



Map shows areas within each Regional Supplier contract that will be prioritised within the project

The next step will be to work out how we combine target premises into procurements. We will work with local bodies and telecoms providers to define draft procurement areas, identifying which are in potential Local Supplier contracts, Regional Supplier contracts and Cross-Regional Supplier contracts.

We will assess where Local Supplier contracts are likely to offer a more efficient route to early delivery than regional contracts. The factors we will consider when assessing potential Local Supplier contracts include:

- whether there are credible prospective bidders for the contract, with capacity, technology and financial standing to deliver gigabit solutions to the required standards;
- whether a Local Supplier contract is likely to deliver greater coverage, pace and value for money than including as part of a Regional Supplier contract instead; and
- whether the Local Supplier contract would leave any isolated areas which would be hard to deploy to subsequently.

Phasing of the procurement pipeline

Many local authorities have said that procurement could help stimulate deployment in their areas, while some others have very active commercial, superfast and voucher build work. Some are therefore keen to proceed to procurement rapidly, and others have recommended deferring new interventions to create space for existing or planned delivery activity to settle.

Our proposals for phasing procurements respond to these needs. Procurements will be delivered in the following sequence:

- **Initial procurements.** A learning phase for Regional Supplier and Local Supplier procurements in partnership with local authorities. Locations are selected from areas with accurate current market data, well-resourced local authority teams and known market interest.
- **Further procurements in areas ready to move ahead.** We will add further procurements to our pipeline, sequencing to build pace of deployment and prioritise areas where early intervention drives the greatest benefits. We will provide quarterly updates starting in June 2021 with details of confirmed procurements.
- **Later procurements in areas where other interventions are taking priority or where there is significant commercial activity.** Procurements to address areas where there is significant active gigabit implementation expected, often due to live Superfast Broadband Programme contracts already delivering gigabit coverage to the area, or potentially substantial commercial investment plans. In these instances, proceeding with new procurements risks interfering and inefficiently overbuilding existing plans or crowding out commercial investment. These areas are still expected to require subsidy once existing initiatives are closer to maturity and will still be incorporated in the procurement pipeline.

Phase 1 Procurements - Learning

We started the process of procuring in some areas with the pilot launch of the Cumbria Open Market Review late last year, and have been working with other areas since. The first areas for procurement have been selected so that we, local authorities and telecoms providers can start live delivery in a controlled way, learning which elements of the processes work well and which need to be improved so that we can scale up delivery with confidence.

The areas we have selected are those where there is a clear requirement, industry support and supplier interest expected for the procurement, where the local authority is able to support the procurement development process and where we can establish good market data to map the intervention area.

Phase 1a

We are commencing first Regional Supplier procurements in:

- Cambridgeshire and adjacent areas (Lot 5⁵) (including Peterborough and parts of Northamptonshire, Essex, Hertfordshire and Rutland)
- Durham, South Tyneside & Tees Valley areas extending into Northumberland (Lot 4) (covering the local authority areas of Durham, Darlington, Stockton, Hartlepool, Middlesbrough, Redcar and Cleveland, Sunderland, Gateshead, South Tyneside and part of Northumberland)
- West of Cumbria, including the Lake District National Park (Lot 28)
- North and West Northumberland and East Cumbria (Lot 34)
- West of Cornwall and Isles of Scilly (Lot 32)
- East of Cornwall (Lot 33)

We estimate these projects would provide gigabit coverage to up to 510,000 hard to reach premises.

Dependent on the outcome of the Public Review processes, we expect to procure six Regional Supplier contracts and potentially five Local Supplier contracts in these areas.

We will begin the procurements for the first Regional Supplier projects in the spring.

In addition, we are procuring Local Suppliers in discrete areas within:

- Essex
- Dorset

These procurements are being conducted in partnership with local authorities, who are running the Open Market Review and Public Review processes on our behalf.

We will launch the Dynamic Purchasing System for suppliers interested in bidding for Local Supplier Contracts in the spring and the first call-offs for contracts under this process will take place in the summer.

