



Annex A

Telecommunications Investment Sub-pillar

Investment Delivery Plan

SECTION 1: VISION / OBJECTIVES

Over the last 5 to 10 years Government in Northern Ireland has been committed to “working with the private sector, to develop and begin to implement a strategy that will ensure that all of Northern Ireland has a world class telecommunications infrastructure in terms of broadband capacity, access and cost”.

A recent independent review of DETI’s telecoms related activities concluded that Northern Ireland currently has a world class telecommunications infrastructure. However, the benchmark of what constitutes a world class infrastructure is moving due to rapid technological and other changes in the telecoms market. As a consequence infrastructure that is world class to-day can rapidly become dated.

Northern Ireland is a small peripheral regional economy. If we are to compete successfully in Europe and the wider global marketplace, it is essential that Northern Ireland continues to have access to competitively priced world class telecommunications services, not only to allow our indigenous businesses to remain competitive, but also so that we remain attractive as a location for FDI.

In December 2005, Northern Ireland was the first region in Europe to be able to claim that broadband (of at least 512kbps) was now available to 100% of the population (businesses and homes), should they wish to avail of the service. This was the result of a £9.29m EU funded intervention in the telecoms market (under the Building Sustainable Prosperity programme). In addition some €7.7M has been used to fund a variety of cross border telecommunications projects under the INTERREG IIIA programme. As a direct result of this, the number of cross border telecommunications links has increased from 4 to 9; broadband services have been provided to remote rural areas in border counties and, the benefits of broadband have been promoted through an extensive marketing campaign.

This first generation broadband network has given the region a competitive advantage. However, the market continues to move on and other parts of the UK and elsewhere are increasingly investing in next generation network

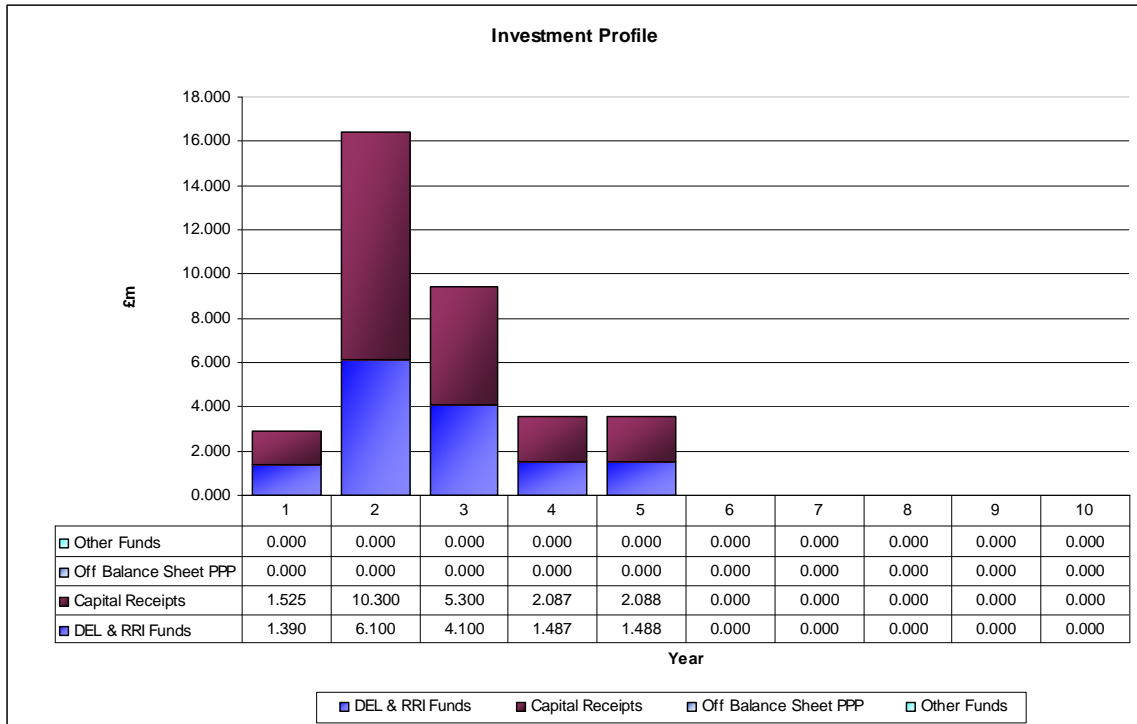
services. We therefore need to consider what steps are necessary to ensure that having made a sizeable investment in telecoms infrastructure, Northern Ireland maintains a world class position, with a telecoms infrastructure that meets the requirements of the 21st Century.

