



JENDENS

Rural Broadband

BDUK Submissions – Picking up the Gauntlet

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CONFIDENTIAL

Executive Summary – In a Nutshell

- **Councils are looking for a solution** – The UK Government’s rural broadband initiative, whereby £530m of public money is being channeled via the BDUK, places a significant burden of responsibility on Councils. The BDUK’s recently published bidding guidelines list a total of 18 ‘key tasks’ for local bodies although, in our view, these distill down to three over-arching challenges. **First**, Councils have to demonstrate that rural broadband is economically viable, when historic evidence and current incumbent practice would suggest that it is not. **Second**, they have to be able to develop, present and execute a comprehensive, county-wide broadband strategy. And **third**, bearing in mind that BDUK funding can only ever be good for a small proportion of the eventual cost of rural broadband, proposals have to be sustainable – in other words, with assured access to ongoing private funding. All three of these, to varying degrees, are some way outside the natural core skill-set of local bodies, and together these assessment criteria represent significant challenges for Councils to match.
- **Demand is not the problem** – Whether from the perspective of international competitiveness, economic welfare, social inclusion, or efficient government, there is a justified consensus belief that efficient communications is as essential to a functioning modern society as the traditional utilities of water and power. The purpose of this paper is not to make the case for broadband – a post-industrial ‘knowledge economy’ self-evidently requires a communications infrastructure that is ‘fit for purpose’ – but rather to propose how to help Councils ensure that demand is being met.
- **Supply is the problem** – For multiple reasons, BT is unable and unwilling to offer its ‘superfast broadband’ upgrade beyond its current 65% of the population, £2.5bn commitment, and appears to regard BDUK as essentially a source of incremental funding. VirginMedia, for its part, targets 50% of the population and appears to harbour no real rural ambition on its own account. Finally, a highly fragmented and sub-scale base of alternative providers, as currently constituted, does not represent a coherent alternative to the ‘BT-by-default’ option. It is this collective supply-side failure, rather than any technology shortcoming, that explains the bulk of the ‘final third’ issue.
- **A new approach is needed** – Multiple case studies both in the UK and across Europe demonstrate that, with effective demand aggregation and cost reduction measures, and sensible investment horizons (10+ years), healthy returns from FTTH are achievable. As Reggefiber in the Netherlands has shown in raising €285m in new loans, properly structured vehicles readily attract significant long-term financing. The cumulative body of evidence is now undeniable: rural broadband is both do-able and financeable.
- **The challenge facing Councils, and the industry.** An organisational structure is required that can combine the virtues and benefits of localism (demand aggregation, local financing, wayleave negotiation, network construction and maintenance etc.), with the ‘industrial proofness’ of a regional or national organisation that can deliver the necessary scale and operational effectiveness – be it to equipment companies, national ISPs, institutional investors and other funding organisations, or to Councils looking to develop and implement an area-wide broadband strategy.
- **The franchise model offers such a structure.** The concept has been tested on a number of companies and local councils, and has met with a consistently enthusiastic response. In our view, the franchise structure provides the toolkit, and the levers, for communities and Councils to develop and deliver their local plans. We recommend that, in their submissions to BDUK, Councils should incorporate the franchise concept into their Local Broadband Plans, as the most practical means to leverage their assets, to harness community endeavour, to present a credible, sustainable and, above all, financeable business case and, above all, to provide the tools to ‘just do it’.

The Business Case

The BDUK bidding process has presented Councils with a set of tough challenges:

- To promote investment in an area of acknowledged market failure;
- At a time of acute fiscal austerity, when little money would seem to be available; and
- Without being given any particularly useful tools to do the job.