Phase 1b

We are commencing work on a number of other areas where additional procurements can be brought forward to help build pace for the programme while still supporting the learning phase.

The areas that we are now progressing in Phase 1b are:

- Norfolk (Lot 7)
- Shropshire including Telford and Wrekin (Lot 25)
- Suffolk (Lot 2)
- Worcestershire (Lot 24)
- Hampshire and Isle of Wight (Lot 27)

⁵ Please see Appendix A for the proposed boundaries of each lot.

Small Procurement areas

Question 2) Please provide specific proposals for small area procurement bundles, including rationale. Are there smaller areas of the right characteristics (of the right size, including sub-superfast premises and including a blend of more expensive and cheaper premises) which you feel would be suitable for DPS procurements? When would you ideally like these procurements to start?

Question 3) Please provide views on how we have constructed the example small (DPS) procurement areas in Annex A, including the way we have selected an intervention area and the use of MSOA/LSOA boundaries. How can we make these bundles as attractive as possible to the market?

There was a similar level of support for the small procurements as for the large procurements among telecoms providers, although this time with more of a skew towards support from smaller organisations. A few providers recommended including a greater volume of premises or otherwise clustering the procurements to achieve greater scale, and a few identified additional value in coordinating the timing of small procurements with adjacent large procurements so they could complement each other. However a larger number of - typically even smaller - organisations supported smaller areas, e.g. enclosing just an individual parish, and believed that dropping down as low as 500 premises would still remain economically viable. A similar proportion expressed their belief that the voucher scheme could be a simpler and better mechanism to achieve coverage with a lower transaction cost than for procurement processes.

Although many providers confirmed their intention to register for the Dynamic Purchasing System and named broad regions where they expected to bid for opportunities, there were very few recommendations for *specific* areas where they would like to see procurements. Only a few providers expressed a view on whether to use Openreach telephone exchange footprints or statistical areas (MSOA⁶) as boundaries for small procurement areas, with one describing MSOAs as an effective compromise between achieving scale and avoiding homogeneity, but more supported the use of administrative or alternative approaches over using Openreach infrastructure.

Local bodies were also supportive of small procurements and their ability to encourage the involvement of smaller bidders, with only a small minority believing they were too small to be viable. Several local bodies also identified specific areas that they thought would suit small procurements, although these were not, in general, underpinned with confidence in specific bidder interest.

Our response: The feedback from telecoms providers and local authorities confirms that there remains a strong level of interest in smaller procurements through the Dynamic Purchasing System. As described in this document, the lack of specific proposals to consider has made it hard to develop specific procurement areas so far, but we remain committed to the

⁶ Medium Super Output Areas

procurement route and will follow up with smaller telecoms providers expressing interest, particularly where they have proposals for areas to include in procurements.

Vouchers

Question 4) Where do you feel vouchers are a better way to achieve delivery? Please explain the rationale for your answer and whether you think there are strategic improvements we could make to the scheme.

Telecoms providers were extremely supportive of the intended continuation of the voucher scheme and described the benefit they can bring, both to commercial deployment and as a complement to procurements. In particular, providers regularly referenced the value of vouchers to help infill uncommercial gaps in their otherwise contiguous networks. A common concern among respondents was the extent to which vouchers would still be available following the procurement process, including among those operators not intending to bid for the procurements.

Telecoms operators made numerous suggestions for changes to the operation of the voucher scheme. A common suggestion was to increase the value of the voucher and the time available between issuing the voucher and connecting the customer to help serve harder to reach premises. Another request was that we end the obligation to aggregate customers into a scheme and allow providers to serve a single customer. A few providers went further and asked us to break the link with serving customers altogether and instead reward providers for passing premises and making gigabit capable infrastructure and services available. In addition, we received considerable feedback on the operational processes and controls of the scheme.