The projects outlined in this investment delivery plan are aimed at achieving the Executive's key goal for this telecoms sub-pillar of *improved communications networks maintaining technological pace with the best in Europe in terms of increased internet connectivity speed, capacity and availability*. These projects also build on the success of recent investments and on our current competitive advantage to future proof Northern Ireland's telecoms infrastructure for the next 10 to 15 years.

In working towards this goal, 2 key milestones have been identified in the Programme for Government under the priority "Growing a Dynamic, Innovative Economy":

- Establish an international telecommunications link in the North West directly to North America by 2009; and to
- Work with the business sector to deliver widespread access for businesses to a next generation broadband network by 2011.

SECTION 2: FUNDING PROFILE & SOURCES (£m)



Notes: Receipts relate to EU Competitiveness Operational Programme and INTERREG IV Programme

SECTION 3: KEY PROJECTS / PROGRAMMES

Next Generation Network

This project directly contributes to the achievement of the Executive's objectives for infrastructure investment. It builds on the existing network by examining how to deliver infrastructure that will support emerging broadband services demanding higher bandwidths.

In considering what constitutes a next generation network, there are many issues to be addressed. To date, consideration has mainly been on headline speeds for accessing broadband services. However, any development of existing technologies and infrastructure must also be informed by issues such as mobility, latency and contention ratios. Additionally there will be a requirement to develop efficient investment models, a suitable regulatory framework, understanding of the role for efficient public sector investment and decisions on where best to make the required investment in new telecoms infrastructure. This will require significant engagement with the private sector stakeholders and with the regulator, OFCOM, to progress. To that end, DETI will publish an industry discussion paper by the end of April 2008 seeking views on these matters.

Next generation access can be delivered by a number of different technologies and architectures, each with their own unique characteristics. These include fibre deployments (for example fibre to the cabinet (FTTC) and fibre to the home (FTTH) as well as cable, fixed or mobile wireless services, satellite, bonded copper pairs or further upgrades to existing copper-based or cable networks. In practice there are likely to be a number of alternative options for deployment of next generation access infrastructure by incumbent telecommunications operators, competing operators and new entrants. It is not DETI's aim to mandate any one technology over another. The technologies used to deliver commercial broadband services will ultimately be decided by the private sector

Following the gathering of the information received from the market, DETI will consider the next stage of the development of the project. In particular the Department will determine whether there is a need for government intervention and will examine value for money, state aid and other relevant circumstances. If appropriate, procurement would begin in early 2009. Following on from this, project procurement arrangements would follow best practice guidelines, with delivery of the next generation network scheduled for 2011.

As telecommunications is a reserved matter, DETI is also mindful of work being taken forward by the Department for Business, Enterprise and Regulatory Reform (BERR) to address these issues from a national perspective. DETI has already attended a broadband summit hosted in November 2007 by the former Minister for Competitiveness, Stephen Timms, and has noted the BERR press release dated 22 February 2008 by the new Minister, Shriti Vadera, announcing a review into next generation high speed broadband. Feedback from the consultation exercise highlighted above will form a key part of the Northern Ireland response to this BERR initiative.