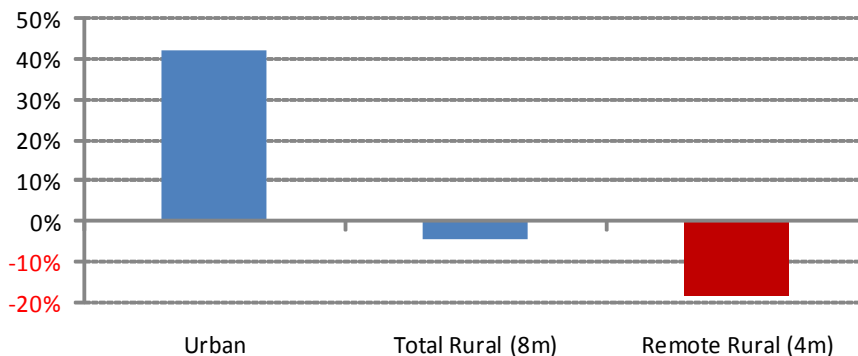
While acknowledging that the challenges are real, we believe they are surmountable.

Moreover, the challenges are worth addressing. The UK significantly lags behind its European and other developed country peers in respect of broadband availability. For example, the UK Federation of Small Businesses found that only 0.3% of U.K households had fibre access at the end of 2009, compared to 20.1% in Estonia and 29.7% in Denmark. And within the UK there exists a 'digital divide', between urban dwellers who benefit from increasingly fast and competitively priced broadband offerings, and approximately 20 million rural dwellers who have little immediate prospect of enjoying the economic and social benefits of superfast broadband. The market failure that is evident in many areas of competitive telecoms means that the UK's knowledge economy is seriously handicapped from the outset.

Rural Broadband is viable

Conventional wisdom of the kind that informed the previous Digital Britain debate was that, beyond a certain proportion of the population, significant technology upgrade was never likely to be economically justified, given the high cost of rollout to remote areas and the uncertain demand characteristics. BT-sponsored market and cost analyses, most notably that of Analysys-Mason, clearly illustrates the difficulty: for a full fibre-to-the-home upgrade, assuming 30% adoption rates, the cost per home connected extends up to more than £10,000 in the most remote communities (density of only one premise/km²), and averages £5,000 across the 'final' 30% rural population. For the significantly more cost economic fibre-to-the-cabinet (FTTC) iteration, as favoured by BT and most incumbent telcos across Europe, the respective costs are still a relatively burdensome £1,700 in the remotest areas and £900 averaged across the rural population. Assuming a 5-year investment horizon, IRRs remain resolutely negative.

Fibre-to-the-Cabinet 5-Year IRRs



Source: Analysys-Mason, Jendens estimates

BT is therefore widely assumed to represent a 'natural monopoly' and therefore the default provider in this segment, a perception that has been fostered actively by BT itself (e.g. via its recent 'Race for Infinity'

campaign, which explicitly disqualified smaller communities), and passively by Governments, in their insistence on direct intervention or subsidy as a 'gap funding' tool.

The reality is that BT is constrained by its own historic cost base, including its pension deficit, and by shareholder expectations, to concentrate on quick return projects (typically three years) that exploit BT's existing, fully depreciated copper infrastructure – however limited the upgrade potential. BT is also poorly equipped to engage proactively with local communities (as evidenced by the Race for Infinity exercise, with a 1% national response rate), having long ago divested itself of its local organisational structure. It is moreover obliged by regulation to price its services on a geographically averaged basis, and therefore on an uneconomic basis in higher cost, low density areas, hence reducing any incentive to invest. And, crucially, it is probably also a victim of its own lobbying rhetoric – in assuming for its own project appraisal purposes, for example, that only 30% of households will be interested in fast broadband.

Contrary to the conventional view, rural broadband can be made to work as an economic proposition, albeit using a very different approach to the traditional demand rationing of the incumbent, with priority given to:

1. Creating structures and incentives that harness community spirit and endeavour, thereby
2. Reducing costs, and particularly cash costs, to a minimum, as well as
3. Maximising take-up rates; and
4. Appealing to investors with a long term investment horizon, consistent with the secure, annuity nature of the income stream.