Local bodies were also overwhelmingly supportive of a continuation of the voucher scheme, although were more focused on retaining alignment with procurements to prevent the vouchers undermining them. Like telecoms providers, some local bodies also suggested an increase in the value of the voucher, including wanting to extend successful local top-ups.

A community representative highlighted a concern, especially for larger voucher-based projects, where some suppliers may try to transfer the funding risk for the project onto the community, requiring them to 'make good' if the aggregate worth of their connection vouchers turns out to be insufficient to meet the project's cost, creating a significant potential financial exposure. Another gave an example of where a supplier sought to mitigate the risk by requiring such additional commitment from the community to take-up future services to make the overall project unviable.

Our response: As explained in this document, we are now able to confirm new funding is available for the voucher scheme from April 2021 based on targeting the hardest to reach areas through changes to eligibility criteria, and will continue to support providers to grow their pipeline of eligible projects. We are not expecting to immediately implement major changes in the design of the voucher scheme ahead of relaunching the scheme, however respondents' feedback has been useful in our work to regularly evaluate the effectiveness of our vouchers and consider changes to its design.

Pipeline construction

Question 5) Which procurements are you most interested in?

Question 6) When would you like procurements to start and how many areas should we release? What is the maximum number of concurrent large and/or small procurements you could participate in, over what period and why? Are there things we can do to help speed the process up?

Telecoms providers' collective responses were beyond our expectations with interest expressed in bidding for virtually all parts of the UK, with several providers potentially intending to compete in the same areas, which is encouraging for the development of our procurement pipeline.

Most telecoms providers told us they were ready to bid for procurements 'as soon as possible' or in any event by Summer 2021. However a significant minority proposed late 2021 / early 2022 would be preferable - in one case this was because a respondent expected this to be the timescale when Covid restrictions would be lifted. Several respondents were indifferent on timing so long as there was plenty of notice ahead of their launch to prepare bid teams.

Telecoms providers' capacity to bid for multiple procurements in parallel differed significantly, with one provider ready to bid for 10 procurements concurrently, but more common were responses proposing between three and five concurrent bids. We received suggestions of quarterly and six-monthly releases of procurements.

Although this question was aimed at telecoms providers, where local authorities did respond, the majority wanted procurements for their areas to start as soon as possible, although a few recommended waiting until the completion of live superfast contracts first.

Our response: This document provides an update on the procurement pipeline and the initial releases. As we build the pipeline further we will incorporate providers' feedback on their capacity to bid for procurement opportunities.

Some other themes

- **Overbuild concerns:** many telecoms providers expressed their concern that the procurement boundaries on the maps enclosed areas where they had existing coverage or where they planned to build commercially.

As we describe in this document, each procurement will be preceded by a Public Review process to identify and exclude confirmed areas of commercial network build, and prioritise implementation to focus on areas where commercial build is less likely.

- **Omitted areas:** several respondents - including telecoms providers, local authorities and communities - expressed concern for the risk of areas missing out. In some cases the risk expressed was suppliers would find them too difficult to serve in practice and not fulfil their contractual obligations. In others, the risk would be they were omitted from procurement areas altogether in anticipation of commercial build instead.

We will carefully scrutinise the deliverability of operators' claims of commercial plans to cover areas before removing them from intervention areas and we will retain the flexibility within contracts to direct suppliers to include premises or areas where commercial build has not been fully realised.

- **Broadband infrastructure:** a few respondents suggested we consider infrastructure requirements in our procurements rather than solely the speed of services delivered to premises. For example, recognising investments in backbone fibre accessible to the market and stimulating further network build, or making provision for 5G fixed wireless access.

Our procurements will be subject to the UK's subsidy regime and will require our investment in network infrastructure to be open and accessible to other network operators. Our procurements will also be technology neutral, enabling fixed wireless solutions to be bid. In addition we are studying the hybrid fibre and wireless solutions deployed through the voucher scheme in very hard to reach areas and will regularly reappraise how our approach facilitates the maximum level of network coverage.

