

To ensure delivery of Standard Broadband to virtually all communities in the UK within the lifetime of this parliament (2015);

To ensure the efficient use of funding to deliver Superfast Broadband and Standard Broadband; and

To assist other Government initiatives which are dependent upon customers ability to access Broadband based services.

Delivery Principles

Facilitating local delivery:

1. Let local bodies lead on delivery;
2. Encourage a strategic approach to local delivery; and
3. Promote the involvement of local communities.

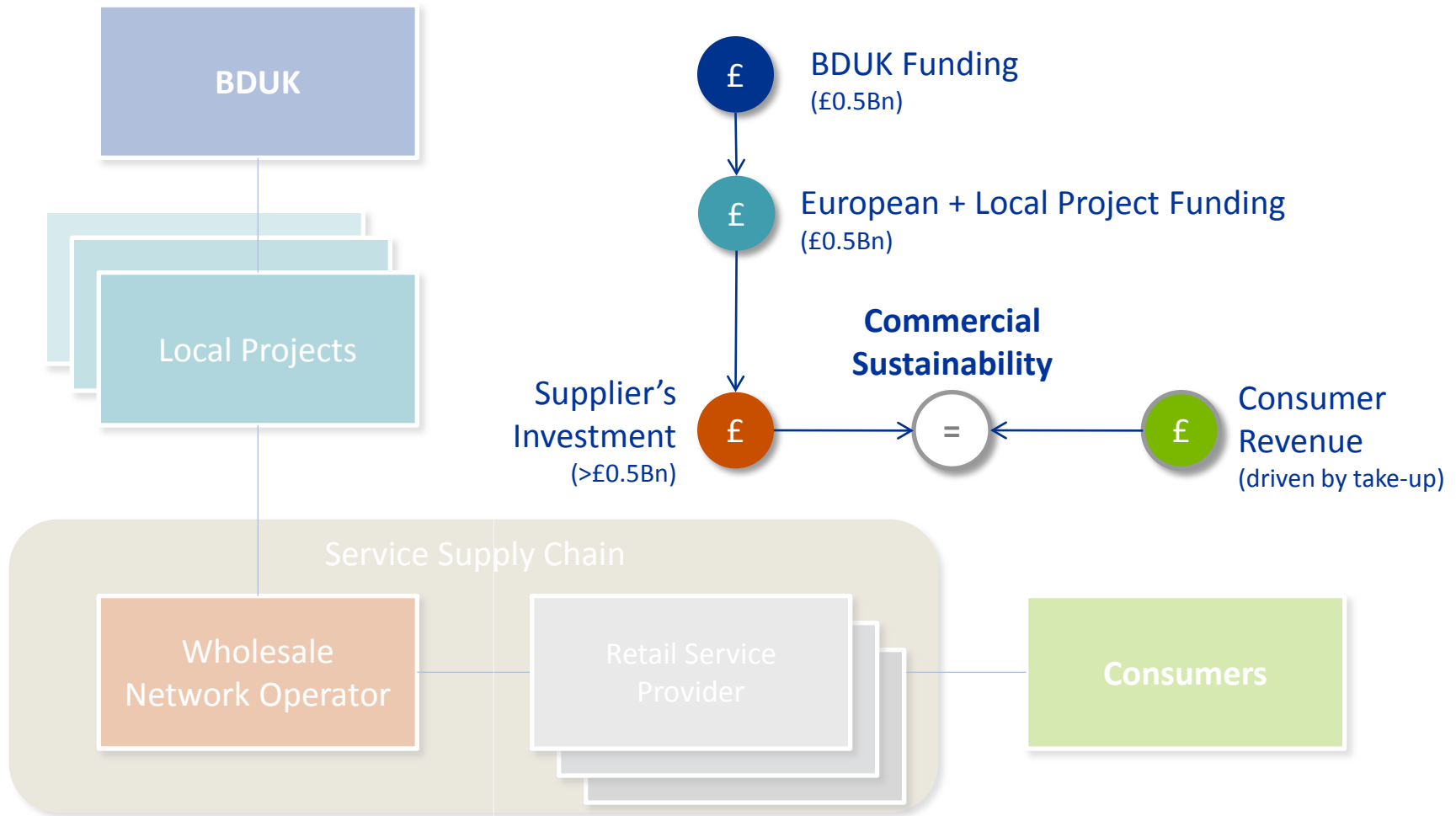
Investing in economic infrastructure to maximise growth opportunities:

4. Maximise the impact on investment of available BDUK funding;
5. Mitigate the blockers to private sector investment in broadband infrastructure;
6. Maximise the deployment of, or upgradability to Superfast Broadband, where it is economic to do so;
7. Ensure no communities are left without potential access to broadband services;
8. Enable market driven solutions as far as possible; and
9. Facilitate the re-use of network infrastructure in which the public sector is investing.

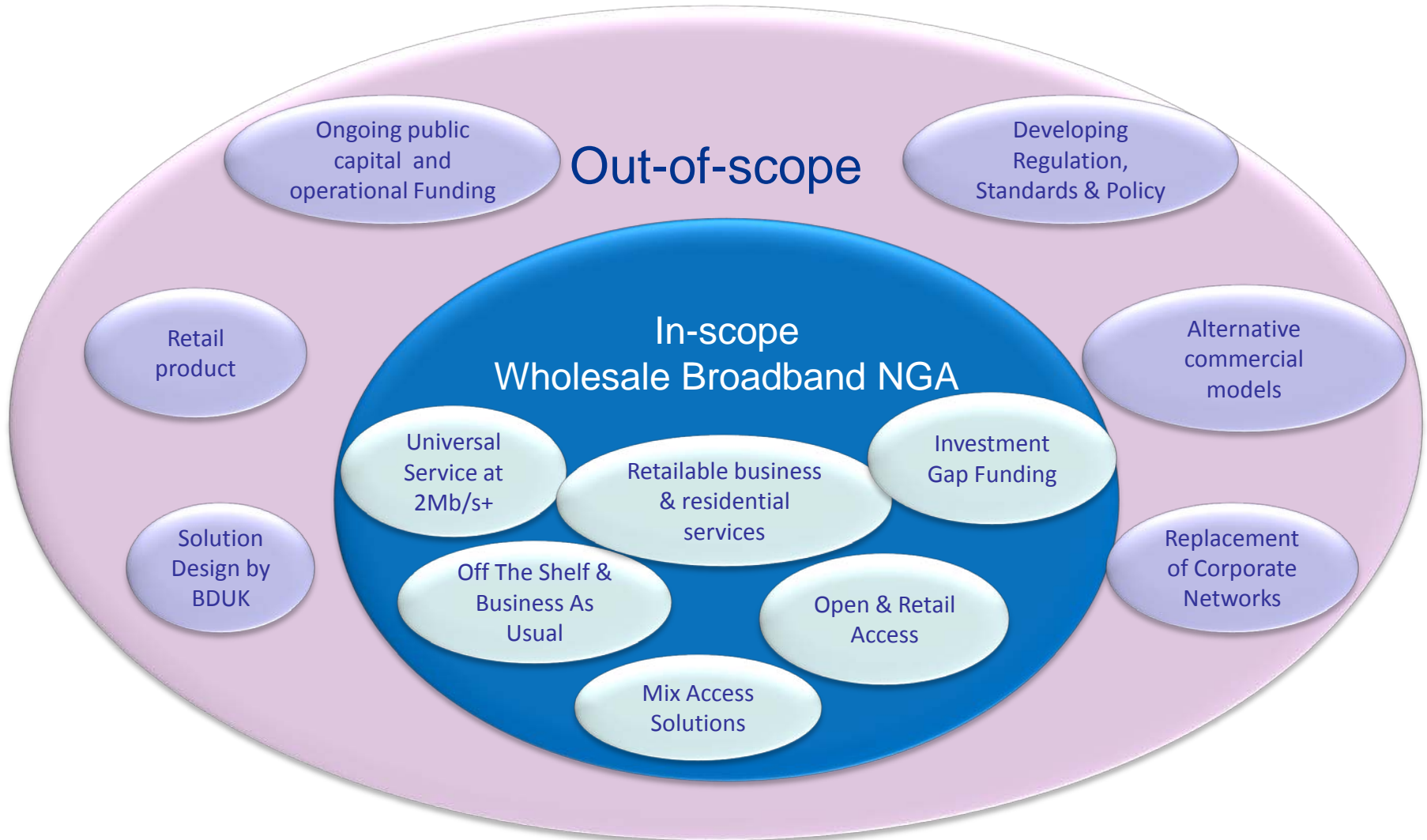
Maintaining an effective commercial approach:

10. Enable local solutions but guide and assist local initiatives as appropriate;
11. Maximise supplier competition where appropriate;
12. Minimise aggregate transaction and delivery costs for the public and private sectors;
13. Achieve appropriate and affordable outcomes; and
14. Maintain compliance with regulations.

0.2 Delivery Model / Spending wisely



0.3 Framework Scope



Meet the team

- Phil Saw – BDUK Deputy Programme Director
- Simon Holmes – BDUK Frameworks Lead
- Simon Towler – DCMS Head of Spectrum & Broadband
- Matt Agar – BDUK Commercial Lead
- Rob Sullivan (for Close) – BDUK Chief Executive

- Ben Spencer (Commercial) Andy Carter (Policy) David Greenaway(Commercial) Simon Colvin (Legal), Justin Chan (Legal), George Snyder (Requirements), Alex Tyson (PMO), Local Project representatives.



1. Session Objectives

1. Session objectives



- Framework Agreement
 - Purpose of Framework Agreement
 - The Case for using a Framework approach
 - Industry and Local Project feedback:
 - Market capacity
 - Commercial Sustainability
 - Value for Money
 - Proposed structure of Framework Agreement / Call-Off Contracts
 - Standardising where efficiencies can be built-in, allowing for localisation where this benefits local customers
 - Process and timeline
 - provide an overview of the key steps and milestones you will need to prepare for
 - Timescales for Competitive Dialogue process and parallel negotiation of initial call-off contracts
 - Qualification and high-level evaluation approach



2. Framework Agreement



What do we mean by Framework Agreement and Call-Off Contracts?

- Framework Agreement for the delivery of wholesale broadband at the minimum of a single project level
- Procured via the competitive dialogue procedure
- Framework agreement will be between DCMS and Suppliers, to include
 - **Reference Solutions** – encompassing a range of suitable technologies to deliver superfast and standard broadband in any UK geography
 - Mandatory and recommended **technical, operational and service requirements**
 - **Reference pricing** and pricing inputs
 - Core Terms and Conditions
- Call-Off of Framework Ts & Cs via mini-competition
 - Solution varied at a local level (e.g. trade-off between Superfast/Standard broadband in certain locations decided according to local priorities and needs.)
 - Financials agreed including gap-funding required
 - Implementation plan



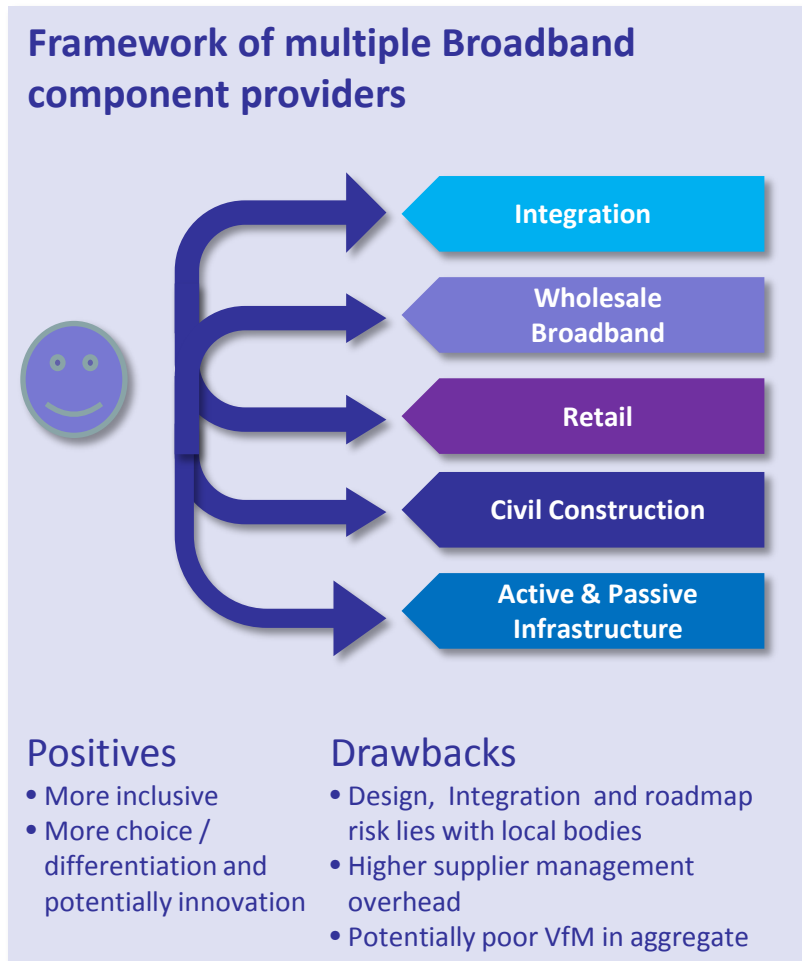
Rationale for Framework Agreement and Call-Off Contracts

- As stated in the delivery model, project delivery will be at the local level. This means that there are potentially 30 – 50 independent local projects
- Framework reduce the need to go through multiple PQQs and multiple CD processes
- Framework will reduce the solution overall design effort: reference solution defined at the framework level
- Solution(s) standardisation / commercial sustainability
- Ensure Value for Money
- **Local priorities to drive the local implementation**

