



Digital Communications Infrastructure Strategy

Department for Culture, Media and Sport (DCMS) and HM Treasury Consultation

Date: 1 October 2014

Executive Summary

- The CLA's 33,000 members, representing over 250 different business types, have a direct interest in the development of the Government's digital communications strategy, particularly as it relates to the provision of broadband in rural areas;
- The Government's original objective of universal broadband coverage and a superfast broadband network to 90% of the population by 2015 will not be met. It can only be hoped that the revised objective of superfast to 95% of the population can be achieved;
- However, there remains the real concern that the needs of rural areas continue to be misrepresented and misunderstood;
- The Government should be expected to perform a key long term strategic function when it comes to broadband policy;
- There should be one dedicated broadband unit within the Cabinet Office that co-ordinates strategy;
- BDUK, after the successful completion of the superfast rollout, should be abolished;
- The universal benchmark for coverage should begin at 2Mbps and increase to up to 10Mbps by 2017;
- Far greater consideration and strategic planning must be given to the deployment of alternative technologies, such as satellite and wifi, beginning now;
- There has to be a proportionate balance between private sector infrastructure activity and public sector engagement over the medium to long term;
- The Government should force mobile network operators to adopt a national 'right to roam' mobile telephony framework;
- For rural areas, universal coverage must be considered the most important aim. A Universal Service Obligation (USO) for broadband that provides legal guarantees for the consumer must therefore be put in place. The benchmark for the USO should be set at 2Mbps and increase according to technological developments;
- The CLA remains concerned that the level of demand for superfast broadband will not provide a sufficient incentive for infrastructure providers to maintain suitable levels of investment. What is required is a joint Government/industry awareness campaign, directed at the public, that sets out the advantages of superfast broadband as a way of stimulating demand.

Introduction

1. The CLA is the membership organisation for owners of land, property and business in rural England and Wales. Our 33,000 members own or manage around half the rural land in England and Wales and more than 250 different types of business. Given the importance of digital communication to rural businesses, rural communities and the rural economy in general, the consultation jointly from the Department for Culture, Media and Sport (DCMS) and HM Treasury (HMT) is both timely and welcome.
2. The CLA's submission below focuses, quite naturally, on the need and impact of a digital communications strategy on rural areas. It will focus on the Government's current digital strategy and the scenarios set out in the consultation. It will also set out our perceptions of how an effective and transparent digital strategy can actually promote economic growth and social well being in rural areas.

The Role of the CLA in Rural Digital Communications

3. The CLA was the first national rural organisation to recognise the importance of broadband and the digital revolution to rural business and communities in 2002. More than a decade later, significant progress has been made. The reliance on ADSL technology in the early 2000's has been overtaken by the rollout of fibre technology. The importance of 3G is now being superseded by the expansion in the 4G network. So things have moved on apace.
4. However, 12 years from the initial expectations of a broadband and digital revolution that would transform the lives of all those who live in the countryside, there remains a significant disparity between rural and urban areas, known as the rural-urban digital divide. Indeed, as technological breakthroughs are made, the divide appears to get wider.
5. The CLA believes that unless there is a clear and transparent commitment from Government towards a digital strategy and how it will apply in rural areas, the economic, social and environmental dynamics that the countryside provides may very well be lost.

Q1: Views are sought on:

(a) Is this an appropriate role for government ?

(b) What other high level principles the government might adopt ?

(c) What resources do you consider the government should aim to deploy to effectively manage its role ?

6. Adequate provision of broadband and mobile access is now regarded as essential for the effective functioning of a business and the lack of it represents a significant competitive disadvantage for a business and potential social exclusion for a community. This is a particularly urgent problem for rural areas because broadband provision, speed and mobile coverage lags far behind that in place in urban locations.

7. The Government's publication *Britain's Superfast Broadband Future*, in December 2010, set out its vision of the best way of developing a superfast broadband network for the future. As part of that strategy, £530million (plus an additional £300million after 2015) was made available to meet the Government's twin objectives:
 - To put in place a Universal Service Commitment (USC) of at least 2Mbps by 2015;
 - To put in place a superfast broadband network (with a minimum speed of 24Mbps) by 2015.
8. The policy is implemented by Broadband Delivery UK (BDUK).
9. We now know that these Government deadlines will not be met and a revised target of putting in place a superfast broadband network by March 2017 to reach 95 per cent of the population has been set. Only time will tell whether this will be more successful.
10. