



Social Study 2015

The Economic Impact of BT
in the United Kingdom
& the South West



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 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 the South West we are making connections, creating new possibilities and helping businesses to grow, communities to flourish, and people to get more out of life.

As a key UK 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 the UK through our direct workforce and, indirectly, through our extensive supply chain. We seek to centre our procurement and expenditure within the UK's local economies.

This report concentrates on and highlights the direct economic contribution BT makes 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 the South West BT's GVA for 2014/15 is estimated to be £879 million.

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. This includes premises in rural and hard-to-reach areas that we have been able to reach following competitive tendering for public funds as part of the Government's Broadband Delivery UK programme (BDUK).

Our fibre investment has delivered one of the fastest rollouts in the world, and we are on budget and ahead of schedule. The number of premises connected has risen by more than 50 per cent during 2014/2015. We will continue to work with governments to increase fibre coverage to 95 per cent of the UK's homes and businesses by the end of 2017.

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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. We are proud to work in partnership with local authorities, devolved government offices, and community and business organisations to develop next generation solutions for areas where a commercial investment is not immediately justifiable. 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 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 the region.

Jon Reynolds
BT Regional Director, South West
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

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

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

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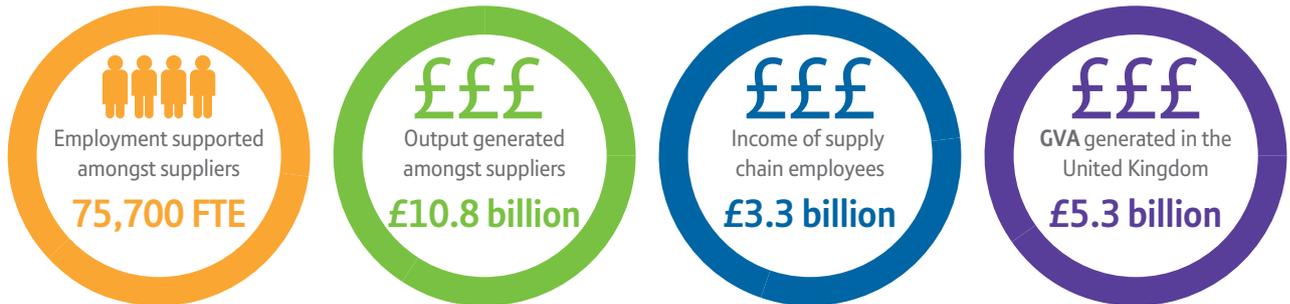
Economic Impacts

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

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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.

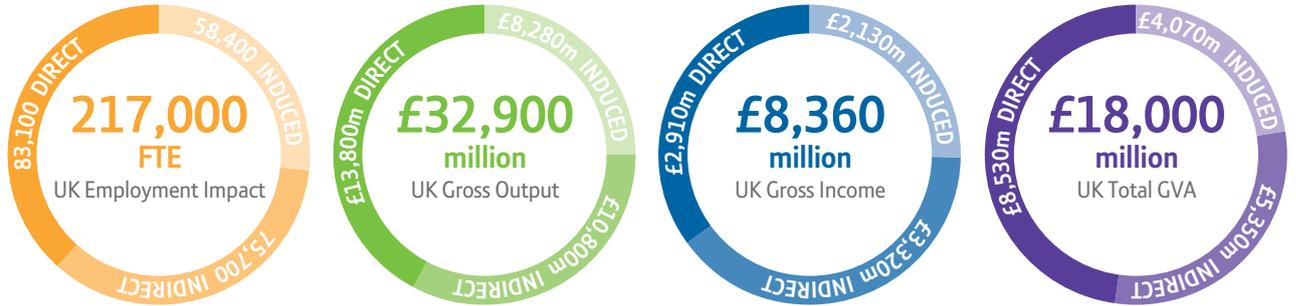


Figure 5-3: Total Impact of BT in the UK

Source: Regeneris Consulting

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South West

South West Key Points

5,750

BT employees live in the region (FTE)

5,800

BT employees work in the region (FTE)

£200 million

Total income of BT employees working in the region

£135 million

Spend with suppliers based in the region

£879 million

Total GVA impact (including indirect and induced effects)

Across the South West...

- BT employs 1 in every 260 employees working in the private sector, and 1 in every 10 employees working in the IT and communications sectors
- £1 in every £190 of GVA is generated directly by BT
- BT supports 1 in every 140 employees working in the private sector and £1 in every £130 of GVA as a result of the firm's full economic impact
- BT's full employment impact is larger than the region's research and development sector

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Regional Impact

Direct Impact

BT directly employs a total of 5,540 people in the South West, with a further 257 employed as contractors. This results in £200 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 £135 million with suppliers based in the South West in 2014/15. The largest item of expenditure was on telecommunications, as illustrated in this chart.

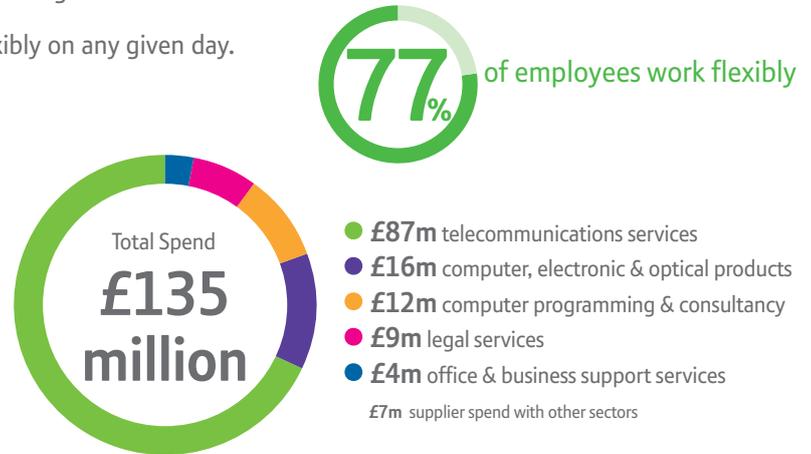


Figure 6-49: Top Five Supplier Sectors in the South West by Value of Expenditure

Source: BT Procurement data

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



BT Supply Chain Spend in the South West = £135 million

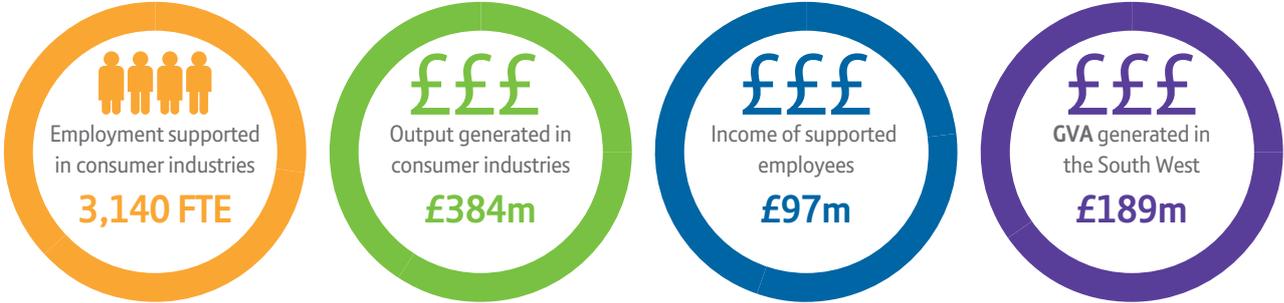
Figure 6-50: Indirect Supply chain impact in the South West

Source: Regeneris Consulting

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Impact of Employee Expenditure

BT employees and contractors living in the South West earned £200 million in 2014/15. In turn, their expenditure supports further employment and output in consumer industries in the region. **Figure 6-52** below illustrates the wider induced employment and output supported through this employee expenditure.



Salaries of BT Employees and Contractors = £200 million

Figure 6-51: Induced (wage expenditure) impacts in the South West

Source: Regeneris Consulting

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Total Impact in the South West

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 South West. This is summarised in **Figure 6-53** below.

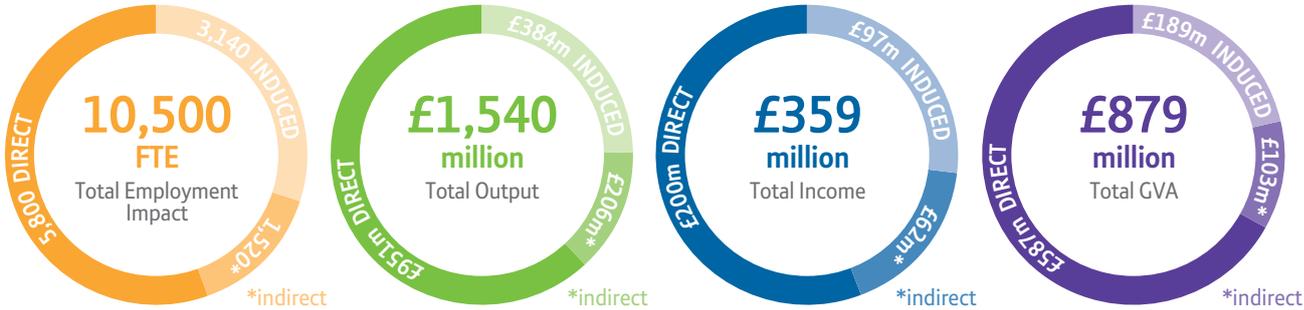


Figure 6-52: Total Impact of BT in the South West

Source: Regeneris Consulting

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Sub-regional Impact

The table below illustrates the economic impact BT has at a sub-regional level in the South West, focusing on key counties and local authority areas.

