



# Social Study 2015

The Economic Impact of BT  
in the United Kingdom  
and London



A report prepared by  
Regeneris for BT Group



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Regeneris Consulting is an independent economics consultancy that provides research-based advice to major corporates, developers, national government bodies and local government. Regeneris specialises in preparing robust assessments of economic impact, focusing on the impact of new technology, physical developments, policy changes, investment programmes and corporate economic footprint. Regeneris work across the UK from their offices in London and Manchester. See: [www.regeneris.co.uk](http://www.regeneris.co.uk) for further information.

## 2 Introduction



BT is the UK's major provider of telecommunications networks and services, and the work we do is key to the country's continued economic and social prosperity. Across London we are making connections, creating new possibilities and helping businesses to grow, communities to flourish, and individuals to get more out of life.

As a key communications services provider, we use the power of communications to make a better world. We bring together the expertise of our people and the best networks and technologies. We support employment in every part of London through our direct workforce and, indirectly, through our extensive supply chain. We seek to centre our procurement and expenditure within the local economy.

This report concentrates on and highlights the direct economic contribution BT makes to the London economy, as well as summarising the impact across the English regions, Scotland, Wales and Northern Ireland, in numbers and through case studies. It estimates BT's total Gross Value Add (GVA) to the UK economy, combining the direct, indirect and

induced impacts of our activities and spending. In London BT's GVA for 2014/15 is estimated to be £4.5 billion.

BT continues to make significant investments for the long-term benefit of both the company and the UK. Our most significant investment has been in superfast broadband, and today our network covers more than three-quarters of the UK. Our fibre investment has delivered one of the fastest rollouts in the world, and we are on budget and ahead of schedule. London is already one of the best connected cities in the world, with every business in the capital able to access speeds of 1Gb/s and above through special high capacity ultrafast dedicated lines. An independent study\* already rates London second only to Seoul as the best in the world for broadband quality.

In September 2015 we announced a city-wide programme that will increase fibre coverage in every London borough. The roll out will increase overall fibre availability across London, taking all networks into account, from around 90 per cent\*\* to around 95 per cent of premises. The Openreach fibre network is already the largest in London, covering nearly three million homes and businesses.

\* PwC's "Cities of Opportunity 6" report, page 23

\*\* Figures based on Ofcom's "Infrastructure Report 2014" data.

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We are not stopping there, we have also announced our plans to move from superfast to ultrafast (G.fast technology) with speeds of 300-500Mbps. This will be another significant investment for BT, again helping to ensure that the UK remains at the forefront of digital communications with a vibrant internet economy.

BT people live, play, work and do business in their local communities the length and breadth of the UK. As a result, BT is often best placed and most able to support local technology-neutral programmes and projects, wherever they are. In London we are proud to work in partnership with local authorities, community and business organisations to develop next generation solutions to help our capital city remain the powerhouse of national growth.

We have also brought affordable internet access to residents of more than 9,000 social housing properties across the UK to help people make the most of the benefits the internet can bring. We also support a number of other initiatives to ensure as many people as possible are digitally connected, and not missing out on opportunities at work, home and in the community.

This year we announced the proposed acquisition of EE, the UK's leading mobile operator. We plan to combine the UK's

most advanced 4G network with the UK's most extensive superfast broadband network to provide a full range of innovative communications services.

Through our BT Sport investment, we are transforming the face of televised sport. BT Sport channels, broadcast from our Hackney studios, are now seen in more than 5.2 million homes, offering customers more choice and further demonstrating the benefits of fibre broadband. At the heart of our sports service is The Supporters Club, which works to build a better world by bringing people together through sport and change the lives of disadvantaged young people in communities across the country.

We understand the importance of connectivity to social wellbeing and economic growth, and we seek to add value wherever we operate. This report highlights our economic and social activities, and shows that BT is a key player across the whole of London.

Chet Patel  
*BT Regional Director, London*  
*September 2015*

## 3 Our Report

The Economic Impact Report 2015 has been prepared independently by Regeneris Consulting, working closely with BT Regions to draw upon their data and information.

Impact calculations are in accordance with Government guidelines and the HM Treasury's Green Book Guidance for appraisal and evaluation, and are consistent with the Office for National Statistics' national accounts. Details of our approach are shown in Appendix A.

Estimates in this report relate to BT's activities in the UK during the financial year 2014/15. Note that the economic impact figures presented throughout this report are expressed to three significant figures. This means they have been rounded up or down as appropriate and, as a result, may not sum exactly to the totals presented.

The narrative includes announcements up to and including end of September 2015.

### Economic Impact Report 2015

This study shows BT's economic contribution to the UK national economy and to regional economies in terms of jobs, output and Gross Value Added (GVA) supported. The report covers several effects of BT's activities:

**Direct impact:** people employed directly by BT (including contractor employees) who receive wages and salaries.

**Indirect impact:** income and employment created with suppliers as a result of BT's spending on goods and services.

**Induced impact:** further income and employment generated as wages created directly and indirectly are spent within the economy.

BT's wider social and community contributions are covered in summary in this report. Further details can be found in the Delivering our purpose report 2015, available online at: [www.bt.com/deliveringourpurpose](http://www.bt.com/deliveringourpurpose)

## 4 An Overview of BT

BT's stated purpose is to use the power of communications to make a better world.



BT is one of the world's leading communications services companies



BT is Europe's largest telecoms services wholesaler by revenue



BT provides managed networked IT services for many of the largest global companies



BT is delivering one of the world's fastest rollouts of fibre broadband for the UK



BT is the leading provider of voice and broadband services to UK SMEs & consumers



Every day BT touches the lives of millions of people, helping them communicate, do business, be entertained & informed

BT has five customer facing lines of business - BT Global Services, BT Business, BT Consumer, BT Wholesale and Openreach - supported by an internal service unit, BT Technology, Service & Operations.

