Broadband Aggregation Group
Final Report

December 2003

1. Introduction

The Broadband Aggregation Group (BAG) was established in January 03 with the following remit (full terms of reference are in appendix A):

- Remove barriers to aggregation, such as, data protection, sales structures, procurement etc.
- Create a mechanism of aggregating demand at all levels with particular focus on the private sector as a tool to achieve this.
- To work closely with those responsible for public sector aggregation, e.g., DTI, DFES, NHS, OGC and others
- Develop a voice for the private sector needs
- To be an independent body to advise industry and government on the needs and potential opportunities from aggregating demand at all levels.

The BAG members are from industry and the public sector. This paper does not focus on the definition of broadband, however, it does identify the need to move users and potential broadband users up the value chain to realise the benefits of the service.

2. Background

The BAG initially looked at 3 key themes of interest in which to review the barriers and issues to successful aggregation. Those themes were:

- Public sector aggregation
- Private sector aggregation
- Combination of public and private sector aggregation

The BAG however eventually focussed on public sector aggregation as this was seen as the major driver for achieving Broadband Britain. It was felt that this could ensure that broadband became available to consumers, SMEs and home workers in addition to the public sector. This would thus support the overall government objective to create 'Broadband Britain'.

The group discussed a number of perceived issues and barriers to aggregation:

- the scalability, future proofing and common standards of networks
- legislation and regulation (domestic and EU)
- contractual restrictions (terms and conditions) on network usage/traffic
- practical considerations in obtaining buy-in across the sectors and groups
- hassle factor of undertaking aggregation
- lack of clarity of DTI proposals

The above were discussed in relation to the SPV model that was being advanced in the early part of 2003. Several members felt the concept was flawed because a new tier of local "infrastructure operators", could compete with existing players at this level (such as the DfES Regional Broadband Consortia and others supported by RDAs. Local Government, EU funding etc). These would delay existing plans, including to procure, implement, manage and maintain seamless networks across multiple infrastructure providers.

Carrie Armitage gave a presentation on N3 at the May meeting. This raised a great deal of interest because of the expectation that the NHS focus on value for money in achieving seamless and reliable service delivery to support changing applications over time, was common to most of those running national "applications" (including most High Street "names" as well as Central Government Departments and Agencies). The ability to meet such needs was expected to be make-or-break for the success of the SPV model.

By September the SPV model had evolved into a National Aggregation Board (NAB) and Regional Aggregation Bodies (RABs). The OGC Broadband Solutions Framework Agreements have been available to meet the individual requirements of any UK public sector authority but were not intended to be used to procure services on a regional and/or national aggregation basis. The OGC buying solutions framework OJEU notice was published in August 2002; the formulation of the Broadband Aggregation Project was started six months later.'

The RABs would be based on back-to-back contracts for public sector needs only. Payment would be managed by the RABs and the detail would be available in the SSR. The DTI advised that services would be procured by the RABs and that the RABs would select and award contracts with suppliers.

Opinion on the value of the RABs was divided but all agreed that their success would depend on their ability to deliver best value for money and promotion of broadband roll out to rural areas, SMEs, consumers and home workers.

The members agreed to report on issues and make recommendations accordingly.

3. Issues

The issues highlighted by the members in relation to the NAB and RABs are as follows:

- The changing role of RABs from 'brokers' to 'service designers'
- Impact on supplier market of RABs
- Demand is an issue as well as that of availability
- A misunderstanding exists, this is that lack of fibre is the issue, and not last mile connectivity
- No true vehicle exists to aggregate public and private sector demand
- Independent accountability

The members agreed that the RABs could not be self-sustaining if they focused solely on Layer 1 services and that naturally the scope should extend to Layers 2 and 3, that is the services supported by broadband. The DTI stated that the RDAs would approve their business models and RABs would remain self-standing bodies. It was anticipated that they might want to go higher in level terms once they were up and running. The DTI confirmed that RAB's would not own assets, even if they moved up the value stack. Moving from Layer 1 to Layer 3 meant that the RAB's would move from 'broker' to 'service designer'. A number of members felt that the RABs should focus on the services and applications to be supported and the service capabilities required, rather than on the broadband technology to be used. The current RAB definition of layers 1,2 & 3 are unclear as well as very different to the industry definitions (based on the OSI model). Some members of the group pointed out that if the RABs are only procuring at the lowest layer they will still need someone to provide the network protocols, managed services, systems integration etc to actually get the networks operational.

Co-ordination in government at the planning and budgeting level was critical for the integration of applications, and there were a number of exercises in this area, most not yet linked directly to broadband aggregation. Suppliers would have to plan to develop convergent networks, capable of interoperability when this happened.