Direct International Connectivity

This project directly contributes to the achievement of the Executive's objectives for infrastructure investment. As a project funded under the INTERREG IV programme, it also contributes to the North West Gateway Initiative (a focus for the development of the entire North West region of the island, encompassing County Donegal in the Irish Republic and the Derry, Strabane and Limavady Council Areas).

Project activity to date has seen the development of a Feasibility Study which has secured DETI, DFP and SEUPB approvals for funding purposes and preliminary EU Commission consideration of State Aids issues and associated clearance for project objectives. Specialist technical consultants will be appointed in early March 2008 to develop the detailed Technical Specification which is expected to issue in June/July 2008. The project completed Gateway Review 1 (Business Justification) in late-February 2008.

The Feasibility Study has specifically examined one potential delivery option involving the lifting of an existing submarine cable located some 30km off the North Coast of Ireland. Under this project DETI is procuring a service for the delivery of international dataconnectivity and will remain technology neutral in terms of the actual delivery mechanism.

The project is presently scheduled to proceed to tender stage by Summer 2008, following which the Department will update the economic appraisal and business case before securing necessary approvals. Subject to these processes, a contract would be awarded in the 2nd/3rd quarter of 2009.

Broadband Stimulation

Planning for the implementation of both Broadband Stimulation projects is at an early stage. Contracts for the development of Feasibility Studies/ Economic Appraisals have been let and the studies are expected to be available early March 2008 after which they will go through a formal approval process involving DETI, DFP Supply & Ministerial approval. Both projects are funded under the EU ERDF Competitiveness programme 2007-2013.

Subject to any issues arising in the Feasibility Studies, both projects are expected to reach start-up phase in 3rd quarter 2008. The proposed ICT Demonstration Centres/Advisers project will be let subject to economic appraisal, and be evaluated in 2010 to determine the need for any ongoing delivery requirement.

A Broadband Fund will be used to support the main project if the study demonstrates there is an economic case for this. The fund would examine and pilot emerging technologies that might be used for the delivery of a next generation network into rural areas.

In both cases funding of £6m has been earmarked for each of the two proposed stimulation projects. However, should the studies indicate that either of these would not deliver VFM, the funding would be transferred (in part or in full dependent on the outcome of the appraisals) to the next generation network project.

Present planning for the operation of the Fund centres on the delivery of a portfolio of small and large projects for each of the years 2008 to 2013. The Fund is expected to support “near to market” technology pilots with a specific emphasis on solutions for delivery of broadband services into rural areas as an alternative to an existing satellite solution. The Fund will also examine potential delivery solutions for next generation services and may be viewed as complementary to the Next Generation project.

The proposed ICT Demonstration Centres/Advisers project will, subject to completion of the Feasibility Study, deliver fixed and/or mobile advice centres with trained broadband advisers. The advisers will target local SME’s offering impartial, “supplier neutral” ICT advice aimed at promoting the benefits of broadband as a business tool. The operations of the adviser centres will be promoted as part of a wider advertising campaign and the Feasibility Study will also examine the requirement for a call centre facility to drive the marketing of the services and to act as a single point of contact/triage facility.

Procurement routes for both stimulation projects have not yet been identified pending completion of the Feasibility Studies, but are expected to follow conventional procurement procedures.

None of these telecoms projects involve assets disposals that would require the preparation of an asset management strategy.

SECTION 4: CONTRIBUTION TO THE OBJECTIVES OF INFRASTRUCTURE INVESTMENT

Next Generation Network

This project would directly contribute towards the achievement of the Executive’s objectives for infrastructure investment:

By providing access to broadband services to businesses across all of Northern Ireland, this project would act as an enabler to improvements in productivity and relative competitiveness as well as opening up new market opportunities for local businesses.

The rationale is to strengthen, develop and enhance Northern Ireland’s economic infrastructure to create a high quality environment for the businesses and all the people of Northern Ireland.

There is a nucleus of businesses that can develop broadband content. For this nucleus to grow we are encouraging the innovative and sustainable development in the sector. More widely evidence indicates that investment in ICT and communication services increases productivity and competitiveness. Increasing the competitiveness of Northern Ireland industry by improving productivity and reducing telecommunications costs provides the region with a unique selling point which would have an important role to play in increasing inward investment.

Investment in modern infrastructure will play an important role in reducing economic inequalities, particularly in rural areas, by ensuring equal access to next generation telecommunications services. In turn this will facilitate business innovation and increase productivity through the adoption of ICT which all businesses across Northern Ireland can avail of.

Furthermore, investment in modern telecommunications infrastructure can play an important role in reducing our carbon footprint by acting as an enabler to both home working and to accessing both public and private sector goods and services on line.

Direct International Connectivity

By significantly reducing telecommunications costs this project will increase the competitiveness of Northern Ireland industry, including increasing productivity. It will also increase competition and investment in the telecommunications market by providing open access platform to high speed, low cost international telecommunication services. It will improve the resilience of communication services in Northern Ireland and the Irish Republic to levels regarded as best practice thereby increasing the attractiveness of the North West region to both existing and potential investors.

It will also provide the North West with a unique selling point, with the potential to bring high value added jobs to the area.

Broadband Stimulation

Broadband stimulation will have a two-pronged effect of encouraging the take up and innovative deployment of broadband by business. There are two separate but related elements – firstly ICT demo centre/s (either mobile or fixed) and teams of broadband advisers will encourage the take-up and use of broadband by SMEs; secondly, the establishment of a Northern Ireland Broadband Fund aimed at encouraging companies to explore innovative means in deploying broadband services and technologies to bring products firstly to the Northern Ireland marketplace and ultimately further a field.

The commitment is based on a rationale to strengthen, develop and enhance the use of broadband by local business to further increase the economic well being of the people of Northern Ireland. Encouraging the take-up of broadband services across all of Northern Ireland will act as an enabler to improvements in productivity and relative competitiveness as well as opening up new market opportunities for Northern Ireland businesses.

Evidence indicates that investment in ICT and communication services increases productivity and competitiveness. Through these programmes we will encourage the growth of an attractive high quality environment for the businesses and people of Northern Ireland to flourish.

SECTION 5: DELIVERY ARRANGEMENTS

Each of the Telecoms Policy Unit projects will be managed under the PRINCE2 project management methodology. While there are clear linkages between the projects (for example, the Broadband Stimulation and Next Generation Network projects), they are not considered to constitute a programme due to their varying finance sources (EU ERDF Competitiveness & INTERREG IV). Any decision to implement a particular project is not influenced by the success/failure of another and the focus for delivery varies (for example, the Direct International Connectivity project carries a cross-border focus not present in the other projects).

While each project will operate with Project Boards, the same resource will be in place for the SRO, Project Assurance and Project Support roles to maintain the focus and continuity that would otherwise be delivered through a programme management approach. Project Boards will be constructed to reflect the required specialist technical, procurement and stakeholder inputs. All procurement exercises will be managed by the Central Procurement Directorate, which will also be invited to nominate resource for participation at Project Board level.

Projects will be reviewed by the DETI Casework Committee. These submissions will include full Economic Appraisal. Government Accounting NI, DAO, etc. guidelines will be considered and applied. DFP approval will also be required.

Project Boards will operate under the overall control of the SRO and will be responsible for the allocation of resource, provision of guidance and direction to the Project Managers and for ensuring successful outcomes for each project.

Both the Direct International Connectivity Project is also going through the Gateway Review process because of the project's inclusion in the PfG and ISNI2, and to give extra assurance to the SRO. It is intended that the Next Generation Network project will also go through the Gateway process.

The Centre of Procurement Excellence is responsible for managing all procurement exercises on behalf of DETI. This will include provision of specialist guidance on proposed procurement and service delivery options/routes, advertisement of tenders, evaluation of bids and contracts awards. Additionally, the SRO will engage with CPD seeking Project Board representation for the Direct International Connectivity and Next Generation Network projects.