Full details available within the BT Group plc Annual report which can be found at [www.bt.com/annualreport](http://www.bt.com/annualreport)

## 5 The Economic Impact of BT in the UK

The figures below show the number of employees working in each English region, Scotland, Wales and Northern Ireland.  
Note: Figures are rounded to 3 significant figures.

|                          | Working | Living | Total direct GVA £m |
|--------------------------|---------|--------|---------------------|
| East of England          | 10,400  | 10,700 | 1,240               |
| East Midlands            | 4,070   | 4,370  | 381                 |
| London                   | 13,300  | 12,000 | 1,510               |
| North East               | 3,750   | 3,790  | 352                 |
| North West               | 9,450   | 9,370  | 869                 |
| Northern Ireland         | 3,110   | 3,120  | 290                 |
| Scotland                 | 6,930   | 6,970  | 655                 |
| South East               | 10,300  | 11,000 | 1,110               |
| South West               | 5,800   | 5,750  | 587                 |
| Wales                    | 2,950   | 3,410  | 276                 |
| West Midlands            | 6,380   | 6,210  | 632                 |
| Yorkshire and The Humber | 6,580   | 6,440  | 636                 |

Source: Regeneris Consulting

## UK Key Points

**72,200**

Employees directly working for BT and 10,900 contractors (Full Time Equivalent – FTE)

**217,000**

Total FTE jobs supported (including indirect and induced effects)

**£2.9 billion**

Total income of BT employees (including contractors)

**£6.5 billion**

Spend with suppliers based in the UK

**£18 billion**

Total GVA impact associated with BT activities (including indirect and induced effects)



## Across the UK...

- BT directly employs 1 in every 230 employees in the private sector across the UK, and 1 in every 10 in the IT and Communications sector
- BT directly creates £1 in every £180 of GVA in the UK
- As a result of the full economic impact of BT, the firm supports £1 in every £80 of GVA in the UK economy and 1 in every 110 employees working in the UK economy

# 5

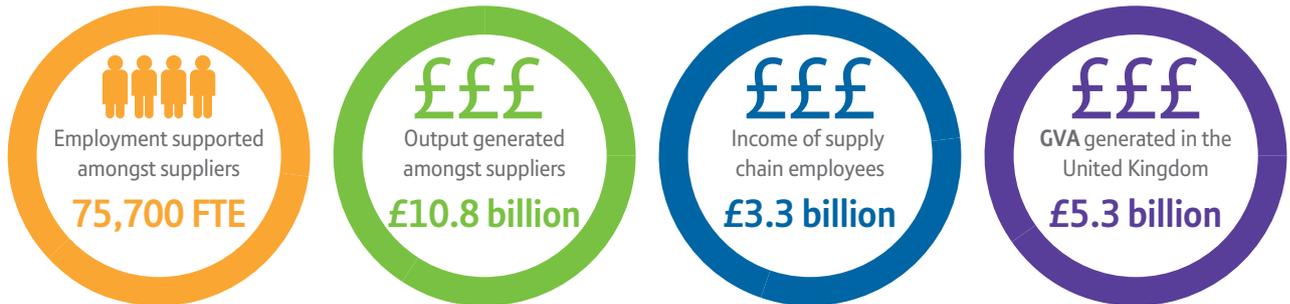
## Economic Impacts

### Direct Impact

BT directly employs a total of 72,200 people in the UK, with a further 10,900 employed as contractors. This results in £2.9 billion in wages and salary spend across the country. 77% of BT employees are equipped to work flexibly on any given day.

### Procurement Impact (Indirect)

BT spent a total of £6.5 billion with UK based suppliers in 2014/2015. This results in significant benefits for the UK economy, including knock-on benefits further down the supply chain, which results in additional employment and output. This is summarised below.



**BT Supply Chain Spend in the United Kingdom = £6.5 billion**

Figure 5-1: Indirect (supply chain impacts) in the UK

Source: Regeneris Consulting

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### Impact of BT and Supplier Employee Expenditure (Induced)

BT employees and contractors based in the UK earned around £2.9 billion in 2014/15 before tax. In turn, the expenditure of BT employees, contractors and the employees working for firms within BT's supply chain supports further employment and output in consumer industries. Through these knock-on effects, BT supported further jobs and turnover as shown below.



Salaries of BT Employees and Contractors in the UK = around **£2.9 billion**

Figure 5-2: Induced (wage expenditure) impacts in the UK

Source: Regeneris Consulting

5

### Total Impact in the UK

Combining BT's direct impact and employment with the indirect supply chain and induced wage expenditure impacts gives the total impact of BT operations in the UK. This is summarised in the table below.

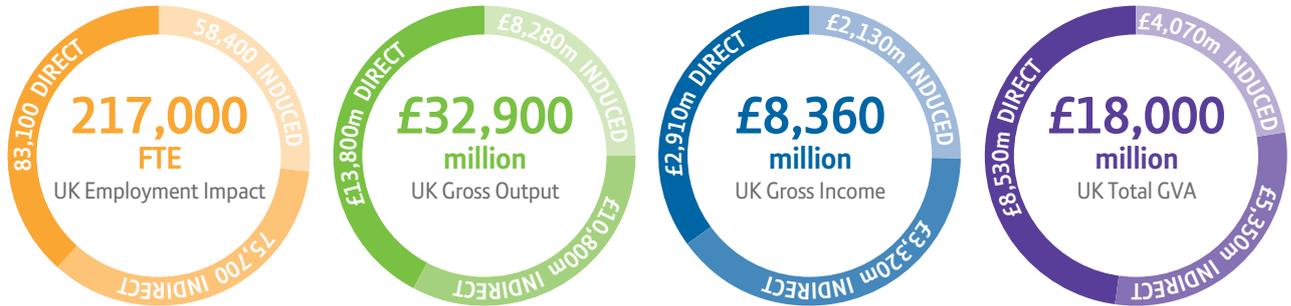


Figure 5-3: Total Impact of BT in the UK

Source: Regeneris Consulting

# 6

## London

### London Key Points

**12,000**

BT employees live in the region (FTE)

**13,300**

BT employees work in the region (FTE)

**£516 million**

Total income of BT employees working in the region

**£2,220 million**

Spend with suppliers based in the region

**£4,500 million**

Total GVA impact (including indirect and induced effects)

### Across London...

- BT employs 1 in every 250 employees working in the private sector, and 1 in every 16 employees working in the IT and communications sectors
- £1 in every £220 of GVA is generated directly by BT
- BT supports 1 in every 60 employees working in the private sector and £1 in every £75 of GVA as a result of the firm's full economic impact
- BT's full employment impact is larger than the region's insurance sector

# 6

## Regional Impact

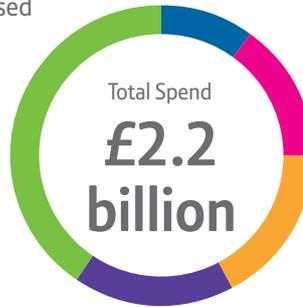
### Direct Impact

BT directly employs a total of 11,300 people in London, with a further 2,070 employed as contractors. This results in £516 million in wages and salary spend across the region.

77% of BT employees are equipped to work flexibly on any given day.

### Procurement Impact

BT spent around £2.2 billion with suppliers based in London in 2014/15. The largest item was telecommunications services, as illustrated in this chart.



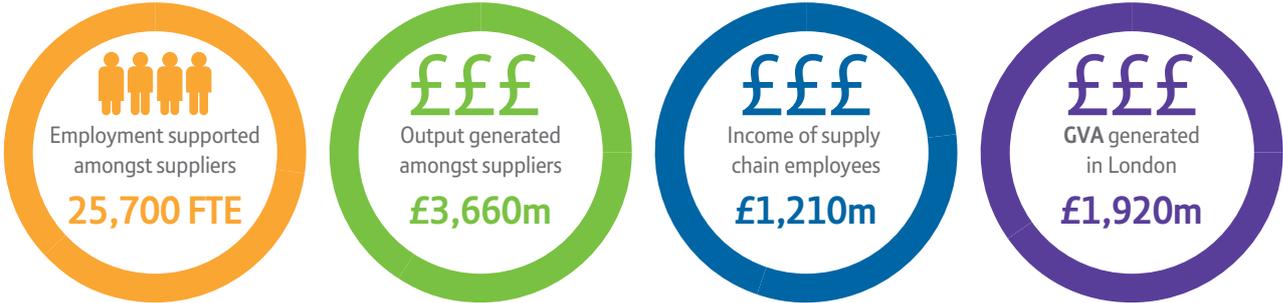
- £779m telecommunications services
- £334m sports services, amusement & recreation
- £330m computer programming & consultancy
- £292m auxiliary financial & insurance services
- £195m office & business support services
- £270m supplier spend with other sectors

Figure 6-13: Top Five Supplier Sectors in London by Value of Expenditure

Source: BT Procurement data

6

BT's spend with suppliers results in significant benefits for the London economy, including knock-on or multiplier benefits as a result of supplier spend. This is summarised below.



**BT Supply Chain Spend in London = £2,220 million**

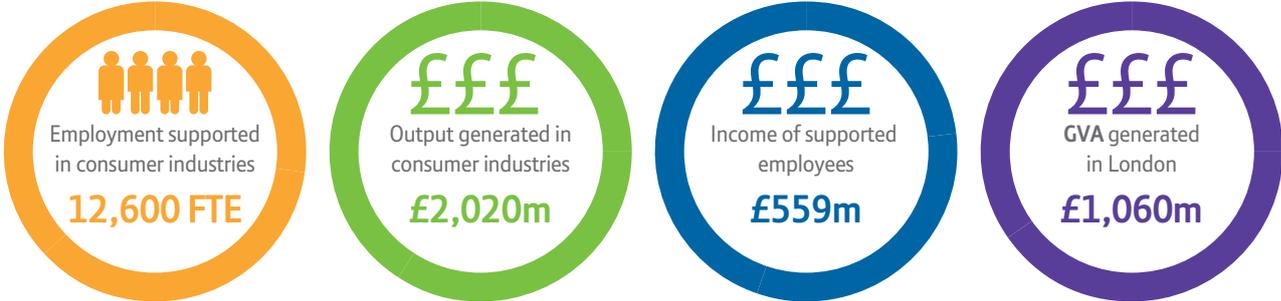
Figure 6-14: Indirect Supply chain impact in London

Source: Regeneris Consulting

6

### Impact of Employee Expenditure

BT employees and contractors living in London earned £458 million in 2014/15. In turn, their expenditure supports further employment and output in consumer industries in the region. **Figure 6-15** below illustrates the wider induced employment and output supported through this employee expenditure.



Salaries of BT Employees and Contractors = **£458 million**

Figure 6-15: Induced (wage expenditure) impacts in London

Source: Regeneris Consulting

# 6

## Total Impact in London

Combining BT's direct impact and employment with the indirect supply chain and induced wage expenditure impacts gives the total impact of BT operations in London. This is summarised in **Figure 6-16** below.