Some members claimed that because take-up of broadband (defined as currently available ADSL and cable services) was only at 10%, government should do more in encouraging broadband usage, for example, setting targets for home working and promoting the benefits of broadband. Others felt that £30/month was still unaffordable for many and/or too expensive for what was currently on offer. There was discussion over whether the issue was fibre or reaching the last mile, including via the variety of technologies now on offer. There is a debate as to the significance of the barriers posed by lack of fibre and lack of last mile connectivity.

The members were concerned as to who would be responsible for the accountability and monitoring of the RABs; the DTI stated that they would take this role. Members felt that it was not appropriate for the DTI to scrutinise, monitor and audit the RABs. They felt that a truly independent body should do this and that an existing established organisation should take this role. Overall it was felt that the RABs should be audited in a truly independent manner, even if this was done by the DTI.

4. Recommendations

Aggregation of public sector demand is an important and critical initiative for the UK Plc. The BAG have put forward the following recommendations for consideration by government:

1. Processes for aggregating departmental and agency service delivery spend on communications should be included within the efficiency review being led by Peter Gershon, to improve value for money and performance at the same time as making major network builds worthwhile for operators.
2. There is a need for greater clarity and communication on the role of RABs and assessment of impact on suppliers, including:
    - the publication of the objectives, targets and success criteria for RABs to enable performance measurements,
    - the creation of an independent body to monitor and scrutinise performance against those objectives and cost- effectiveness
    - cross-industry and government agreement on definition of Layer 1
3. There is a need for commitment from government on embracing initiatives e.g. flexible working, that support broadband take-up and at the same time will widen the availability and triggering of operators' registration schemes
4. The 'Best owner' principle means that networks are normally best built and owned by operators, with services provided to public sector clients. Publicly owned networks rarely achieve 'Best Value'. RABs should therefore act only as intelligent customers and not get involved with the running of networks.
5. Where RABs mix procurement and subsidy they need to be absolutely open and transparent over the sources and applications of funds so that it is clear that any subsidy is for public sector or "social" usages which are fully compatible with state aid rules.
6. Government/DTI to publicise sources of information on precedents (EU/UK) with regard to state aid, aggregation, EEJ notices etc and whether these have been challenged.
7. There is a need to assess how public sector aggregation will affect the extension of the broadband footprint for the private sector.

5. Conclusions

Broadband has the potential to make huge differences to the way we live, both socially and economically. For instance, according to the Internet Service Providers' association, BT currently has 4,000 home workers in the UK, making a saving of 12.5m commuter miles per year and saving 1,000 tons of C02 emissions. Government support for such initiatives through public sector tele-working could significantly affect this and drive up demand for broadband services. Meanwhile lack of broadband excludes whole communities, let alone individuals, from the global knowledge economy.

Active support for public sector tele-working could significantly impact the cost of government at the same time as helping finance the roll out of broadband to benefit the whole of society.

In achieving Broadband Britain, the majority of members felt that backhaul networks are not the key issue. Fibre and ducting exists between 99% of DLEs. Achieving sufficient aggregation of spend to justify deployment of network infrastructure (e.g. DSLAMs) in the local loop is a real issue. However the point was raised that in rural areas and depending upon the broadband technology being deployed, the roll out of broadband may not use the local exchange and therefore may need additional backhaul services.

Government needs to actively support and encourage aggregation on both a local and national scale and match that with a co-ordinated spending plan. Whatever the role of the RABs in that process they need clear objectives, supported by those they are to serve, and an independent performance audit.

The legal position with regard to state aid needs to be understood if public sector aggregation is to assist private sector roll out of broadband services. If, as appears to be the case, it is impractical for the UK government to give clear legal advice, publicity for those precedents which have been both acceptable and successful should be provided instead.

Take up of broadband by consumers and SMEs and home workers, as well as public sector bodies are the key to economic competitiveness on a national and global scale. This will be an essential element of achieving 'Broadband Britain'.

Appendix A

Broadband Stakeholder Group
Aggregation of Demand Working Group
Terms of reference

1. Aggregation of demand by the private sector – review and understand how communities of business, consumers and teleworkers can work together with Telco's, OLO's etc to build a case for further deployment of broadband (ADSL, Satellite, Wireless) within a specific community/town

2. Public/Private procurement consortia - define how major companies such as, Intel, Centrica, Unilever, Reed-Elsevier, Retail, Distribution, etc can work together to roll out BB in the unserved areas

3. Aggregation across and within the public sector – review how this could be done, without creating a monopoly supplier whilst maintaining the balance between competition and cost (integration cost between suppliers and networks)

4. Review and understand the implications for mandating a multiple sourcing/routing for critical infrastructure procurement so that aggregation pulls through competition at the local loop

5. Public/Private Sector Aggregation – review/recommend how public and private sector can work together without state aid funding to develop local networks involving Local Authorities, RDAs as well as small businesses.