Numerous case study examples from the UK and across Europe demonstrate that attractive returns can be generated if certain conditions are met – notably, if proactive demand aggregation techniques are employed to boost adoption to over 50%; if costs, particularly civil construction costs which can represent up to 80% of the total, are minimised; and if a sensible infrastructure-style return horizon is used (say, 10 years, as against the 3 year payback threshold that BT demands of its capital projects). Reverse engineering the industry standard Analysys-Mason figures suggests that intelligent and focused NGA (Next Generation Access) deployment in the majority of rural areas should yield IRRs of consistently over 30%, without public subsidies. Perhaps more telling, in the context of the far more future-proof fibre-to-the-home (FTTH) strategy, while not going so far as to justify 100% universal rollout, these revised conditions do substantially improve the economics of FTTH, and significantly broaden the theoretically addressable market for FTTH.

Rural broadband is fundable

The conventional view, as epitomized by the previous Labour Government's approach to the 'final third' challenge, was to follow the direct subsidy route – as evident in Labour's proposed 50p/line/month broadband levy. Not only was this pitifully inadequate to the task (expected to raise some £120m p.a., against a presumed need of £5-10bn), it would have effectively cemented the incumbent BT's role as default provider.

Indeed, existing or incumbent providers are unlikely to fill the funding gap on their own, given the shorter investment horizons of their equity backers. BT has committed £2.5bn to upgrading its network to delivering 'superfast broadband', and it has expanded its target number of households from 40% to 66%. Its immediate focus is on fibre to the cabinet (FTTC, a technology 'halfway-house' which extends fibre closer to households, but still relies on copper lines for the final connection), and it is installing 500 cabinets and passing 150,000 homes per week. We posit that it is therefore operating at close to its implementation capacity. As mentioned, BT is constrained in its ability to address the rural broadband opportunity by its

own legacy cost base, by a centralised organisational structure that is unable to engage with communities, by its over-indebted balance sheet and by shareholder expectations. The bottom line for BT is that rural broadband simply does not add up as an investment proposition, and funds available are accordingly severely rationed.

For its part, Virgin Media has committed to providing superfast broadband only to the 50% of the UK population already served. The company is a likely buyer/lesor of next-gen access capacity that may be built in the future, and should have every incentive to work with community fibre projects, given the new market opportunities this would open for the company. And a number of smaller companies have been operating at a local level in trialling various technology options – most notably, fibre-to-the-home by NextGenUs and Vtesse, fibre-to-the-cabinet by Rutland Telecom, and wireless solutions by Cybermoor and numerous others – with some considerable success, albeit on a small scale.

However, taken together, and taking as read the current standard cost estimates that £3bn-£13bn¹ of broadband investment is required to meet the Government’s ambition of delivering broadband to the “final third,” the private sector as currently constituted is not likely to meet Government expectations for bridging the rural digital divide – conventional operational and financial models simply will not work.

Non-conventional sources of funding are available, however. Although there is an element of direct subsidy in the £530m of money being allocated by BDUK, there is a far bigger, more stimulative game being played, with the Conservative/Liberal coalition viewing the Broadband challenge as a perfect vehicle for demonstrating The Big Society at work: succinctly put, broadband connectivity empowers local communities, while local communities must empower themselves to attain broadband connectivity. Crucially, a central tenet of the BDUK application criteria is the need to demonstrate sustainability – in other words, Council plans have to be able to demonstrate they have credible access to long-term funding.

While the existing balance sheet-constrained incumbent operators show little appetite to invest in long-duration projects, there exist numerous alternative sources of long-term financing for fibre-based infrastructure, including:

1. **Households:** With bank and building society deposit accounts typically yielding less than 1%, there exists a significant pool of domestic savings available to be tapped, via considerable anecdotal evidence suggesting that there would be significant demand for attractively packaged instruments, such as a 10-year retail bond offering a 5% coupon. Compare the success of the John Lewis retail bonds, amongst others, with the potential for Virgin Media, hypothetically, to use the power of its brand and services to promote a retail bond. Alternatively, building societies and other mortgage lenders could be persuaded, alongside their Scandinavian counterparts, to accept the ‘final drop’ as an addition to a property’s value, and therefore mortgageable.
2. **Social Impact Bonds** represent a relatively new concept, where returns to investors are dependent on specific social outcomes – lower re-offending rates, in the case of private prisons, or higher school attendance or lower costs of health care provision, in the case of fibre. More simply, the value of a Council’s future PSN contracts can be subject to securitisation as a means to raise capital.
3. **Infrastructure funds:** these represent a fast-growing body of investment capital, attracted to the secure, annuity nature of fibre-based networks.
4. **Pension funds:** although the ‘public’ face of pension funds is typically represented by their equity portion (that part that will pressure a company like BT to seek short-return projects that support high dividend payouts, for example), this is balanced by their lower risk fixed income and property

¹ Source: Analysys-Mason, assuming FTTC, 30% adoption

exposure – either of which could be attracted to a properly constructed and packaged, fibre-backed network investment vehicle.