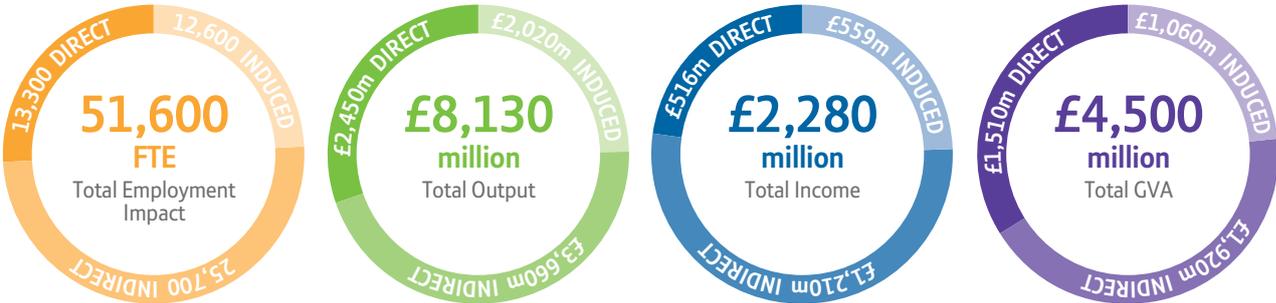


Figure 6-16: Total Impact of BT in London

Source: Regeneris Consulting

# 6

## Sub-regional Impact

The tables below illustrate the impact BT has within sub-regions in London. BT has employees living and working in every London borough. BT also spends money with suppliers based in every borough.

|                | BT Employees & Contractors |                  | Total Impact |                  |               |
|----------------|----------------------------|------------------|--------------|------------------|---------------|
|                | Work in area               | Resident in area | Employment   | Output £ million | GVA £ million |
| Central London | 7,760                      | 2,920            | 33,400       | 5,290            | 2,920         |
| North London   | 627                        | 1,010            | 1,090        | 176              | 102           |
| East London    | 2,560                      | 3,600            | 5,430        | 859              | 491           |
| West London    | 1,150                      | 1,900            | 8,850        | 1,340            | 720           |
| South London   | 1,250                      | 2,540            | 2,860        | 467              | 266           |
| Inner London   | 8,950                      | 4,220            | 37,800       | 5,960            | 3,280         |
| Outer London   | 4,390                      | 7,760            | 13,800       | 2,170            | 1,210         |

Table 6-5: Sub-regional Impacts within London

Source: Regeneris Consulting

6

Local Enterprise Partnerships (LEPs) are business-led partnerships and are intended to play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. The economic impacts for the London Local Enterprise Partnership† are shown below.

|        | BT Employees & Contractors |                  | Total Impact |                  |               |
|--------|----------------------------|------------------|--------------|------------------|---------------|
|        | Work in area               | Resident in area | Employment   | Output £ million | GVA £ million |
| London | 13,300                     | 12,000           | 51,600       | 8,130            | 4,500         |

Table 6-6: LEP Impact – Greater London

Source: Regeneris Consulting

† The information provided on LEPs and Enterprise Zones is correct at the time of publication of this report (as at August 2015). We have used information published by the Government which is available at the following location: <https://www.gov.uk/government/publications/local-enterprise-partnerships-local-authority-mapping>  
 Note that in some cases part of the LEP areas fall outside of the region. These are marked with an asterisk (\*).

- 1 in every 60 employees working in the private sector in the **London LEP** area is supported by the full economic impact of BT, and 1 in every 16 employees working in the ICT and communications sector are directly employed by BT
- £1 in every £22 of GVA in the IT and Communications sector in the **London LEP** area is generated directly by BT.

# 6

## Local Impacts

The map below illustrates BT's employment density across every London borough.

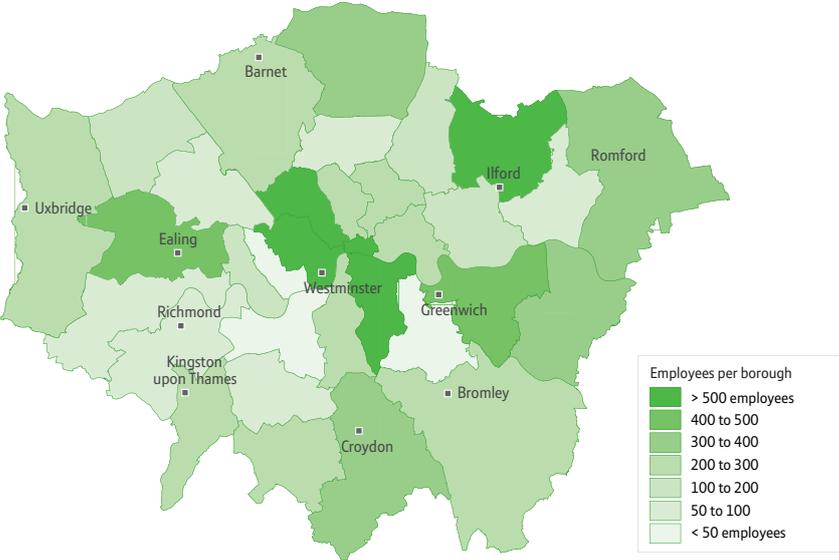


Figure 6-17: BT Employees Place of Work – London

Source: Regeneris Consulting

6

Figure 6-18 also demonstrates the broad geographical spread of the workforce, which lives throughout the city, particularly in Outer London boroughs.