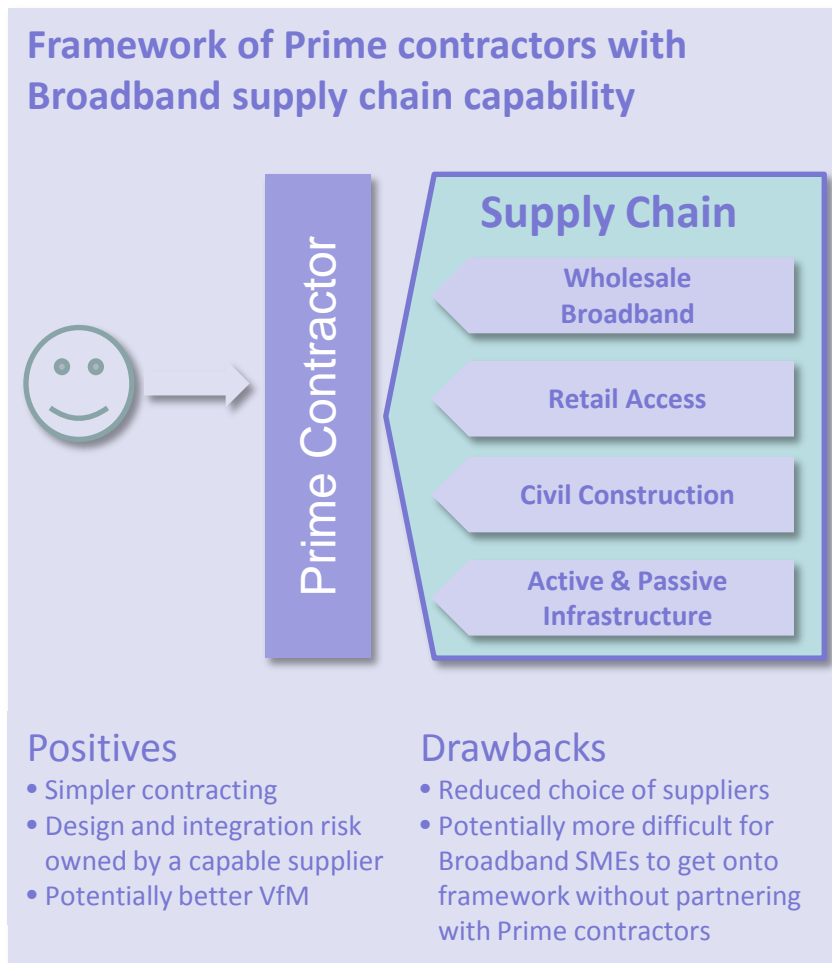
2.2 What sort of Framework?



BDUK identified two principle contracting models:



Based on feedback from industry and local projects, BDUK is intending to procure a Framework of **multiple Prime contractors**



Feedback from Local Bodies who are the customers for the Framework Agreement was overwhelming:

- **Most local bodies did not have aspirations to 'become Telco's'**
 - For those that do, the number of permutations make use of a Framework difficult
- **Running wholesale broadband networks is not a core competency for most local bodies;**
 - Little Appetite to take on design authority
 - Little appetite to take on integration risk
 - Overhead of running multiple mini-competitions for Broadband supply chain capabilities was perceived as too high
- **Framework of Prime contractors was preferred**

2.4 Value Chain



The Value chain is similar to the ‘first two thirds’, except that the public sector is making an investment in the building and commissioning of wholesale infrastructure

Similarities:

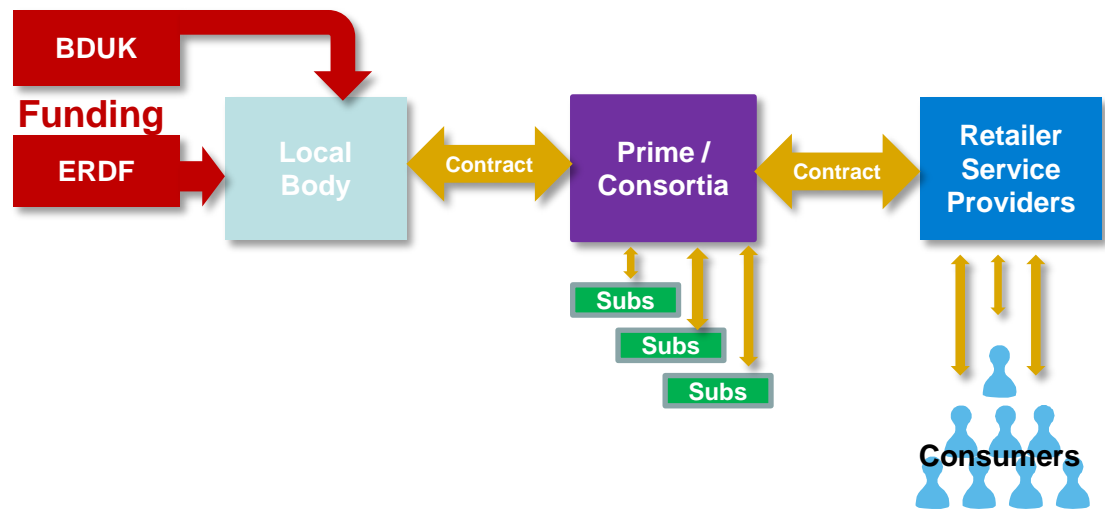
Suppliers still required to provide the majority of the up-front investment in the network build and commission

- Suppliers still have ‘take up’ risk
- Suppliers retain retail and wholesale revenue

Differences:

State aid rules

- Wholesale access required
- Protection mechanisms for excess subsidy



2.5 How will the Framework Agreement and Call-Off contract work?



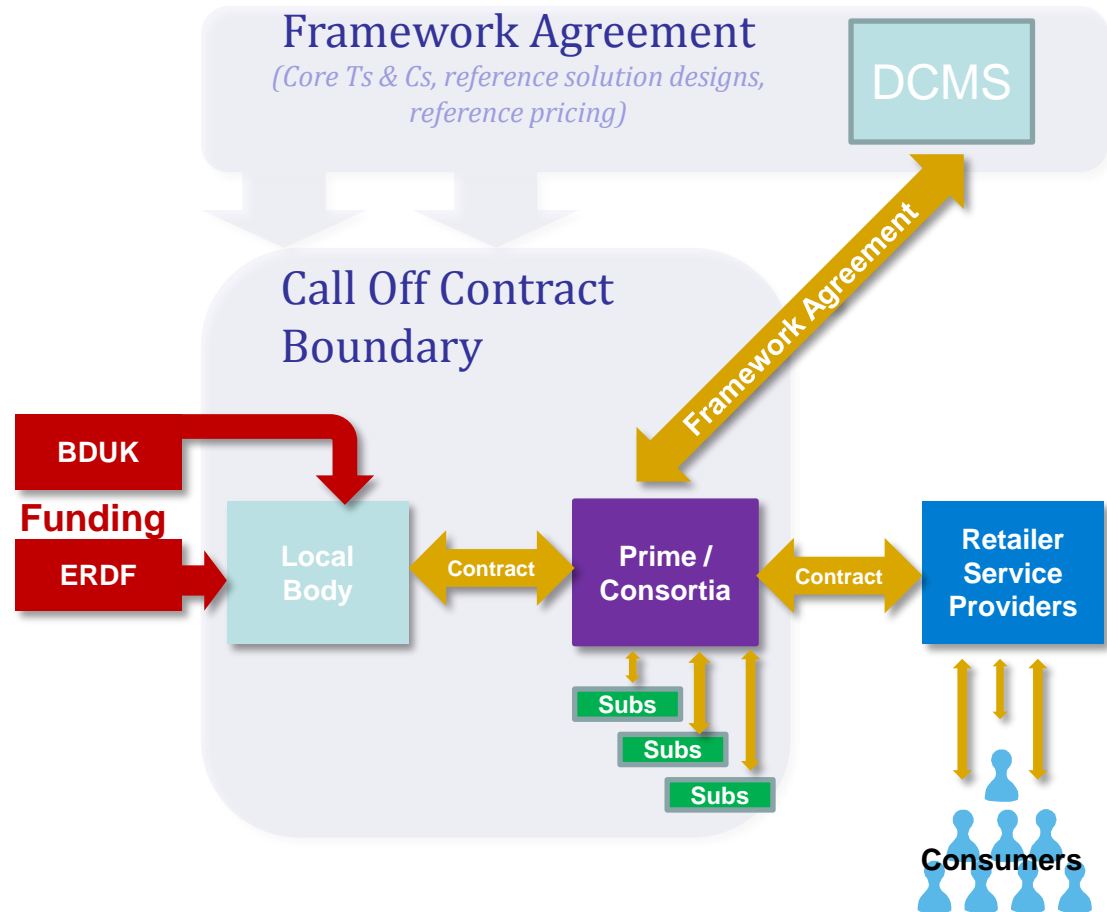
Contract flow

- **Framework Agreement is between DCMS and the Prime contractor.**

- Includes Ts & Cs, reference solution design and pricing principles,

- **Call-off contracts will be between the Local Body and the Prime Contractor**

- Call-Off contracts will reference the Ts C's of the Framework Agreement, but the direct contracting relationship will lie between Local Bodies and the Prime contractor
- Local bodies will run mini-competition between framework members
- Whilst opportunities will be let to the entire Framework, it is anticipated that bidders will self-select opportunities that are complimentary to their business



2. 6 How big is a single project?



“Framework of Prime contractors with broadband supply chain capability, capable of priming the design, build, commissioning and ongoing operation of **a consumer broadband network at the minimum of a single project level.**”

Small Unitary Authority
(e.g. 5,000 premises in 'not spots')

Very Small County
(e.g. 15,000 premises in 'not spots')

Smaller-Sized Authority
(e.g. – 35,000 premises in 'not spots')

Demand aggregation at the smaller Authority level is likely

- Whilst smaller counties will be able to use the Framework Agreement, BDUK anticipates that many of these will seek to 'team up' and form procurement consortia to improve VfM and reduce procurement costs

Larger-Sized Authority
(e.g. 90,000 premises in 'not spots')

Very large County
(e.g. 255,000 premises in 'not spots')

Multi-County purchasing Consortium
(e.g. two counties/ LEP 475,000 premises in 'not spots')

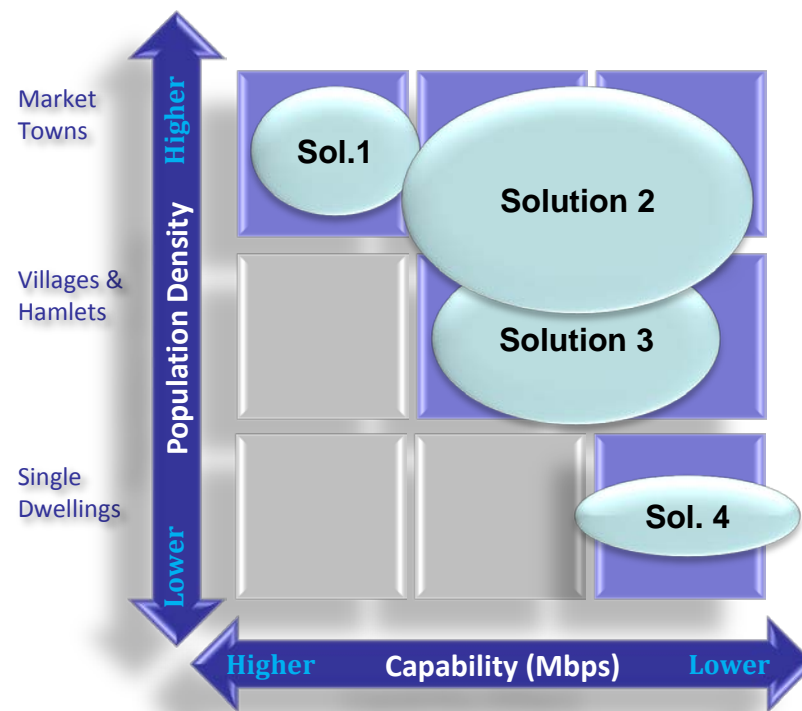
Anticipated scale of Call-Off Contracts

- Majority of call-of contract opportunities expected to be in the range of 90,000 – 500,000 'white spot' premises
- Mixture of single county and multi-county opportunities

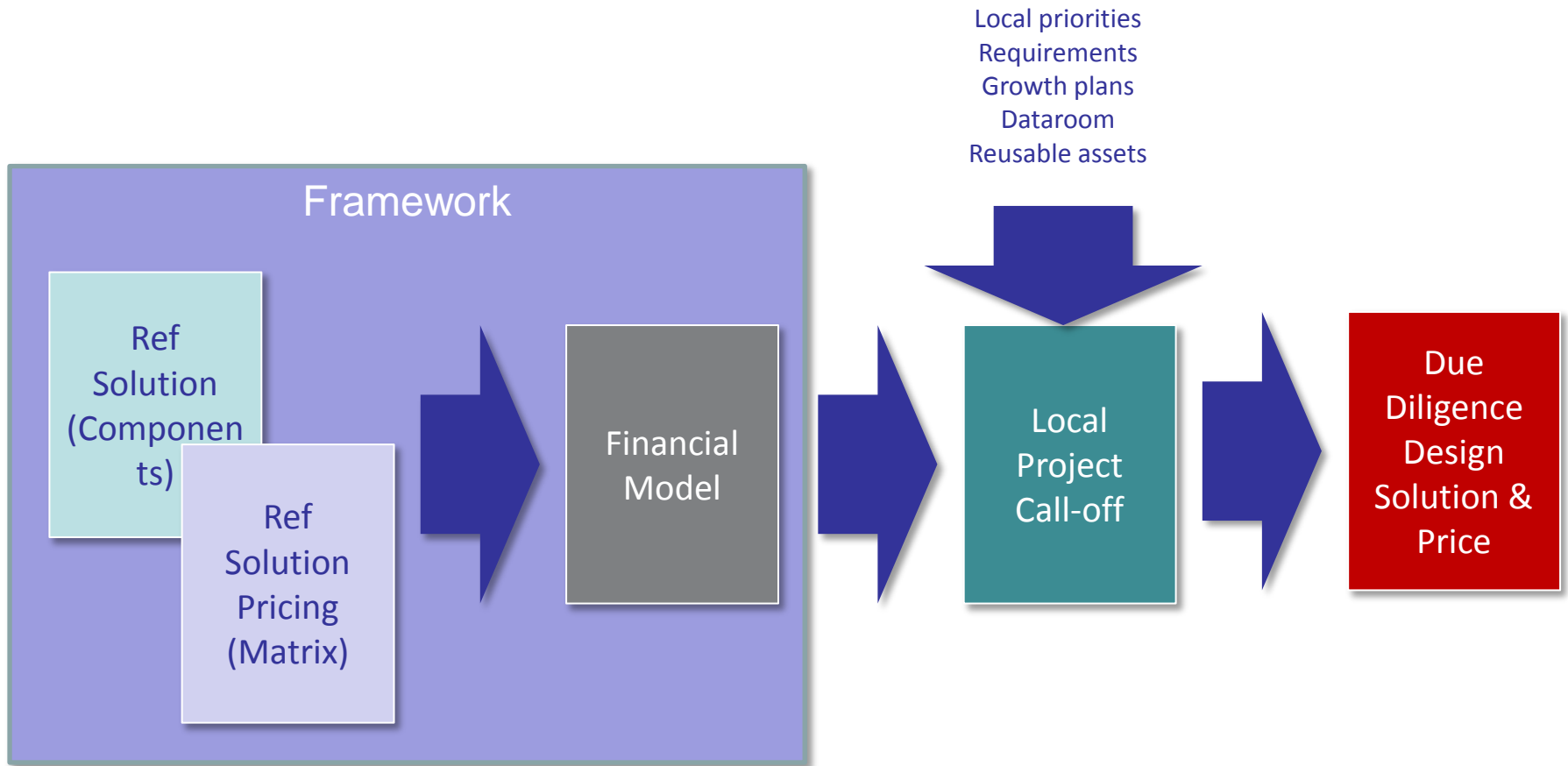
Reference Solution

The requirements are technology agnostic but:

- Framework suppliers must be able to meet the full requirements, and therefore will need to be able to provide solutions in a number of different ways
- Solutions defined at the Framework level will involve a range of technologies:
- The precise mix of solution components used for a call-off will vary according to local need:
 - Broadband priorities
 - Economic development priorities that might affect the speed of implementation
 - Mix of Superfast/standard broadband, and where trade-offs need to be made
- But all solutions need to fit within an affordability envelope



2.7 Reference Solution



2.8 Framework Approach: Summary



- Local delivery is key
 - Projects will be procured, contracted and delivered between local bodies and suppliers, regardless of whether this is bought under a discreet OJEU process or through a framework
- Framework Agreement / Call-Off Contract arrangement will reduce overall procurement effort
 - PQQ once, not 30+ times
 - Detailed solution design principles agreed once, not 30+ times
 - Procurement timescales for a CD process (Framework or an individual procurement) 9-12 months
 - Subsequent call-offs should take 2 – 4 months
- Supply chain diversity
 - As per government policy, SMEs must not be discouraged, and BDUK expects them to be part of the supply chain for Framework suppliers



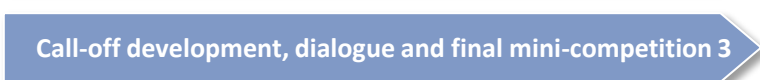
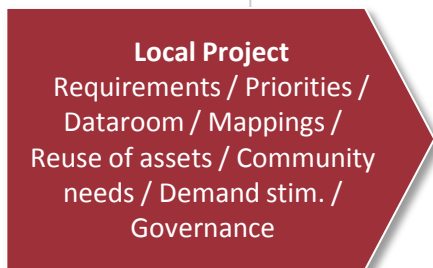
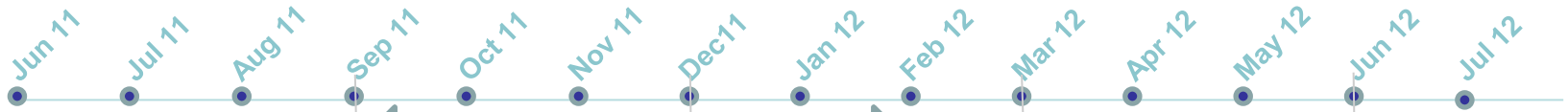
Framework

- Process and Timeline

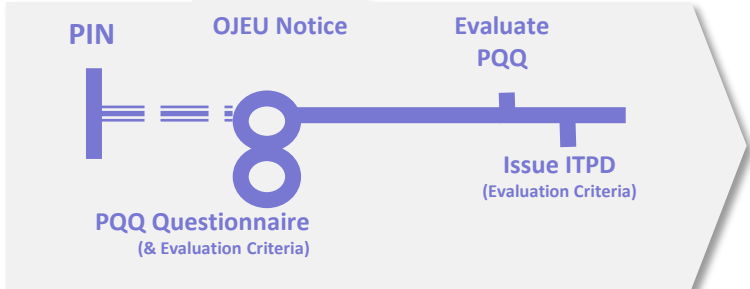
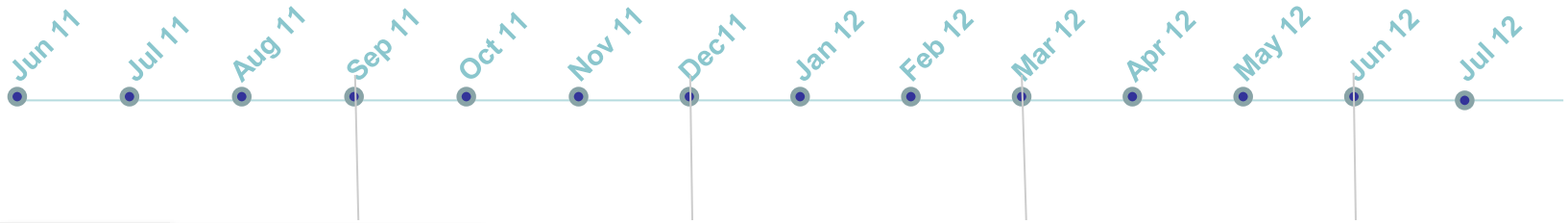


- BDUK is using the Competitive Dialogue process to establish a Framework Agreement for the provision of wholesale broadband to the ‘final third’ – i.e. white, not, and slow spots
 - The Prior Indication Notice (PIN) was issued on 27th May
 - Survey – Submissions required by 1pm 14th June
 - OJEU Notice and PQQ target date: End of June
 - PQQ Evaluation: August
 - Invitation to Participate in Dialogue (ITPD) to qualified applicants: September
- BDUK Leading Framework Agreement development in partnership with Local Projects
 - Local projects will drive much of the development of the final solution design and call-off contract development

2. 10 Process: Parallel Call-Off Negotiation



2.11 Process: High-Level Timeline



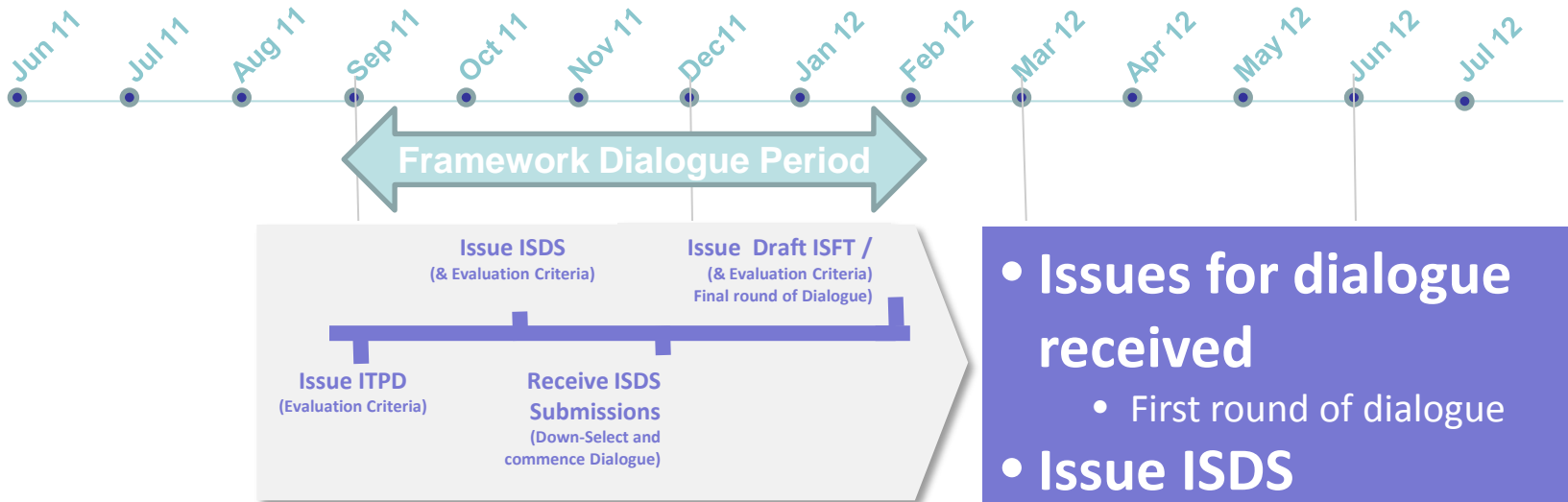
- PIN
- OJEU Notice & PQQ Questionnaire
- PQQ Evaluation
- Issue ITPD

