

The Rt Hon Lord Mandelson  
Secretary of State for Business  
Innovation & Skills

Sir Michael Lyons  
BBC  
35 Marylebone High Street  
London W1U 4AA

*Dear Sir Michael,*

### **UNIVERSAL SERVICE COMMITMENT AND GOVERNANCE**

Following the publication of the Digital Britain Report on 16 June 2009 I thought it would be helpful to set out how the Government plans to deliver the commitment that it has made on universal broadband.

The report described the Government's intention to establish a Network Design and Procurement Group (NDPG) that would conduct the procurement process and oversee delivery of both the universal service commitment and the Next Generation 'final third' project to ensure that superfast broadband reaches most homes in the UK.

In terms of process, our current thinking is that we will set up the NDPG as a Community Interest Company (CIC) which would operate on a non-profit basis with the twin aims of delivering both the USC and the final third project. The role of the NDPG will be to design and conduct the procurement process for both projects and to oversee implementation.

The Government expects the NDPG to be a very small body – probably no more than 4 or 5 people – and as a first step we will be advertising to recruit a Managing Director whose role will be to manage the operation and oversee the design and operation of the procurement process. We will be looking primarily for experience and expertise in building and managing telecoms networks, procurement and contract negotiation.

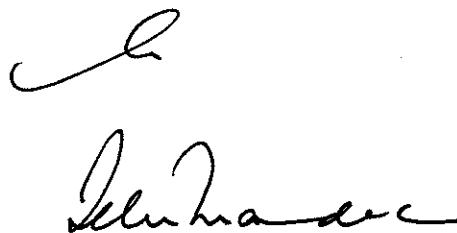
Our current thinking is that in terms of Governance the NDPG should have a steering board, including central Government and the Devolved Administrations, that will oversee its activities and ensure value for money.

The overall budget for the NDPG's two projects will be between £1.2bn and £1.7bn, with the majority of that money coming from the final third supplement, some £25m from the BIS Strategic Investment Fund and a currently unconfirmed amount but, as I understand it, likely to be in the region of £175m, from the DSO Help Scheme Underspend. As a part of the NDPG's remit will involve handling the money from the DSO Help Scheme underspend that is being devoted to delivering universal broadband we would like to explore with you how to ensure that the BBC Trust has appropriate visibility in the delivery process of the use being made of the Digital Switchover Help Scheme underspend.

As I am sure you appreciate, it is important that we can move forward quickly on this so that we can get the NDPG developing the tender specification by the Autumn. I think that as well as governance we also need to discuss the practical issues around making the funding available for the NDPG. Obviously the total value of the underspend is not yet established, but I understand that the scheme under-spent in both of the last two financial years. It would be good to discuss how and when that money could be redeployed as early as possible.

We also need to consider in practical terms how to ensure that release of the funding can take place throughout the switchover programme as sufficient certainty is reached on the level of the underspend.

I think it would be helpful for our officials to get together to discuss all of these issues and how we can jointly take them forward.

A handwritten signature in black ink, appearing to read 'Peter Mandelson', with a large, stylized initial 'P'.

**PETER MANDELSON**