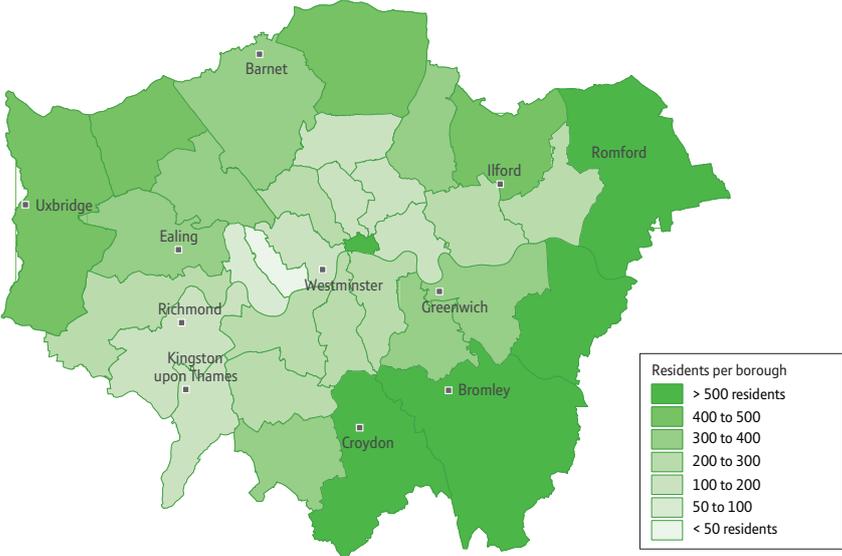


Figure 6-18: BT Employees Place of Residence – London

Source: Regeneris Consulting

# 6

## Keeping London Connected

BT has extensive networks in the UK. BT's fixed-line network is one of its most valuable assets and their investment in fibre broadband is key to delivering modern, superfast services to customers. To meet the demand from businesses, BT is continuing to expand the availability of Ethernet. And when customers are away from their home or office, they can use one of BT's Wi-fi hotspots.

A range of high speed technologies provides broadband services across London:

### **Next Generation Broadband**

BT is bringing fibre-based broadband to most of the exchanges in London, is serving around 3 million homes and business premises and has announced plans to extend availability even further.

- Fibre to the Cabinet (FTTC) will be the main technology deployed. FTTC can currently deliver wholesale downstream speeds of up to 80Mbps, and upstream speeds of up to 20Mbps.
- Fibre to the Premises (FTTP ) technology can currently deliver faster wholesale speeds of up to 330Mbps, and upstream speeds of up to 30Mbps.

**ADSL2+** offers up to 20Mbps next generation copper-based broadband services and is available from the vast majority of exchanges across London, allowing most homes and businesses in the city to benefit.

**ADSL** offers up to 8Mbps broadband services and is available from every exchange in London.

**Ethernet** services offer higher bandwidth for businesses and organisations. London has 175 live nodes in the region.

**Wi-fi** – BT has the UK's largest Wi-fi network with over 5 million hotspots, and has already introduced Wi-fi into a number of UK city centres including Cardiff, Carlisle, Glasgow and Plymouth. In London, BT has over 560,000 wireless hotspots that are accessible to its customers.

## 6

Servicemen and women at a London military base are able to keep in contact with family and friends as a result of a high-speed wireless (Wi-fi) network by BT. The 2,000 military and civilian personnel stationed at RAF Northolt, along with those visiting the base, will be able to work more flexibly as well as having access to a vital lifeline home. Around 480 wireless access points have been installed to ensure coverage in offices, accommodation blocks and communal areas across the base, for both business and personal use. The fibre infrastructure underpinning the Wi-fi network is providing a modern, secure and resilient network that enhances RAF Northolt's capabilities for operational, commercial and welfare services. It will also allow the base to make year-on-year cost savings.

# 6

## Investing in Next Generation Broadband

More than 99 per cent of UK homes and businesses already have access to ‘first generation’ broadband. BT’s £3 billion investment in fibre means more than 23 million homes and businesses now have access to high speed broadband services. BT’s network upgrade programme is one of the biggest and fastest in the world.

Fast, reliable broadband connectivity can provide a major economic boost to local communities. Many reports highlight the range of benefits businesses can gain by using superfast broadband, and case studies from across the UK stand testimony to how companies large and small are now building their success on fibre.

### Case study – Porism Ltd

Porism Ltd. is a software development company based in Brixton. Mike Thacker, Managing Director said *“Superfast broadband is transformng our business prospects. It used to be true that you had to be seen to be noticed in the software development market, but broadband communications means we don’t need a central London presence to make an impact. We now have the bandwidth to compete on an equal footing with any uptown agency.”*

BT retains its longstanding concerns about exclusion. Some of the groups that could benefit most from the internet, both economically and socially, have never been online. Many of the UK’s digitally excluded people are elderly or on low incomes, and it is estimated that the socio-economic value to a new user of being online is some £1,064 each year. Helping people to use the internet for the first time can transform their lives and help to generate around £6.8 billion within UK society and the economy.

## 6

Plans announced in September 2015 will increase overall fibre availability across London, taking all networks into account, from around 90 per cent\* to around 95 per cent of premises. Installing fibre in urban areas can be challenging, but with new techniques and extra investment BT will now be able to reach hundreds of thousands of additional homes and businesses across London

A trial of new Fibre-to-the-remote Node (FTTrN) broadband technology is being conducted in Rotherhithe, to bring download speeds of up to 80Mbps to an area previously unreachable with standard superfast broadband connection. 16 premises in Gwent Court, Rotherhithe have the opportunity to choose from a range of broadband service providers taking part in the trial and will see their download speeds increase to around 20 times faster than existing services in the area. Rotherhithe has proved a challenging location for private companies to upgrade with fibre because of its industrial history, large docks and the prevalence of long 'exchange-only lines' rather than via roadside cabinets. FTTrN is part of BT's toolkit of innovative technologies designed to expand the reach of fibre broadband.

\* Figures based on Ofcom's "Infrastructure Report 2014" data.

# 6

## Innovation, Research and Development

Innovation, supported by research and development (R&D), is at the heart of BT's business. BT is one of the UK's largest investors in R&D, investing £502 million in 2014/15.

BT uses its world-class expertise to lead and encourage innovation, generate new ideas and help keep the UK a step ahead. BT combines its expertise and resources at its main UK research facility at Adastral Park, near Ipswich. From pioneering work in optical technologies and digital switching, through to work in advanced software techniques and protocols, Adastral Park is recognised as one of the leading centres of technical innovation in the world of communications technologies.