2.11 Process: High-Level Timeline



Process

High-Level Timeline: Framework Agreement



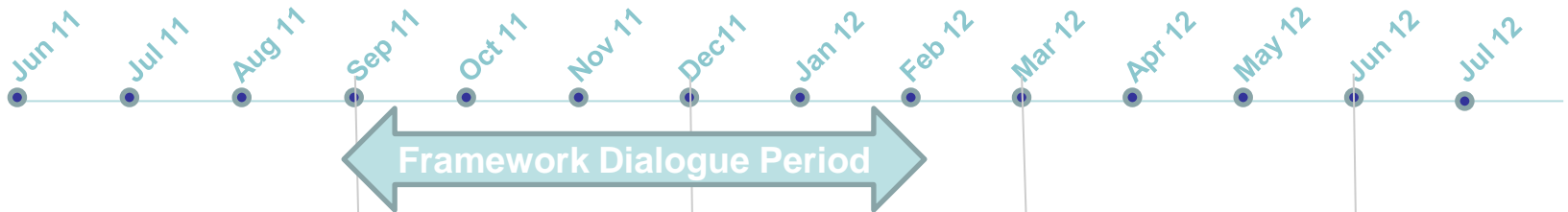
- **Issues for dialogue received**
 - First round of dialogue
- **Issue ISDS**
- **Receive and evaluate ISDS submissions**
 - Down-Select
 - Second round of dialogue
- **Issue Draft ISFT**

2.11 Process: High-Level Timeline



Process

High-Level Timeline: Framework Agreement

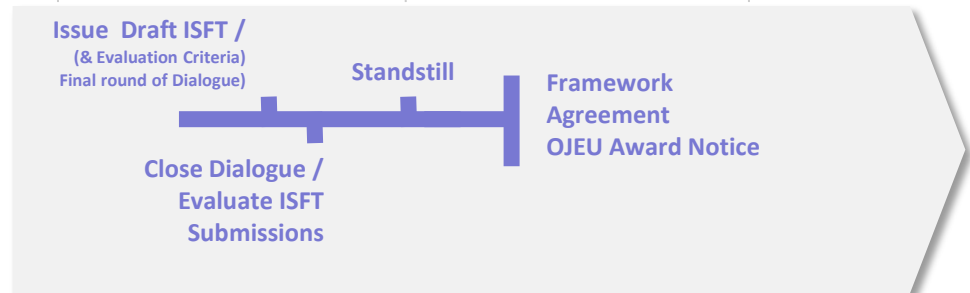


• Receive Draft ISFT Submissions

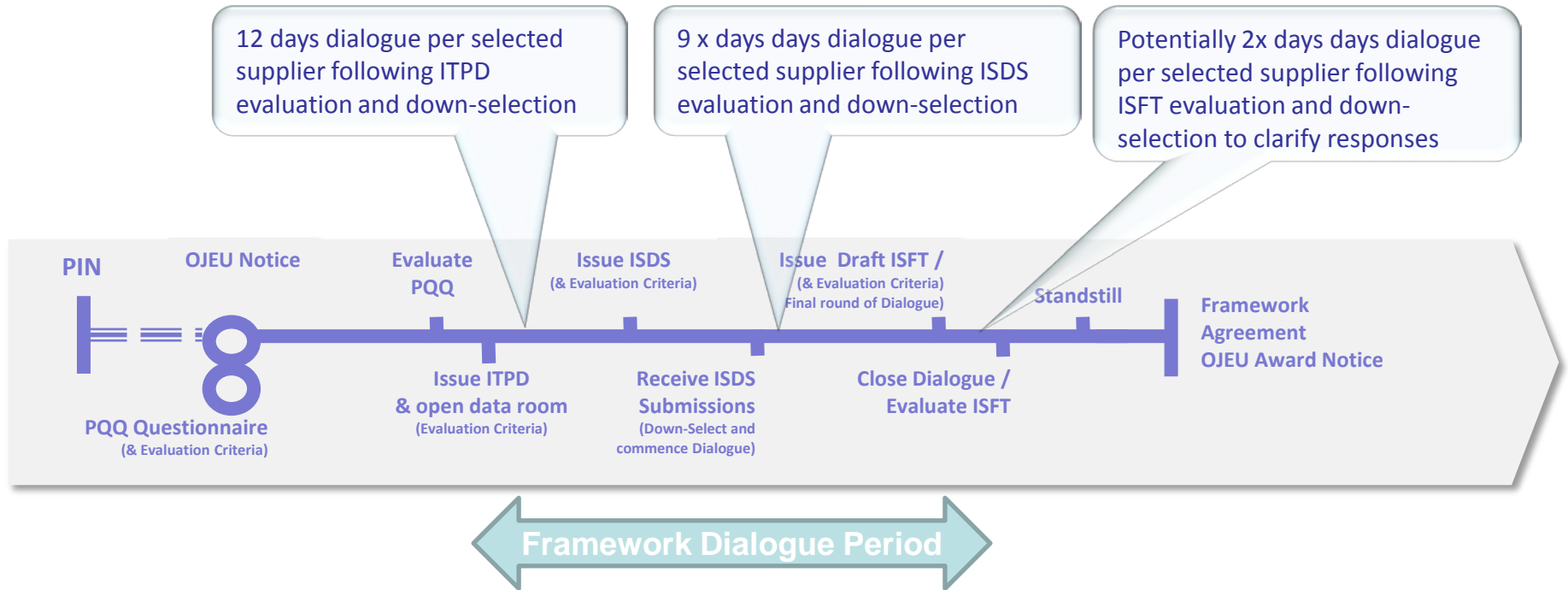
- Optional down-selection
- Final round of dialogue

• Final ISFT

- Close Dialogue
- Evaluate ISFT
- Notification of preferred bidders
- Internal Governance
- Standstill
- Framework Award



Anticipated bid team resource requirements for face-to-face dialogue





Down-select Approach

- BDUK is seeking to have as many qualified, capable bidders as possible on the Broadband Framework to provide maximum choice and competition for local project delivery

PQQ Down-select:

Take forward suppliers with **financial strength** and **stability** needed to deliver **county-wide projects**, and with **capability** and experience of delivering wholesale broadband services

ISDS Down-select:

Take forward suppliers with **compliant**, **deliverable** and **cost-effective** solution mix

Down-Select prior to Framework Award:

BDUK to select suppliers with **compliant**, **deliverable** and **cost-effective** solution mix

2.14 Potential Evaluation Themes



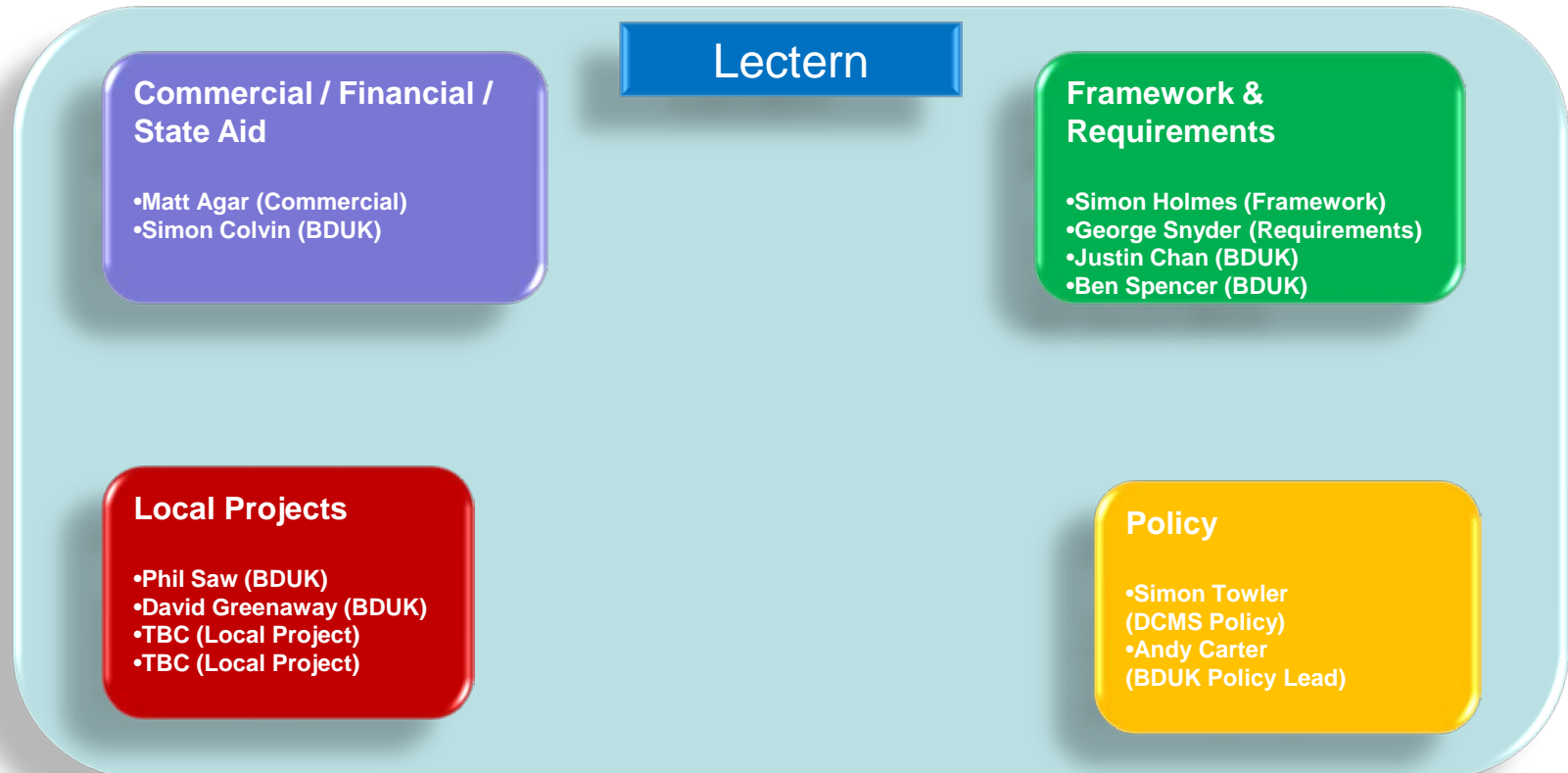
- The award criteria are under development, but BDUK considers the following areas as important for assessment:
 - Solution compliance with requirements and commercial terms
 - Solution coverage and speed at implementation, plus future upgradability of solution
 - Confidence in deliverability of solution
 - Approach to engaging with communities, marketing and demand stimulation
 - Commercial sustainability of the wholesale / retail business model
 - Quality and transparency of financial model
 - Level of private sector investment alongside the public sector gap funding



Break

Coffee and informal Q&A – (Please be ready to start the next session on time)

BDUK Staff are available to answer any questions you may wish to raise informally.
The staff have organised themselves into “content zones” as follows