	BT Employees & Contractors		Total Impact		
	Work in area	Resident in area	Employment	Output £ million	GVA £ million
Bristol	945	495	1,550	238	137
Cornwall and the Isles of Scilly	692	768	1,030	147	86
Devon	1,750	1,310	2,330	338	200
Dorset	584	611	964	140	81
Gloucestershire	624	958	1,990	279	151
Somerset	515	846	1,060	155	87
Wiltshire	697	761	1,540	243	137

Table 6-16: Sub-regional Impact – South West

Source: Regeneris Consulting

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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. A total of six Local Enterprise Partnerships† fall within the South West region and the economic impacts which relate to these areas are shown below.

	BT Employees & Contractors		Total Impact		
	Work in area	Resident in area	Employment	Output £ million	GVA £ million
West of England	1,280	1,280	2,690	396	223
Dorset	584	611	964	140	81
Cornwall & the Isles of Scilly	692	768	1,030	147	86
Heart of the South West	2,080	1,750	2,850	416	245
Swindon & Wiltshire	697	761	1,540	243	137
Gloucestershire	473	584	1,390	198	108

Table 6-17: LEP Impact – South West

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 (*).

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- £1 in every £12 of GVA in the IT and communications sector in the **West of England LEP** area is generated directly by BT.
- £1 in every £8 of GVA in the IT and communications sector in the **Dorset LEP** area is generated directly by BT.
- 1 in every 4 employees working in the IT and communications sector in the **Cornwall and Isles of Scilly LEP** area is directly employed by BT
- £1 in every £4 of GVA in the IT and communications sector in the **Heart of the South West LEP** area is generated directly by BT.
- £1 in every £120 of GVA in the **Swindon and Wiltshire LEP** area is supported by BT's full economic impact.
- £1 in every £13 of GVA in the IT and communications sector in the **Gloucestershire LEP** area is generated directly by BT.

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Local Impacts

The map below illustrates the locations of key BT sites in the South West. It demonstrates the importance of Bristol, Truro, Exeter and Swindon as BT employment centres.

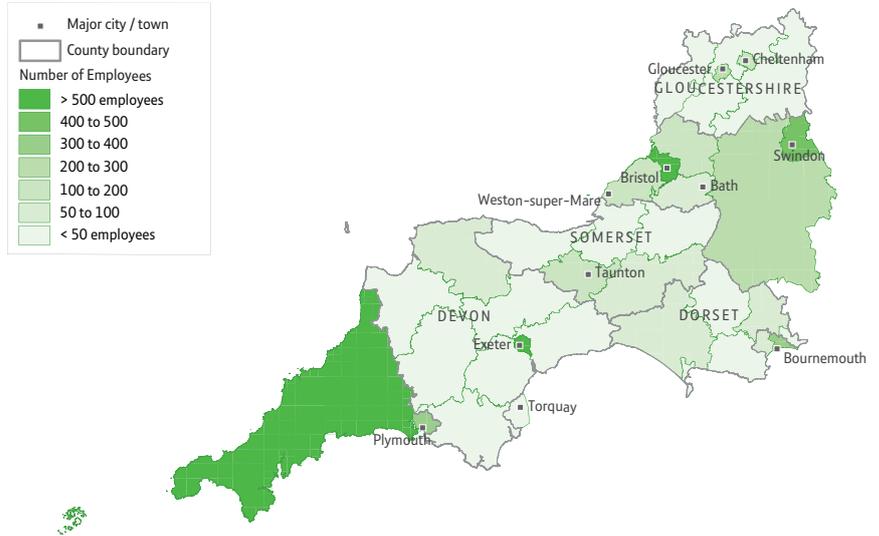


Figure 6-53: BT Employees Place of Work – South West

Source: Regeneris Consulting

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Figure 6-54 also demonstrates the broad geographical spread of the workforce, which lives throughout the region, particularly around Bristol and Cornwall.

