

# Enterprise and Learning Committee

## Convergence Programme For Cornwall And Isles Of Scilly European Regional Development Fund

### Proposal for the Cornwall and Isles of Scilly Next Generation Broadband Project

#### Description:

Provision of a Next Generation Broadband (NGB) network including infrastructure, wholesale platform and end-user applications throughout the whole of Cornwall and Isles of Scilly.

#### Funding:

ERDF Capital Grant £53,500,000  
Private Sector Contribution £82,800,000  
Total Project Investment £136,300,000

Programme: Convergence Programme  
Priority Axis: 3  
Lisbon Agenda Reference: 10

A preferred bidder has been identified through competitive dialogue.

Case Officers: RDA Head of Convergence; Executive Team: Nigel Ashcroft & Julian Cowans (Cornwall Council) supported by the Strategic Management Board  
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#### Background:

The Cornwall & Isles of Scilly Convergence Operational Programme describes the limitations imposed by the current broadband technology and the opportunities provided by a future proof solution. Priority 3 provides support for investment that will enable a technical solution to develop competitive infrastructure for the business community. This paper sets out the solution proposed to provide Cornwall and the Isles of Scilly with Next Generation Broadband (NGB).

The Endorsement Advisory Group has endorsed the robustness of the process and the selection of the preferred bidder. The Programme Monitoring Committee agreed its support for the proposal on 9 December 2009 and supported submission of the proposal to the European Commission for Major Project Procedure.

#### Project Proposal

The aim of the project is to transform Cornwall and the Isles of Scilly, economically and socially, by providing a next generation broadband network, including the infrastructure, a wholesale platform and end-user applications, across the whole of the area. Left to normal market forces provision of Next Generation Access is predicted to lag six years behind the rest of the UK and Europe and comprehensive coverage would never be achieved.

The Next Generation Broadband for Cornwall and the Isles of Scilly project, which supports rural and urban businesses, is one of the key priorities of the Convergence Operational Programme. To achieve this objective it is proposed to use EU Convergence funds in the most economically advantageous manner to gap fund private sector investment in the NGB network. This has been undertaken through an open competitive dialogue process designed to attract a provider(s) that will deliver a network using a mix of appropriate technologies (fibre, copper, wireless, satellite, etc) aiming for extensive coverage to agreed and predetermined levels of speed, service, reliability, quality and cost to end-users.

As part of the development of the project over the last two years, in addition to the work associated with the development of the Convergence Operational Programme, numerous detailed studies have been undertaken to ascertain the market demand and likely uptake of the options being considered. A comprehensive Digital Cornwall Options Appraisal was conducted in February 2008 to determine the most effective, efficient and economical way to provide the NGA infrastructure (including public sector owned and operated, public sector owned neutral operator, public sector investment in private provision, demand and supply side interventions, etc). This concluded that a private sector investor(s) should be sought through open competition, and this approach was endorsed by the Convergence Partnership Delivery Board in March 2008

In parallel to the Competitive Dialogue procedures work has been undertaken to establish appropriate project management structures and processes. At the same time discussions commenced with the European Commission to start the required State aid notification process, as the intervention levels were forecast to exceed approved levels. Following guidance a formal Notification was submitted in July 2009.

## **The process to identify a preferred provider**

A Prior Information Notice was published on 19 November 2008 to alert stakeholders and potential investors / operators to the opportunity. An information day was held on 2 December 2008 to outline the project to, and consult with, potential investors / operators and receive their feedback. 21 organisations attended the day. Further efforts to engage with potential investors were undertaken by e-mail to an additional 25 organisations. The open competition process was formally launched in March 2009 following the detailed preparatory work. There are thirteen stages in the formal process. The Contract Notice was published in March 2009 and the Pre-Qualification Questionnaire (PQQ) sent to 36 companies in April 2009. The project has been developed to be consistent with the Ofcom statement 'Delivering super-fast broadband in the UK' issued on 3 March 2009.

The Competitive Dialogue process developed the Invitation to Submit Final Bid (ITSFB) following a number of dialogue meetings with the five participants approved at the PQQ stage. Two bids were eliminated following the formal evaluation of the participants' proposed outline solutions. Another withdrew at the ITSFB stage and the fourth participant subsequently advised that they would not be submitting a bid. A final bid was received on 16 October 2009 from the preferred bidder, which was evaluated in accordance with the criteria set out in the ITSFB.

## **Outcome of the Final Bid Evaluation**

The Final Bid Evaluation concluded that the bid met the Mandatory Minimum Requirements. It also noted that in many areas it exceeded many of the expected levels of coverage and the usage of technologies. Additionally it falls well within the ERDF funding range (€47million to €78million), has a good balance between urban and rural rollout, is committed to having at least ten Service Providers, and the preferred bidder has a strong track record in delivering solutions. The Evaluation identifies some issues for clarification, but the Evaluation Team recommends a preferred investor for the Cornwall and Isles of Scilly Next Generation Broadband Project.

The Endorsement Advisory Group (EAG) has reviewed the evaluation on behalf of the PMC. The EAG has endorsed the robustness of the process and the selection of the preferred bidder.

## **Outputs, Outcomes and Impact**

The project is tasked with achieving a limited number of outputs, primarily focussed on the establishment of the network infrastructure and service providers. However it is envisaged that the outcomes and impact of the investment will be significant. The forecast outputs for this transformational infrastructure are:

10,000 businesses benefitting from up-graded ICT infrastructure

6,000 business with improved performance (GVA)

4,000 jobs created

2,000 jobs safeguarded

These are gross figures and take no account of leakage, displacement, multipliers, deadweight, etc. A more detailed analysis of the costs and benefits of the project and the gross and net outputs and outcomes is being prepared. This will be key aspect of the evidence prepared for the Major Projects submission to the Commission.