Initial Issues

3. Initial Issues

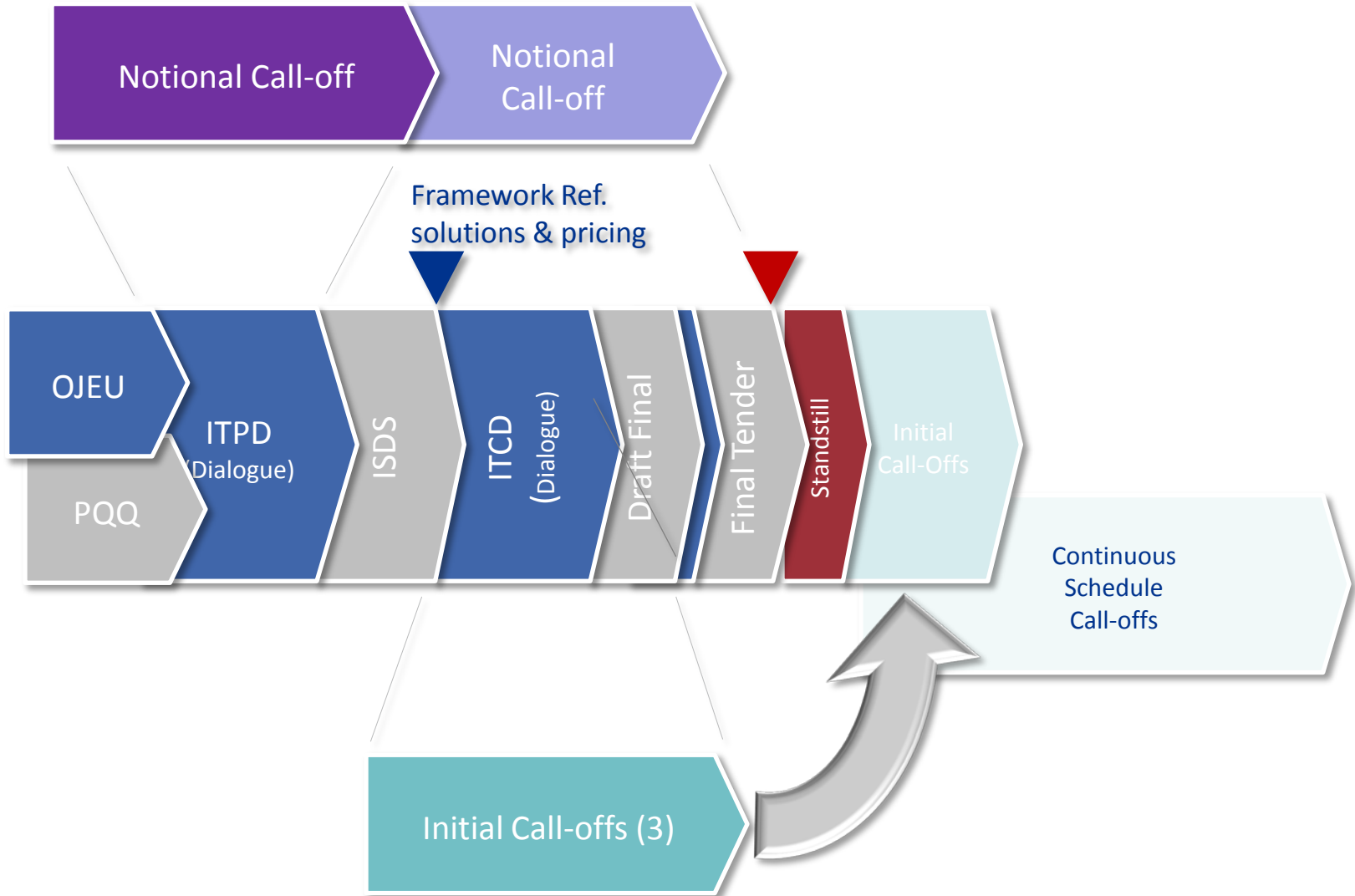


Initial Issues – Your feedback

- Parallel call-off “How does it work”
- Getting the balance between what is captured on framework Vs what is developed at call-off contract level
- How to maximise Small Medium sized Enterprises inclusion in the supply chain

3.1 Parallel Call-Off – How will it work?

- 1. Objectives
- 2. Framework Agreement
- 3. Initial Issues
- 4. Q&A



3.2 Boundary between framework and call-off



In the framework agreement

- Agree core technical and operational requirements used in each call-off contract, and set-out the mini-competition process
- Capture full description of supplier's various reference solutions, and assure compliance with core requirements
- Core commercial terms used in the call-off
- Describe approach to attracting retail partners and maximising take-up
- A maintained financial model that connects cost and revenue inputs and assumptions, key drivers and risks and project returns to calculate required gap-funding and demonstrate commercial sustainability

In the call-off contract

- Agree locally-specific requirements and terms, volumetrics and implementation plan
- Capture how the reference solutions are designed and implemented to meet the local body's requirements, optimised to take account of local circumstances
- Specific tests for validating supplier delivery in order to receive payment from local body
- Specific retail and demand stimulation plan
- A financial model calculating gap funding, consistent with the costs in the framework financial model, and justifying variations in context of local requirement and environment



Small and Medium-sized Enterprises (SMEs)

- BDUK recognises multiple potential roles for SMEs in the broadband value chain
 - Civil construction
 - Niche retail ISPs
 - Network provision
- BDUK is trying to design the framework agreement to maximise opportunities for SMEs to form part of framework suppliers' supply chains for projects where appropriate:

Potential Framework Level activities

- Publish names of interested and successful supplier names at each stage, and facilitate interaction
- Require framework suppliers to publish sub-contract opportunities for each call-off
- Require framework suppliers to report on SME involvement
- Not prevent substitution and addition to framework suppliers' supply chains

Potential Call-off Level activities

- Local bodies' development of Local Broadband Plans and preparation for procurement will generate interest and awareness within local marketplace
- Publication of proposed intervention area (State aid requirement) allows local SMEs to declare their own investment plans
- Facilitation of framework supplier and local SME interaction, and even testing whether inclusion of SMEs has been considered

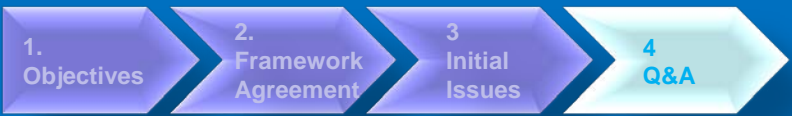
3. Initial Issues - Feedback



We have just been through a number of initial Issues for consideration

But we would like your feedback on this list:

- Have we identified the main obstacles?
- Are there additional challenges that might affect the market's ability to deliver superfast and standard broadband to the final third?



Panel Q&A

4. Panel Q&A



30 Minutes of questions from the floor

Additional questions can be submitted to us at procurement-bduk@culture.gsi.gov.uk – we will consolidate all questions and provide a single consolidated response to everyone who completes the survey and publish an anonymised version on the BDUK website



Survey

Introducing the Survey

Now it's over to you. We would now like to hear your views on what we have discussed today.

- An email containing a link to the survey has been sent to all attendees registered for the event.
- Follow the link to access the survey.
- You will be prompted to enter a password. The password is contained in the email.
- You will then be able to begin the survey, which should take 10 minutes to complete.
- Please note: We will only accept **ONE** complete survey per organisation.
- Please submit your survey responses **by lunchtime Tuesday 14th June**.

- A separate survey has been sent to the local bodies to complete.

- Please note: We will in no way assess your organisation on your answers to this survey – we are looking for your feedback and comments to guide and refine our current thinking.

BDUK Event 8th June 2011 - Supplier Survey

This survey requires a password. If you do not know the password, contact the BDUK team for further assistance (procurement-bduk@culture.gsi.gov.uk).

Enter Password:

Broadband
Delivery UK

[Exit this survey](#)

BDUK Event 8th June 2011 - Supplier Survey

Thank you for joining the BDUK event on 8th June 2011 and taking part in this survey. Please answer the following questions. This will take approximately 10 minutes:

***1. On whose behalf are you responding to this survey?**

- A likely prime contractor or consortium lead
- A likely sub-contractor or consortium member
- A potential prime contractor/sub-contractor/consortium lead/member
- Another interested party
- Yourself

***2. Please give the name of your organisation:**

***3. Please give the sector your organisation is from:**

- Network operator
- Equipment provider
- Civil Engineering
- Retail Service Provider or ISP
- Other (please specify)

***4. What other details would you consider to be important?**

BDUK Event 8th June 2011 - Supplier Survey

*13. Do you think BDUK's high level timeline for the procurement of the Broadband Delivery Framework and the initial call-offs reasonable?

[Assume a start date in June 2011 for the Framework to be awarded in April 2012, and the initial call-offs shortly thereafter]

- Timeline is reasonable
- Timeline may potentially slip
- Timeline is likely to slip
- Timeline is unreasonable

*14. During the procurement of the Broadband Delivery Framework we are planning to have three parallel dialogue workstreams with each bidder. These are expected to be commercial & legal, technical & operations and capability to engage in the process?

[Please mark as 'not applicable' if you are not applicable]

- Not at all
- May impact resourcing
- Resourcing will be challenging
- We could not resource
- Not applicable

*15. During a mini-competition for a call-off reference to information already submitted in the previous call-off (subsequent to the first call-off)

- 1 (1 at a time)

BDUK Event 8th June 2011 - Supplier Survey

Thank you.

17. We would like to hear any further comments or suggestions you would like us to take into account:

*18. In case we wish to follow up from any of your answers, please provide the name and telephone number of the person we should contact:

Name

Contact Telephone Number

[Prev](#)

[Done](#)



Close