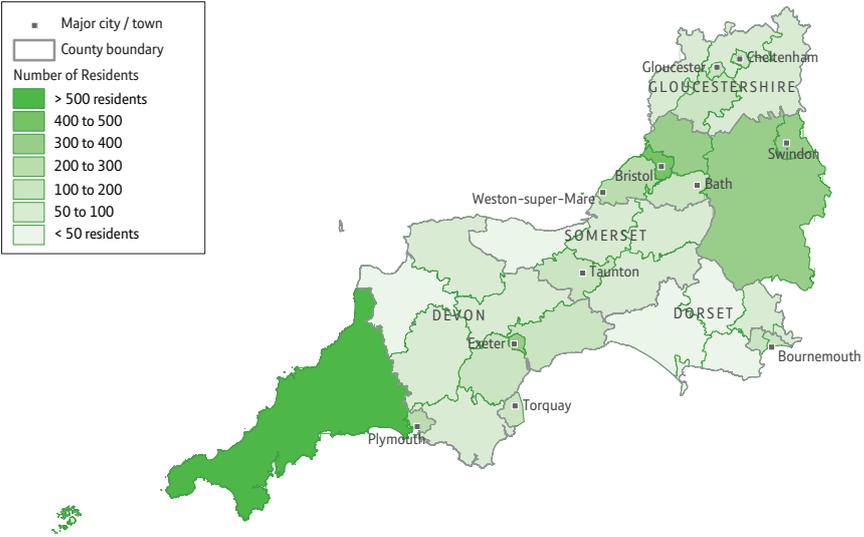


Figure 6-54: BT Employees Place of Residence – South West

Source: Regeneris Consulting

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Keeping the South West Connected

BT has extensive networks in the UK. BT's fixed-line network is one of its most valuable assets and its 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 in the South West:

Next Generation Broadband

BT's commercial rollout alone is bringing fibre-based broadband to 140 exchanges in the region, serving more than 1.3 million homes and businesses.

- 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 291 exchanges, and more than 1.9 million homes and businesses in the region can benefit.

ADSL offers up to 8Mbps broadband services and is available from 100% of the exchanges in the South West.

Ethernet services offer higher bandwidth for businesses and organisations. The South West has 115 live nodes in the region.

Wi-fi – BT has the UK's largest Wi-fi network with over 5 million hotspots. The company has already introduced Wi-fi into a number of UK city centres including Gloucester and Plymouth in this region, as well as Carlisle, Brighton, Cardiff, Glasgow, Nottingham and Newcastle and Gateshead, with more in the pipeline.

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Investing in Next Generation Broadband

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

BT is also working with the Department of Culture Media and Sport’s (DCMS) Broadband Delivery UK (BDUK) programme and is on track to meet the target of 90 per cent of premises by the end of 2016. BT successfully tendered for 44 BDUK phase 1 projects that aim to bring superfast fibre to more than two million homes and businesses in hard-to-reach rural communities across the UK. BT can bring faster speeds to the remaining premises by deploying alternative broadband technologies.

BT announced that it will be making £129 million available to extend the roll-out to more BDUK homes and businesses, earlier than planned and at no extra cost to the taxpayer (this is due to take up exceeding 20%).

BBT is also in the planning phase for the BDUK phase 2 contracts that they have won across the UK. These contracts are part of the Government’s Superfast Extension Programme, designed to ensure 95 per cent of Britain has access to superfast fibre broadband by the end of 2017.

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.

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According to independent research by SERIO at Plymouth University and Buckman Associates, the Superfast Cornwall project has brought £186.1 million of economic benefit to the county. The research estimates that more than 12,000 Cornish companies are connected to the high-speed network, resulting in 2,000 new jobs being created and a further 2,500 safeguarded.

Case study – Natural Generation Ltd

Natural Generation Ltd, is a renewable energy company, based in Perranporth, Cornwall. Ivor Thomson, Managing Director said, *“There is no question that superfast broadband is having a huge and beneficial impact on our business. By being able to do things remotely and in new and better ways, we are moving the business forward faster than would otherwise have been possible. Undoubtedly, this is leading to new job creation and it will continue to do so over time.”*

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.

* ‘Digital Inclusion: the social return on investment, Just Economics for BT, June 2014’

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Fibre Partnerships

BT has unrivalled experience in overcoming the challenges of geography, topography and distance and is working with five fibre partnerships in the South West:

Cornwall & the Isles of Scilly

Superfast Cornwall, the pioneering fibre broadband programme funded by the EU, BT and Cornwall Council, has been the catalyst for large-scale economic growth in Cornwall. The programme, which began in 2010, has now reached its goal of making fibre available to 95 per cent of Cornwall and the Isles of Scilly, far outstripping the original aspiration of 80 per cent and including 30 per cent - 85,000 households and businesses - with access to ultrafast fibre to the premises (FTTP). It has created one of the best-connected rural economies for fibre broadband in the world. Furthermore, a new £7.6 million programme funded by Cornwall Council, BDUK and BT will bring superfast access to at least 8,600 more Cornish premises by early 2018.