Rural broadband is do-able

As discussed, neither BT nor Virgin Media appear willing, or indeed able to harness local communities to deliver the high take-up rates required to justify investment. The vacuum has been partially filled by an array of small scale initiatives, employing a mix of FTTH and FTTC technologies.

As with numerous experiments and trials across the Continent that preceded them, these efforts have indicated that, contrary to conventional wisdom, the economics of fibre deployment in rural areas can be very attractive. Examples such as Rutland Telecom's FTTC broadband deployment in Lyddington, NextGenUs UK CIC's gigabit FTTH Ashby De La Launde initiative and Vtesse Network's Birch Green scheme, all suggest that where take-up rates can be maximised, costs minimised and community involvement energised, rural broadband initiatives – even those based on full FTTH deployment – can generate a worthwhile return on investor capital as well as fulfilling a clear economic and social need.

These and numerous other individual initiatives have blazed a trail, and demonstrated an important 'proof of concept' – **first**, that consumer demand exists for 'superfast' broadband; **second**, that costs can be minimised; and **third**, that decent returns can be made.

However, a large-scale proliferation of these schemes across the UK would likely only produce operational chaos and diluted returns, if economies of scale and learning were not vigorously pursued and consistently achieved. Reinventing the wheel 18,000 times is not an option!

The telecoms industry has come to recognise that the time for radical experimentation is past, and that the time has arrived for individual experiences to be translated into collective action. INCA, the Independent Network Cooperatives Association (<http://www.inca.coop>) is working to pool the experience derived from individual community-led network initiatives, contributing to the Broadband Stakeholders Group's Commercial Operational and Technical Standards (COTS) project (<http://www.broadbanduk.org/content/view/374/43/>). The European Broadband Portal (EBP) (http://www.broadband-europe.eu/Pages/AboutDetail_en.aspx) is pursuing a similar ambition. To the extent that lessons learned on demand aggregation, network design, and the like can be shared amongst members, these represent very useful contributions to the raising of operational standards.

However, while these developments prove the basic economic viability of rural broadband, they fall short in the two other areas of challenge facing Councils as they apply for BDUK funding. **First**, they do not address the need to systematise and in a sense industrialise the process of securing significant amounts of funding, as required by serious, institutional investors such as the EIB. And **second**, they do not address the need to ensure efficient delivery and execution at scale – put simply, an entirely community-owned and community-financed cooperative can set its own performance and return benchmarks, and is answerable only to its community for any shortfall. However, a project that relies on outside investors for a significant part of the funding is clearly also answerable to those investors – and it is a common requirement of all funding organizations, whether the BDUK, EIB or institutional investors, that governance, control and incentive mechanisms are in place and are operating effectively.

The Solution

The franchise model provides the solution, given that it so effectively binds together the localism of the community-led effort, with the benefits of scale required of a national communications provider and by its

investors, as well as providing the all-important governance, control and incentive mechanisms to ensure that the rights of external investors are appropriately safeguarded.

Activities best delivered **centrally** include: overall network design; procurement; the billing and customer care platform; billing and collection; Internet peering arrangements; negotiation with national ISPs; regulation, including 'BT watching'; and institutional financing, both equity and debt.

Activities best delivered **locally** include: demand aggregation; local financing; local network design; wayleave negotiation; network construction; network maintenance and repair; and customer care. Depending on the definition of 'local', the coordination of backhaul facilities, in cooperation with local public sector bodies and stakeholders, is also likely to fall within the remit of the franchisee.