BT has set out its ultrafast broadband vision for the UK. G.fast is an innovative technology that uses higher frequencies than FTTC to provide faster broadband speeds over copper lines. It will help BT realise its ambition to transform the UK broadband landscape from superfast to ultrafast, via a widespread deployment of G.fast. Trials in the East of England, North East and South Wales will build on tests at Adastral Park. G.fast is designed to help BT deliver ultrafast speeds of up to 500Mbps. Deployment could start in 2016/17, reaching 10 million homes and smaller businesses by the end of 2020 and the majority of premises within a decade. A 1Gbps service will be provided for those that want even faster speeds. The connections on offer would be a combination of FTTP technology as well as new G.fast technology, which uses existing FTTC technology.

## 6

BT works with universities through UK Research Councils, collaborative programmes and directly funded research. At any one time, BT is typically involved in between eight and 12 collaborative projects.

BT works with its academic partners to help create industry-relevant proposals to Research Councils that offer real impact, and also demonstrate the significance of academic research for the UK's ICT sector.

BT plays a full part in Research Council-funded projects, providing expert steering and advice, academic placements, access to real problems and unique data sets, and the opportunity to test networks.

BT funds a range of university research in the UK and beyond. The company supports some 30 UK-based PhDs with a mix of collaborative awards and direct funding. BT is funding a number of PhDs projects at University College London including one looking at the application of predictive data analytics for automatic network management. BT is a member of an elite corporate partnership forum at Imperial University which seeks to bridge the gap between academia and industry. Membership of the Imperial Business Partners (IBP) includes the opportunity to stimulate thinking about the impact of science, technology and innovation on business, policy and society. BT has links with around 30 UK university partners, working with them on projects of immediate relevance to BT's operations, as well as on speculative developments that may take as long as 20 to 30 years to come to fruition.



## Developing Talent and Championing Skills

BT invests in its own future success by continually developing the skills and knowledge of its people. To keep pace with the speed of innovation, BT selects talented people and provides them with opportunities to develop and improve their skills.

More than 500 apprentices and 229 graduates joined BT in 2014/15, and BT plans to recruit a further 1000 graduates and apprentices in 2015/16. BT has an excellent track record of employing ex-armed forces personnel, particularly within Openreach where more than 200 roles have been filled. Working with Transition Force, BT provides ex-military people with training and support in writing CVs, presentation skills, and attending job interviews.

In 2014/15 BT recruited 84 apprentices, and had 29 traineeships ongoing in London.

BT Sport has launched its first apprenticeship recruitment scheme for people to work at its studios on the Queen Elizabeth Olympic Park in Hackney. As part of the 2012 Media Legacy programme to help people access local support and opportunities, it's offering 2-year apprenticeships to over 16s from the London boroughs around its home at the Olympic Park. The apprentices will be part of a team delivering some of the most popular TV sports in the world. Working as part of the digital production and media team, they'll be at the heart of innovation, shaping the way we live and work.

BT recognises that for the UK economy to grow it is essential for everyone to develop the skills for success at work. BT supports a range of programmes including providing more than 500 traineeships in 2014/15. BT also offers work placements and work experience opportunities, and supports the development of technology skills in schools. In 2015/16, BT will be offering up to 1,000 vocational and work experience placements to 18-24 year olds as part of the UK employer-led initiative 'Movement to Work.'

## 6

Through the Barefoot Computing Project's initial phases (May 2014–July 2015), BT has already supported 850 workshops, 2,400 schools, 12,500 teachers and reached 340,000 pupils across the UK. Within London, free workshops have been offered to councils for the primary schools in every borough, allowing teachers to learn new skills as they get to grips with the new curriculum.

# 6

## A Purposeful Business

BT recognises the importance of connectivity to social wellbeing and to economic growth. Wherever BT operates, it works to extend the value it can add to communities and to society at large, by finding new ways for its products and services to bring social and economic benefits.

In 2014/15, BT invested £32.5 million in sustainable and responsible business activities, a full 1.15 per cent of its adjusted profit before tax.

In 2014/15 BT invested nearly £3.1 million in sustainable and responsible business activities in London, which also benefited from UK-wide activities funded at over £13 million. As part of a 4 year national partnership with The Lord's Taverners, BT has provided funding and in-kind support to JFK School, Stratford East London. BT has also provided support and funding for 9 projects through The Supporters Club, including the Tottenham Hotspur Foundation (£77,467).

### **Creating a Connected Society**

BT helps people across the UK to develop the skills, knowledge and confidence they need to use the internet safely and securely. BT has shared with all its customers the 'parental controls' internet safety feature that comes free with BT Broadband. This helps families limit access to undesirable content and remain secure while still using BT's products and services and internet capability to the full. In partnership with UNICEF, through 'The Right Click: Internet Safety Matters' programme, BT has delivered a series of workshops across the UK on how to keep children safe online.

By the end of April BT had delivered 100 workshops. BT volunteers are supporting the programme by delivering "Train the Teacher" sessions followed by an interactive workshop for parents and children. Twenty-one workshops have already been completed in London, supporting schools across the capital.

## 6

BT has also been making the internet affordable to people with lower incomes, people with disabilities, and the elderly. The company has also inspired small businesses to tackle digital exclusion locally. For those on a low income, BT Basic lets customers make and receive calls and helps them manage how much money they spend. Recognising how important the internet now is for everyone, broadband is now available with the BT Basic phone service.

### **Delivering Environmental Benefits**

BT uses its technologies to respond to the global climate change challenge. For the sixth successive year, BT has reduced its UK net carbon emissions (CO<sub>2</sub>e) by sourcing renewable electricity, using more efficient vehicles and reducing its energy consumption. BT helps customers reduce their own carbon emissions too. The company also invests in innovative, energy-saving products and services, and plays a full part in engaging stakeholders to influence national policy development, to help reduce the risk of serious climate change impacts.