Devon & Somerset

The Connecting Devon and Somerset (CDS) has already passed 181,887 premises in its rollout of superfast fibre broadband. Even the historic underground caves of Wookey Hole and Wookey Village are benefiting from fibre. Wookey Hole Caves anticipate lots of benefits that will support them to improve their customer service, grow their business, and sustain local jobs. Chris Goodchild, duty manager, said, *“Superfast broadband will open-up many possibilities for our prehistoric caves, including our new £4 million show cave. These speeds are a necessity for any business these days, so we were very enthusiastic to connect as quickly as possible.”* The Connecting Devon and Somerset programme aims to make superfast broadband available to around 90 per cent of homes and businesses by end of 2016.

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Wiltshire & South Gloucestershire

The multi-million pound Wiltshire Online broadband project, has already reached 75,485 homes and businesses. The partnership will deliver faster broadband speeds to 91 per cent of premises in Wiltshire and 94 per cent of premises in the South Gloucestershire authority area by the end of March 2016.

Dorset

The Superfast Dorset programme has given 54,386 homes and businesses access to faster, more reliable fibre broadband. The rollout includes communities which previously had no broadband service. Availability of fibre is continuing to grow rapidly and further funding agreed this year means that, once the current programme has been completed, 3,000 more homes and businesses in some 50 more Dorset communities will be able to benefit by early 2018.

Gloucestershire

The programme, known as Fastershire, is a partnership between Herefordshire and Gloucestershire County Councils, and has already passed 46,985 premises with fibre broadband across the two counties. The target is to enable 90 per cent of Gloucestershire homes and businesses by the end of 2015.

NB: Figures quoted correct as of 12 August 2015

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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.

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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 working with Bristol University on two projects, including a unique collaboration with the BBC jointly funding a PhD looking at network designs for carrying future TV formats. 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.

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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 39 apprentices, and had seven traineeships ongoing in the South West.

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'

In March 2015 BT announced the launch of a new, ambitious programme to build a culture of tech literacy for the UK. This is a long-term commitment for BT with an ambition to inspire 5 million young people to connect with tech concepts by 2020 to benefit young people and the UK economy. 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.

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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 more than £1.1 million in sustainable and responsible business activities in the South West, which also benefited from wider UK-wide activities funded at over £13 million. As part of a four year national partnership with The Lord's Taverners, BT has provided funding and in-kind support to St Christopher's School, Westbury Park and Mill Ford School, Ernsettle. BT has also provided support and funding for four projects through The Supporters Club.

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.

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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 delivered for parents and children. Seven workshops have already been completed in the South West.

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.

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 (CO²e) 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.

6

Supporting Charities and Communities

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

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 £2.1 million for charities in the South West. The BT Community Web Kit has also helped small charities across the region build over 1,354 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 the South West BT people provided nearly £1 million of in-kind support and assistance, some 3,225 days.

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 damaged communications both in the UK and around the world. Simon Laity, who lives and works in the South West region, is an ERT volunteer and went to Pakistan after the first earthquake before the ERT was officially formed. When he was asked to formally become an ERT member, he jumped at the opportunity. Simon's most memorable mission to date is the trip to Pakistan after the Kashmir earthquake. Simon says *"It was really rewarding to think you were doing something that would ultimately give people a chance to speak to their families and tell somebody that they're actually alive"*.

More detailed information can be found at www.bt.com/deliveringourpurpose

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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

BT has been awarded a contract with Devon and Cornwall Police for IT infrastructure and support services. Under the deal, BT will provide both support for, and development of, IT services for the next 5 years, with the option to extend to nine years. The force will be connected to the most up-to-date technology, with BT sharing its extensive experience of innovating across the public sector. It gives the police force stability and focus to their IT provision and support going forward. They can make considerable savings, helping to reduce and better control their support costs. It will help the force better use technology and innovation to more effectively police local communities.

BT is investing in new UK data centres to meet growing demands for cloud computing. Organisations in all industries are looking at cloud services, especially public sector bodies where the challenge is to transform services sustainably with increasingly tight budgets. The data centres – including one in Corsham, West Wiltshire – will help UK-based large organisations connect easily and securely to the applications and data they need, regardless of where they are hosted. Managed cloud services will be developed for organisations and services where enhanced security is crucial, including central and local government, defence and security, police and health. The new data centres conform to Government security standards and are among the most efficient in the country, contributing to BT's efforts to help cut their carbon emissions.



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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