Specifically, we see the following key benefits of a franchise structure:

1. **Economies of scale** – national scale brings multiple benefits: demand aggregation for national ISPs; cost-effective equipment and software procurement; national branding; effective engagement with regulators.
2. **Economies of learning**: both vertically, from franchisor to franchisee, and between franchisees, best practices can be easily communicated and shared.
3. **Operational efficiency**: via the franchise agreement, operating practices can be standardised, effectively by legal contract.
4. **Access to capital**: with the Master Franchisor acting as the 'bank' to the group (at this point in the cycle, banks are not likely to be a significant source of long-term credit²), institutional capital can be efficiently channeled to individual projects. Similarly, the franchise model can accommodate multiple sources of funding, and standard processes can be designed to capture householder and other local sources of financing, within a conventional share or loan subscription, CIC or cooperative ownership framework, and even recognising the payment-in-kind (PIK) value of self-dig initiatives.
5. **Speed to market**: by their nature, franchise agreements, once drawn up, can be rolled out relatively quickly across territories.
6. **Local identity**: again by their nature, local franchise holders will likely have a strong local presence and franchise, and corporate branding will reflect both local and national elements.

The franchise model is mature and well proven. The UK franchise sector has a turnover of £10.3bn, employs more than 364,000 people and is responsible for introducing 3,000 new businesses into the UK each year – and it is therefore an established and well recognized way of organizing a business venture in the UK.

Franchises are awarded by a Master Franchisor, typically on payment of a fee which goes towards the franchisee's necessary initial training, whether technical or, more likely, operational. Different franchise organisations exhibit varying degrees of active support and engagement by the Master Franchisor, depending on the complexity of the business, and the needs of the franchisee.

Day-to-day as well as less routine operating principles are codified within the Franchise Agreement – the crucial mechanism for ensuring consistency of standards across the network.

² With the exception of the European Investment Bank, which operates on a policy basis rather than 'for profit'.

One of the virtues of the franchise model is that it allows for different degrees of direct and indirect control, and direct and indirect interest, according to local need. Thus, the Master Franchisor may or may not maintain a direct equity interest in the local franchise, and may or may not provide 'central' funding of the local franchisee. At one extreme, an entirely self-financed local effort may draw only on the procurement and Internet peering arrangements as well as the regulatory and lobbying resources of the Master Franchisor, and therefore be required to pay only a modest franchise fee. At the other extreme, all the resources of the Master Franchisor may be required, in which case higher franchise fees plus financing charges will be incurred.

The Rural Broadband Franchise, in practice

The local franchisee will be tasked with executing the micro scheme. This will include preparing the initial investment case, coordinating with Parish and other representative bodies, managing community efforts, maximizing demand aggregation and implementing technical components. Regarding all aspects of technology implementation and service delivery, the franchisee will be required to adhere to the process and quality control templates set out in the franchise manual and governed by the franchise agreement.

Structure – The industry is experimenting with a number of co-operative-style structures that seek to align the interests of the community and the investor, and there is clear merit to incorporating into the structure at least an element of the Community Interest Company. A CIC is a new kind of company structure introduced in 2005 under the Companies Act 2004, designed for social enterprises. Being a CIC, and therefore required to reinvest 75% of the company's surplus back into the community, and being subject to an asset lock, ties the business closely to the community agenda, while also strengthening the case for access to community funding (EU development grants etc.). Local councils have told us very clearly of the importance of embedding at least the principle of the social enterprise into the model, as a means to attract development funding, as well as to harness community enterprise. CICs have the additional virtue of qualifying for 80% discretionary relief on business fibre rates. Other forms of company organisation are available, and readily compatible with the general franchise model.

The CIC structure has undoubted merit as a vehicle for social enterprise and with careful consideration given to the precise structuring of the local franchisee, in order to maximize funding flexibility, offers comparative demand aggregation advantages over the conventional "all for profit" enterprise utility service model.