### **Supporting Charities and Communities**

BT provides its technology, time and expertise to help thousands of charities with their fundraising and to work more efficiently.

BT Tower is always the central hub of activity for providing telephony and support for taking donation calls for telethons such as BBC Children in Need, Comic Relief and other appeals.

MyDonate is a commission-free online fundraising service for UK charities, with no set up fee or monthly charge - this service from BT has helped raise more than £21 million for charities in London. The BT Community Web Kit has also helped small charities across the capital build over 800 websites.

Volunteering is a key part of BT's support for charities and the community. BT believes that volunteering is good for its people, and BT's employees can volunteer in many different ways, sharing their professional skills and helping to raise funds. As well as benefiting charities and the communities they support, this strengthens BT's business profile. BT's volunteering programme enables employees to contribute up to three days of working time each year to community or charitable work. In 2014/15, BT volunteers provided more than £15.7 million of in-kind support and assistance, some 50,500 days - with one in four employees choosing to volunteer during the year.

In London BT people provided more £1.8 million of in-kind support and assistance, donating nearly 6,000 days of their time to a wide range of organisations.

#### **Case Study- Emergency Response Team**

BT's Emergency Response Team (ERT) is made up of highly-skilled BT engineers. These volunteers provide on-the-ground support, as well as remote advice to restore communications when needed in both the UK and around the world. Oliver Anstey, based in London, is an ERT volunteer and has been involved in incidents in London as well as further afield, down to the Isle of Wight and up to the Isles of Sky, as well as providing supporting to the G8 summit. The work the team did for the Philippines disaster is the most memorable for Oliver who was involved in building and testing the equipment. Oliver says *"This really was a true disaster, peoples' lives were at risk and we were working hard with the aid agencies to give them comms so they could organise the resources they needed to be shipped in. I felt we really did make a difference."* The work Oliver does with the ERT also compliments his role in BT installing network infrastructure - *"My time with the ERT also helps me bridge skills because the training helps build a bigger picture of how the network all goes together, which really compliments what I do."*

More detailed information can be found at [www.bt.com/deliveringourpurpose](http://www.bt.com/deliveringourpurpose)

# 6

## Other Impact in the Region

BT Global Services has been winning business with genuine partnerships based on flexible models, which deliver innovation and efficiency savings. Working with South West London and St George's Mental Health NHS Trust, BT has helped deliver significant savings through property rationalisation and improved productivity energised by agile working.

BT is engaged in a programme of co-innovation with start-ups in London's Tech City. London start-up 'what3words' was the 2015 winner of the BT Ingenious award, which looks for new and innovative ideas that use the power of communications to transform the lives of people who need it most. Part of the Tech4Good awards, which showcase the amazing organisations and people who use digital technology to make the world a better place, BT has supported these awards for 5 years. 'what3words' have built a uniform global system that gives everyone and everywhere a simple address, dividing the world into a grid of 3m x 3m squares and pre allocating each with a fixed and unique 3 word address. Around 75% of the world suffers from inadequate addressing systems (c4 billion people) - an address means people can receive vital deliveries and aid, disease can be reported and basic human rights exercised all because they have a simple way to communicate where they live.

## 6

The BT Infinity Lab programme includes a series of competitions that engages the tech entrepreneur community around key themes, working in partnership with TechHub, and based in London's Tech City area. A London-based start-up, Babylon Health, took first prize the Infinity Lab round focusing on innovation in public services. Babylon Health has built a fully-integrated mobile healthcare service – it provides vital consultations with GPs and specialist consultants, cutting-edge monitoring and diagnostics, appointment booking and prescription delivery all via an easy-to-use app. Babylon's owners won the top prize of £15,000, along with 6 months' support from BT (including access to knowledge and expertise) to develop their business model and 6 months' membership of TechHub's innovation space in the heart of East London's Tech City where tech entrepreneurs meet, work, learn and collaborate.

BT is the lead principal sponsor of the Information Age gallery at the Science Museum in London – the first gallery in the UK dedicated to the history of information and communications technologies. The gallery explores the impact of how the modern connected world was created through the evolution of different technology networks including such as telegraph, telephony, radio and television broadcasting, the web and mobile communications.



# Technical Appendices

Here we set out the methodology used to estimate the economic impact of BT and the data sources that have been drawn upon.

## Definitions

There are three sources of economic impact that a company like BT generates.

### Direct impacts

These are the impacts arising as a direct consequence of the company's activities, in the form of output and wealth creation, employment within the firm and associated employment income.

### Indirect impacts

Also known as the supply chain impact, this contribution arises from BT's purchasing of goods and services from suppliers in the UK, who in turn make further purchases from their suppliers, and so on. This chain of procurement spending resulting from BT's initial expenditure injection creates further wealth, and supports jobs and income.

### Induced impacts

Further economic activity and employment is created as BT employees and those whose jobs are supported through supply chain effects spend their wages and salaries on goods and services. The economic effects from this consumer spending are known as the induced effect.



Throughout the report these impacts are measured using four key indicators:

## Output

This refers to the turnover/sales revenue that is generated directly within BT or within other firms in the economy through indirect and induced effects.

## Gross Value Added (GVA)

This is the key measure of wealth creation within an economy and is used by the government to monitor economic performance. It refers to the residual value created by firms once non-labour costs have been paid, which is then distributed to owners/shareholders in the form of profits and to employees via wages and salaries. It is measured in two ways:

- GVA = turnover minus bought in goods and services (known as the *production* approach)
- GVA = gross operating profit + depreciation and amortisation + taxes less subsidies on production + compensation of employees (i.e. wages plus social security contributions) (known as the *income* approach)

## Employment

This is the quantity of jobs supported by BT's activities. Since these jobs are a mix of full time and part time positions, throughout the report we refer to Full Time Equivalent (FTE) posts, in order to express all jobs in a common currency.