The following financial provisions have been secured for each project:

Direct International Connectivity €30m – INTERREG IV Programme

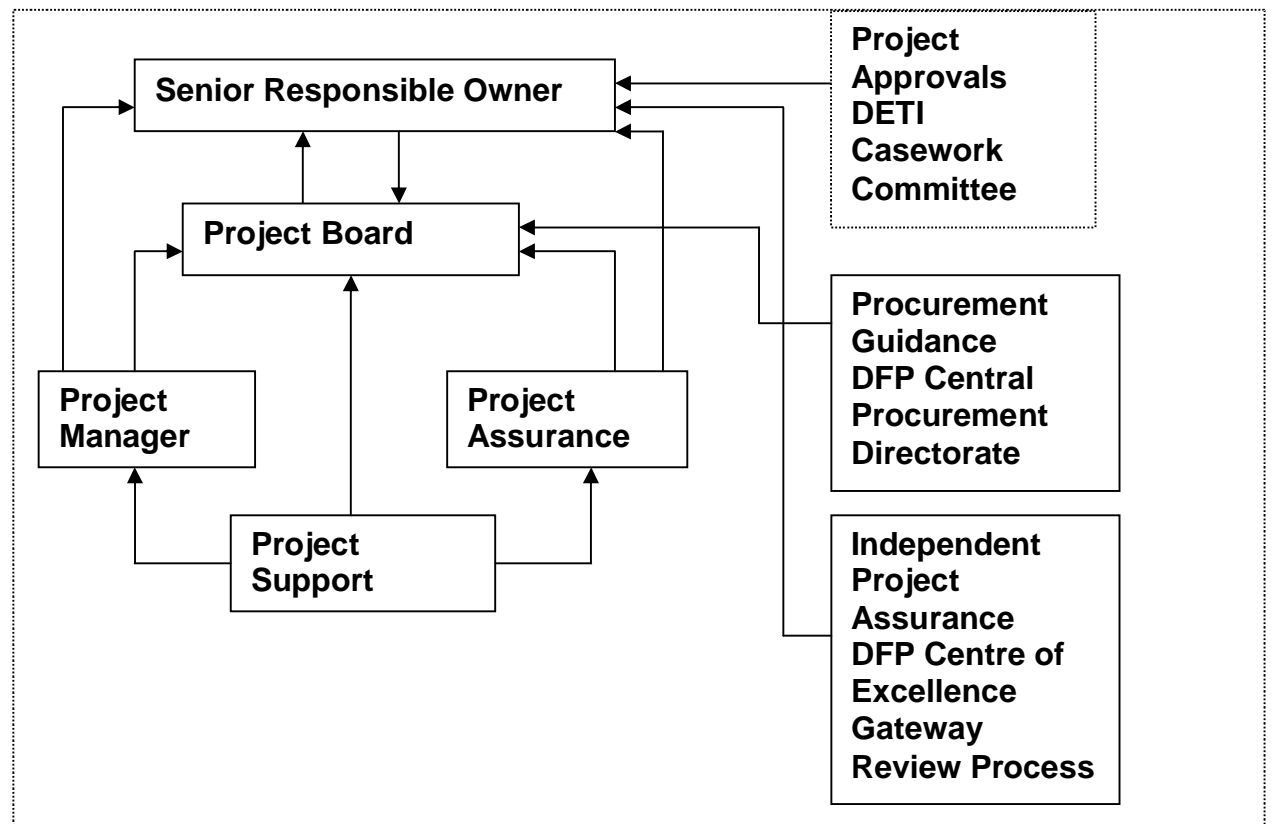
Next Generation Network £15m – EU Competitiveness Operational Programmes

ICT Demonstration Centres/Advisers £6m – EU Competitiveness Operational Programmes

Broadband Fund £6m – EU Competitiveness Operational Programmes

DETI also confirms that adequate personnel resources are in place to deliver each project and to ensure appropriate levels of separation between all financial/audit activities.

The governance and supply chain arrangements in respect of each of the projects are presented in the following diagram.



SECTION 6: RISK MANAGEMENT PROCEDURES

Each project is being managed using PRINCE2 and will operate with Project Boards. The Project Boards will delegate day-to-day management of risk to the Project Managers who will make monthly highlight reports to the Board members. Where risks escalate outside agreed tolerances or materialise into issues, the Project Managers will raise exception reports as appropriate, outlining options and making recommendations on the way forward for Board approval.

Full Risk Registers are, or will be, in place and will be subject to monthly review. Where project risks potentially impact at branch and division levels, the appropriate risk entries are reflected in the associated Risk Registers. Upon award of contract for delivery of services/products, the Risk Registers will be shared with the supplier and new entries agreed as appropriate. Review of Risk Registers will be a standing agenda item in supplier meetings.

Separately each project will also be assessed using the OGC Risk Potential Assessment spreadsheet model to inform the decision on a requirement for Gateway Review. The Direct International Connectivity and Next Generation Networks projects will definitely proceed under Gateway Review in view of their inclusion in PfG and ISN12.

The following risks have been identified for each project at initial planning stage:

Direct International Connectivity

- Inadequate financial provision/failure to get funding
- Failure to get SEUPB Joint Technical Secretariat approval for project
- Potential refusal by EU Commission of State Aid clearance for proposed intervention in privatised/independently regulated industry
- Lack of DCENR support
- Decision by private sector to move forward with own investment plans
- Private sector disinterest in project
- Objections from fishing/environmental industries
- Limited window of opportunity for submarine cabling activity

Next Generation Network

- Inadequate financial provision
- Private sector disinterest in project/over-commitment in other investment areas
- Delay in consideration/implementation of appropriate regulatory environment by industry regulator, Ofcom
- Potential refusal by EU Commission of State Aid clearance for proposed intervention in privatised/independently regulated industry

ICT Demonstration Centres/Advisers

- Feasibility Study concluding that there is no viable case for investment
- Low uptake in use of new facilities/advisory services
- Unavailability of equitable broadband services (in terms of cost and quality) in target markets post-completion of existing Local Broadband Access Contract

Broadband Fund

- Feasibility Study concluding that there is no viable case for investment
- Potential refusal by EU Commission of State Aid clearance for proposed intervention in privatised/independently regulated industry
- Inability of private telecommunications companies to provide required match funding under EU regulations
- Anticipated/expected failure of a number of pilot technologies within overall trial

SECTION 7: MONITORING

Each project will have extensive monitoring arrangements in place by reference to the planned approach to project management, quarterly business/division reporting against targets/financial profiling and 3rd party requirements (including Gateway Review, Internal Audit).

Project management monitoring arrangements will include:

- Fortnightly Head of Branch and Head of Division briefings
- Project Assurance inspection of documentation submitted to Project Board (Highlight Reports, End Stage Reports etc)
- Risk Register review by Project Manager

Business Plan targets and financial reporting arrangements will include:

- Quarterly Risk Register review
- Monthly/quarterly financial profiling and reporting to Managing Authorities for the respective projects (SEUPB for INTERREG IV Direct International Connectivity project and DETI European Programmes for ERDF programme)
- Quarterly Quality Assurance Statements
- Quarterly review in respect of progress against Operating and Corporate Plans

3rd party monitoring arrangements will include:

- Gateway Review against the OGC review model (Gates 1 to 5, Business Justification, Route to Market, Investment Decision, Readiness for Service and Operations Review and Benefits Realisation)
- Internal Audit review of financial and audit practices
- SEUPB review of spending arrangements, management of accounting records and systems, compliance with information and publicity requirements and financial procedures as apply to the Direct International Connectivity project
- Review by European Commission to ensure project compliance with State Aid regulations

Details of the delivery mechanisms and options for each project are not yet finalised. Where contracts are let for the provision of a service (for example, the ICT Demonstration Centres/Advisers), the operations of the successful bidder will be subject to in-house monitoring and audit conducted by TPU.