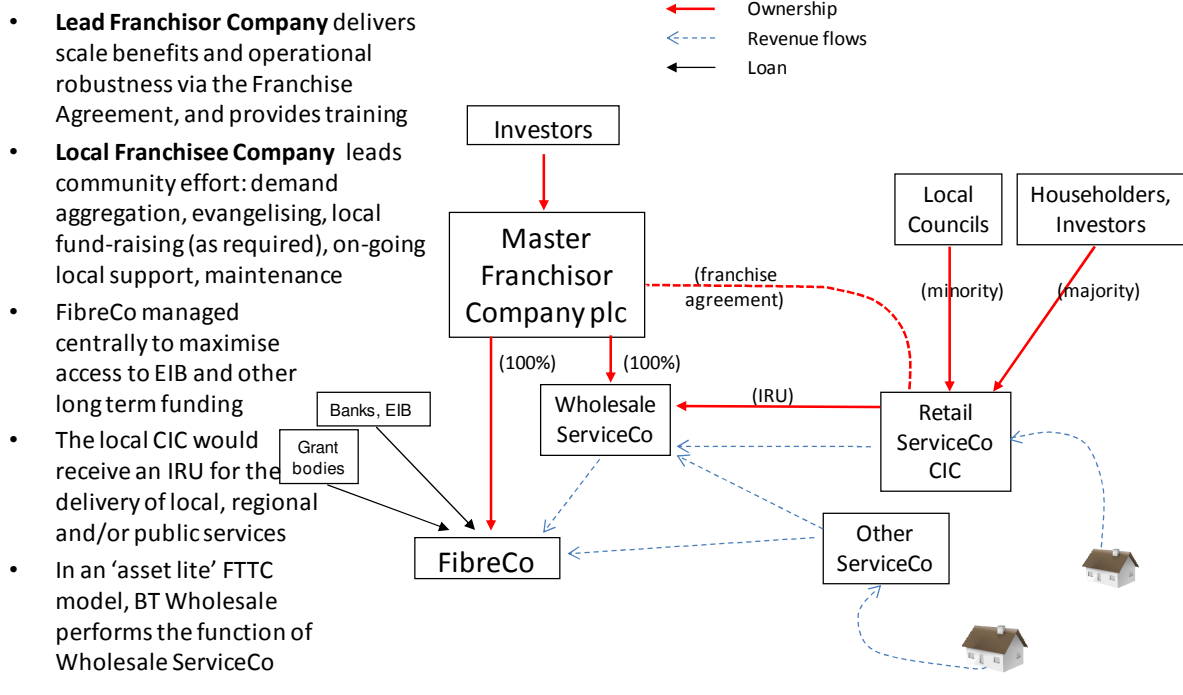
Simply stated, whilst a CIC structure could be considered counter-productive in a pure fibre-to-the-home model, where infrastructure investors conventionally demand the surety of the fibre asset backing in return for tolerating longer payback periods, the long term value proposition of FTTH can be made sufficiently attractive to unlock investment innovation within the constraints of the CIC asset-lock.

The option to publicly list the CIC exists in statute and offers a future-proof means to unlock sweat and start-up capital investment whilst retaining the all-important asset-lock assurance for the customer rather than any eventual exit to BT Openreach being envisaged, for example.

The CIC structure equally well serves in a relatively 'asset lite' network model (fibre-to-the-cabinet, or wireless distribution, for example), where in any case the shorter payback periods would render the asset lock less contentious.

One example structure is set out below, with a clear distinction between Layer 1 (the Open Access FibreCo), Layer 2 (the Wholesale ServiceCo, potentially competing against BT OpenReach), and Layer 3 (Retail ServiceCo – the local franchisee – competing against other ServiceCos such as BT Retail, Sky, Virgin Media or other local or national ISPs). In this structure – one of many possible structures – ownership of the fibre

is held outside the CIC ‘asset lock’ in order to ensure access to long-term investment. Notably, however, an indefeasible right of use (IRU) is granted by the FibreCo to the Local Franchise/Service CIC to guarantee ‘free’ use of local network capacity for the delivery of local and/or public services. This arrangement effectively delivers the scale benefits of central ownership of the network, including guaranteeing access to long-term investors, while retaining a strong local or community ownership position. Other structures are of course possible.



Financing – The franchisee model lends itself to attracting multiple sources of finance, beyond conventional bank credit. At the local level, and as mentioned, there are distinct advantages to setting at least part of the operation as a CIC in order to strengthen the sense of community tie-in, as well as to attract development grants from regional or supranational (i.e. EU) bodies. In addition, households can be invited to participate, either through PIK (self-dig of front gardens, for example), through long-term bonds, participation certificates, preference shares, or straight equity. Local Councils can, depending on the geographic scope of the franchise, contribute public sector assets such as the PSN or wayleaves, in return for an equity share. Similarly, they can substantially improve the ‘bankability’ of any local projects by committing to transfer public sector service business to the new entity as and when current contractual commitments expire. Finally, the Master Franchisor is likely itself to be a significant source of financing, via direct equity stake or long-term inter-company loans.

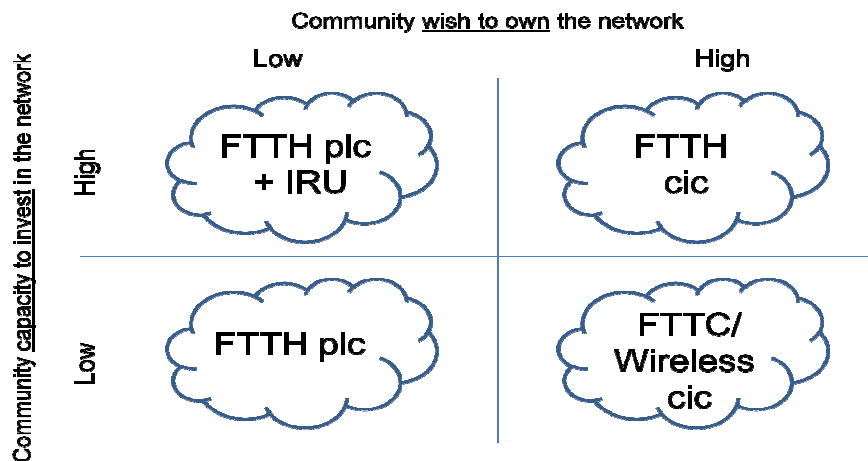
Reggefiber’s recent €285m capital raise is instructive in many respects. **First**, by following the regulatory principle of ‘open access’ at the level of dark fibre (‘layer 1’), regulated minimum returns can be assured. **Second**, by requiring competition at the wholesale (layer 2) and retail (level 3) layers, service competition can also be assured, with a minimum sufficient range of choice at the service provider level. **Third**, by following the 3-layer model, different investors and lenders can be effectively targeted according to their relative return horizons and risk appetite. And **fourth**, the European Investment Bank (EIB) provided the majority of the debt funding, with Reggefiber being of sufficient scale to meet the EIB’s minimum €7m loan size.

Technology options – The UK’s broadband network is likely to emerge in hybrid form, depending on a varied mix of geography, population densities and demographics, and competitive dynamics, and is likely to comprise a combination of Fibre-To-The-Home, Fibre-To-The-Cabinet and Fibre-To-The-Pump (i.e. Community facility such as school or shop) with either copper or wireless distribution, and pure wireless (microwave or satellite) in extreme rural areas.

The Master Franchise Agreement should specifically recognise and acknowledge this technology diversity, and should not be prescriptive on precise technology choices – it will be down to the local franchisee to determine the optimal solution for individual projects, chosen from a limited ‘drop down’ list of generic network types, matched against the specific geography and the capacity of the target population to sustain either a ‘capex heavy’ model (fibre-to-the-home), or a ‘capex lite’ model (fibre-to-the-cabinet) consistent with maximising value.

The guiding principle, from the financing perspective, is that different investors have different tolerances and appetites for risk, and also perceive risk differently. A lending institution expecting to receive a moderate, fixed return, will typically require risk to be mitigated or reduced through various mechanisms – either through a senior call on the underlying long-life asset (the fibre), or through tangible (“bankable”) evidence through pre-subscription or pledge mechanisms, or direct co-investment, of community ‘buy-in’. If a community is unwilling or unable to co-invest in the upfront network build-out, it is unlikely to be able to end up with significant control over any future fibre assets.