## Employment Income

These are the gross wages and salaries paid to employees whose jobs are supported by BT, including NI and pension contributions, and PAYE taxes.

Note that the economic impact figures presented throughout this report are expressed to three significant figures. This means they have been rounded up or down as appropriate and, as a result, may not sum exactly to the totals presented.



## Methodology and Data Sources

The methodology used to estimate BT's economic impacts for 2014/15 has been designed to be consistent with previous reports. Further information is provided below.

### Direct impacts

The two data sources used to estimate this are BT's financial accounts for 2014/15 and BT's HR database.

**Output** has been taken directly from the accounts, as revenue from external customers in the UK. This removes both internal revenue resulting from internal transfers between BT group companies and sales made outside the UK.

**GVA** has been calculated using the income approach, as the sum of gross operating profits before tax, interest, depreciation and amortisation, and compensation of employees. We have estimated UK gross operating profit using global EBITDA\* from the accounts, and estimated the UK portion by factoring down by the UK share of total revenues. Compensation of employees has been estimated using data on gross wages and salaries (sourced from BT), plus social security costs (sourced from BT).

**Employment** numbers have been sourced from a snapshot of information provided by BT, with data on the number of people employed directly by BT and the number of contractors employed through agencies, along with their contracted hours. These have then been converted to FTE posts based on one full time job being equivalent to a 36 hour per week contract. The data indicates both the place of residence and place of work of each employee. For direct employment we have used workplace based figures. The employment numbers are consistent with those in the 2014/15 annual accounts.

\* Earnings Before Interest, Tax, Depreciation and Amortisation



The BT data provided the home and workplace postcode for each employee. These were used to allocate employees to regions and local authorities for the residence and workplace based analysis. Home postcodes were not available for agency staff and contractors. The assumption was made that these members of staff were resident in the same Local Authority and Region as their workplace.

Information on contractor staff was supplied by BT.

**Employment income** has been estimated using data from BT, using gross wages and salaries of employees and contractors by place of work, again adjusted to be consistent with the averages wages and salaries bill quoted in the accounts in the same way as for employment numbers.

### Indirect Impacts

The data source used to estimate indirect impacts has been provided by BT by location and by sector. Each supplier was allocated to a region and local authority based on the invoicing address. Suppliers were then allocated to sectors using the following process:

- All suppliers common to both 2015 and 2013 procurement data were allocated to the same sector as they had been in the 2013 economic impact assessment. This provided a sector allocation for covering 79% of total spend.
- Suppliers not included in the 2013 procurement data were allocated to sectors based on a brief review of each supplier's business activities using information available on company websites. This manual allocation was completed to ensure that c.90% of procurement spend in each region and all suppliers where invoices totalled £10 million or more were covered.



- The remaining suppliers were assumed to be operating in the telecommunications sector.

As expenditure on contract and agency staff is encompassed by the employment element of the direct impact assessment, all identifiable procurement expenditure with employment agencies has been removed from the supplier spend analysis, in order to avoid double counting.

Impacts have been estimated using Regeneris Consulting's input-output tables for the UK and the regions.

### **Induced Impacts**

Data on wages and salaries of BT employees and contractors by place of residence has been used to calculate induced impacts, along with the employment income of indirect employees estimated above.



## The regional and local dimension

### Estimating regional and local impacts

The results are presented for the former Government Office Regions as well as the recently formed Local Enterprise Partnership (LEPs). Wherever possible this has been informed by actual data for these areas, but where this data is not available, we have apportioned results to local areas using suitable apportionment factors, drawn from other BT data. This should therefore be borne in mind when interpreting results at these geographical levels.

### The HQ effect

National procurement contracts are often allocated to a location according to the supplier's HQ address. However, it may be that these services are actually provided from a series of locations around the country. This process of allocating the procurement expenditure to the HQ location, rather than the location of the depot where activity is taking place, may skew impacts to the HQ region and consequently under-estimate impacts elsewhere. We have adopted this approach as in previous year's assessment. It does mean that the results pertaining to indirect impacts in particular may be subject to significant margins of error, particularly at the local level.



## Benchmarking the Results

The report sets the key results in their wider socio-economic context, in order to illustrate the relative scale of BT's contribution to the local, regional and national economy. To do this we have drawn down nationally published statistics. The data sources used are as follows:

**1. Total employees in employment:** The total number of people employed by all businesses with operations in the area. This excludes working proprietors and is presented as Full Time Equivalent employees (it excludes the self-employed). (Source: ONS, BRES, 2013).

**2. Total IT and Communications sector employees in employment:** The total number of people employed by ICT businesses with operations in the area. This excludes working proprietors and is presented as Full Time Equivalent employees (it excludes the self-employed). (Source: ONS, BRES, 2013).

**3. Total private sector employees in employment:** The total number of people employed by private sector businesses with operations in the area. This excludes working proprietors and is presented as Full Time Equivalent employees (it excludes the self-employed). (Source: ONS, BRES, 2013).

**4. Total gross earnings from all residents in employment:** This has been derived using the total number of residents in employment (source: Annual Population Survey, 2014) multiplied by the average gross annual pay for all employees in that geographical area (source: Annual Survey of Hours and Earnings, 2014)



**5. Total gross earnings from all employees in employment:** This has been derived using the total number of people employed by businesses in the area (source: BRES, 2013) multiplied by the average gross annual pay for all employees in that geographical area (source: Annual Survey of Hours and Earnings, 2014)

**6. Total GVA - Total Gross Value Added generated by businesses based in the area:** GVA data has been provided for regions and selected LEP areas (Source: ONS, Headline Workplace Based GVA at Current Basic Prices, 2013 and ONS, GVA for Local Enterprise Partnerships, 1997-2013).

## Offices Worldwide

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