Where deemed appropriate, the Project Boards may also commission specific assurance inspections/investigations by the Project Assurance role

Consistent with the ISNI commitment to develop the secure internet enabled Investment Monitoring System (ISNI, p50), DETI Telecommunications Policy Unit affirms its intention to update the system on a monthly basis in respect of all projects.

TPU is also committed to the preparation of a full Equality Impact Assessment on the 4 projects (currently underway) and to the consideration of findings and recommendations emanating from this work.

ANNEX 1: Summary of major investment in [sub-pillar]

Project title & description (including description of tangible outputs expected from the investment)	Capital value (£m) Current prices	Anticipated procurement route ¹	Indicate next gateway stage ²	Anticipated date of advertisement to market	Estimated completion date/delivery date	Location
<i>Direct International Connectivity – delivery of a direct international telecommunications link between the North West of the island of Ireland and North America with further connections into Letterkenny and Monaghan</i>	£21m	<i>Conventional</i>	<i>Completing Gateway Review 1 end-February 2008. Gateway Review 2 is tentatively scheduled for June 2008</i>	<i>July 2008</i>	<i>September 2009</i>	<i>North West of Northern Ireland, with further links into Letterkenny and Monaghan</i>
<i>Next Generation Network – enhancement/development of existing telecommunications infrastructure to support emerging and new higher bandwidth broadband services</i>	£15m	<i>Conventional</i>	<i>Gateway Review 1</i>	<i>December 2008</i>	<i>2011</i>	<i>Potentially whole of Northern Ireland – this is essentially an “in-fill” project to reach rural locations where broadband services would not be easily delivered due to physical/technical issues and /or commercial</i>

						<i>constraints</i>
<i>Broadband Stimulation – ICT Demonstration Centres/Advisers – fixed or mobile ICT Centres with associated advisers</i>	<i>£6m</i>	<i>Conventional</i>	<i>Gateway Reviews will be carried out where appropriate</i>	<i>June 2008</i>	<i>2013 subject to mid-point review of ongoing need 2010</i>	<i>Whole of Northern Ireland</i>
<i>Broadband Stimulation – Broadband Fund – scheme for operation of a fund to support “near to market” technologies that can be used to deliver next generation broadband services in rural areas</i>	<i>£6m</i>	<i>Conventional</i>	<i>Gateway Reviews will be carried out where appropriate</i>	<i>September 2008</i>	<i>2013</i>	<i>Whole of Northern Ireland</i>
<p>Note to table:</p> <p>¹ Please select from (a) PFI/PPP; (b) Design and Build; (c) Conventional Procurement.</p> <p>² Gate 0: Strategic Assessment; Gate 1: Business Justification; Gate 2: Procurement Strategy; Gate 3: Investment Decision; Gate 4: Readiness for Service; Gate 5: Benefits Evaluation</p>						

ANNEX 2: POLICY FRAMEWORK

Investment under this sub-pillar is informed by the following strategic and policy frameworks. These documents should be referenced for a fuller understanding of the context in which investment under this sub-pillar is being delivered.

Telecoms Policy Unit Strategic Action Plan 2006-2010

The strategy provides historical information about previous interventions in the privatised, independently regulated telecommunications market, positioning the outcomes of these interventions and rapid development of telecommunications technologies as building blocks for further investment opportunities.

The Plan further outlines key findings of an independent review of the activities of TPU and conducts a SWOT (strengths, weaknesses, opportunities and threats) analysis of the Northern Ireland telecommunications market as a pre-cursor to the identification of appropriate investment opportunities to build upon the existing world-class infrastructure, with proposed interventions under the broad banners of international connectivity, broadband stimulation and next generation network development.

ANNEX 3: SUB PILLAR CONTACT DETAILS

Key Contacts

Name, address, telephone number, e-mail in each case

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