The following matrix illustrates a possible ‘drop down’ configuration, to reflect the varying needs and capacities of individual communities: depending on their capacity to co-fund the network build-out, and their desire to own the network as a community asset, different technology options and company structures present themselves. The virtue of the franchise model is that it is wholly flexible enough to allow individual franchisee bodies to organise themselves on a corporate principle that best suits their particular circumstance and purpose.



In any case, the Franchise Agreement will require high levels of interaction between Franchisor and Franchisee at the individual project planning stage, to ensure compliance with franchise guidelines and to allow the investment case to be stress-tested, given that the Franchisor will in many cases be a significant source of funding.

By a similar token, individual franchisees should be free to pursue investment projects that are outwith the conventional scope of broadband delivery. For example, the franchisee is the natural enabler of so-called ‘community masts’. In cases where mobile ‘not spots’ exist in areas that should otherwise be able to

support mobile infrastructure, this is often a result of local nimby-ism combined with the familiar 'prisoner's dilemma' (where no investment ends up being made, as competing operators assume that investment by one will automatically trigger investment by the other – to the detriment of both). A community-owned mast gets round both issues. Local backhaul represents another example of potential fruitful investment that franchisees will be free to undertake, subject to discussion with the franchisor, and in collaboration with the public sector network (PSN) activities of the local Council. And the forthcoming auctioning of wireless spectrum and eventual rollout of next generation wireless broadband (LTE, or 4G wireless), will doubtless require significant investment in base station backhaul capacity – another potentially lucrative opportunity for properly resourced local franchisees.

Local franchises: the answer to the Council's prayer?

BDUK have thrown down a gauntlet to local Councils, requiring them to apply for funding on the back of coherent, county-wide plans for digital inclusion, that leverage existing public assets, that provide for multiple and realistic sources of ongoing financing and that are, ultimately, financially sustainable. The franchise model offers a mechanism to embrace and harness the spirit of the community within a disciplined, commercial structure that ensures consistency of supply and value for money. As the following table makes clear, the franchise approach provides a complete toolkit, in the form of industrial 'rules-of-the-game' combined with organizational and financial flexibility, to help meet virtually all of the selection criteria set by BDUK.

Conclusion and Recommendation

The franchise concept has met with wide support, and we would urge Councils to give serious consideration to working with industry to establish a working franchise model for the delivery of 'last third' broadband.

	Council	Local Franchisee	National Franchise Co.
1 Developing a Local Broadband Plan	✓	✓	Share 'best practice', within a national plan
2 Ensuring the appropriate data and mapping information is available to support the Local Broadband Plan;	✓	✓	Share 'best practice', software and data
3 Sourcing (including conducting the appropriate procurement where required) broadband infrastructure and services within a project;	Input	✓	✓
4 Managing applications for State Aid clearance, with support from BDUK;	Input	✓	✓
5 Engaging with local communities and business to encourage participation in broadband projects, stimulating demand, take-up and usage;	Input	✓	Share 'best practice'; national marketing
6 Developing, or facilitating the development of, broadband projects pursuant to the local broadband strategy;	Input	✓	Share 'best practice', including business case
7 Bidding for funding from BDUK;	✓	✓	
8 Managing applications for European funding;	✓	✓	Share 'best practice'
9 Encouraging additional public sector investment;	✓	✓	✓
10 Encouraging private sector involvement and investment;	Input	✓	✓
11 Overseeing the implementation of broadband infrastructure provision and associated services;	Input	✓	Share 'best practice'
12 Monitoring and evaluating the process and outcomes of the project - sharing information and experiences with other local bodies for future projects;	Share 'best practice'	✓	Share 'best practice'
13 Establishing appropriate delivery teams and governance structures;	Input	✓	✓
14 Financial control, which will complement an overarching monitoring approach developed by BDUK;	Input	✓	✓
15 General project management during development, procurement, implementation and operational phases;	Input	✓	
16 Ensuring that appropriate demand stimulation programmes are in place;	Input	✓	Share 'best practice'
17 Ensuring that appropriate skills development programmes are in place;	Input	✓	Share 'best practice'
18 Delivering innovation in public service delivery.	✓	✓	Share 'best practice'