- **Perceived reduction in funding:** a small number of respondents expressed their concern that the government had appeared to have reduced its financial commitment to the programme in the recent Spending Review from £5bn to £1.2bn.

This is not the case. The Spending Review allocated £1.2 billion over 4 years to support the rollout of gigabit-capable broadband, as part of the government's £5 billion commitment to support rollout to hardest to reach areas (under the UK Gigabit Programme). The spending profile takes into account extensive engagement with suppliers in the telecoms industry, and what we believe the industry will be able to deliver by 2025 in these hard to reach areas at this stage. As set out in the National Infrastructure Strategy, we expect that by 2025 at least 85% of premises will have access to gigabit-capable connections and we will continue to work with industry to accelerate the rollout further to get as close to 100% as possible. We remain committed to investing £5 billion in bringing gigabit coverage to the hardest to reach areas and will continue to work with suppliers to accelerate this investment, taking account of industry capacity.

- **Wider social benefits:** a few respondents proposed we include an obligation for a social tariff upon contracted suppliers. Another respondent recommended an increased focus on suppliers' labour standards and employment practices. As part of the procurement process, we will be evaluating bidders' plans to create social value to encourage a wide range of economic, social and environmental benefits.

Respondents

Telecommunications Providers and Industry Bodies

- Airband
- Alncom
- Axione
- Broadband for the Rural North Ltd
- Box Broadband
- Broadway Partners Ltd
- Cerberus Networks Ltd
- CityFibre Ltd
- CNI - Cooperative Network Infrastructure
- Connectus
- County Broadband
- FACTCo
- Fern Trading Ltd (Jurassic and Swish Fibre)
- Fibre Me Ltd
- Fibrus
- Freedom Fibre
- FullFibre
- Gigaclear
- Glide
- Grayshott Gigabit
- INCA
- Jurassic Fibre
- KCOM Group
- Openreach
- Quickline Communications
- Secure Web Services Ltd
- Spectrum Fibre Ltd
- Spring Fibre Ltd
- Swish Fibre
- TalkTalk
- Telkom Networks Ltd
- Trooli
- Truespeed
- Virgin Media
- Vodafone
- Voneus
- Wessex Internet Ltd
- WightFibre
- Wildanet

Local Bodies

- Association of South Essex Local Authorities (ASELA)
- Black Country Consortium LEP
- Buckinghamshire Council and Buckinghamshire LEP
- North of Tyne Combined Authority
- North Yorkshire County Council
- Northamptonshire County Council

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- Cheshire East Council
- Cheshire West and Chester Council
- Cornwall County Council
- Cumbria County Council
- Cumbria LEP
- Derbyshire County Council
- Devon and Somerset (Connecting Devon and Somerset)
- Dorset Council
- Durham County Council
- East Riding Council
- East Sussex County Council
- Essex County Council
- Greater Manchester Combined Authority
- Halton Borough Council
- Hampshire County Council
- Herefordshire and Gloucestershire (Fastershire)
- Hertfordshire County Council
- Kent County Council
- Lancashire County Council
- Leicestershire County Council
- Mid Bedfordshire Council
- Norfolk County Council
- North Lincolnshire Council
- Northumberland County Council
- Nottinghamshire County Council
- Oxfordshire County Council
- Perth and Kinross Council
- Plymouth Council
- Rutland County Council
- Shropshire Council
- Solihull & Warwickshire (Connecting Solihull & Warwickshire)
- South Gloucestershire Council
- South Tyneside Council
- South Yorkshire (Superfast South Yorkshire)
- Staffordshire County Council
- Suffolk County Council
- Surrey County Council
- Swindon Borough Council
- Telford and Wrekin Council
- Warrington Borough Council
- West Berkshire Council
- West Sussex County Council
- West Yorkshire Combined Authority
- Wiltshire Council
- Worcestershire County Council

Other organisations and individuals

- Balderton community, Cheshire
- Communication Workers Union (CWU)

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- Ropely Community, Hampshire
- Individual - 1
- The Bit Commons
- Grey Sky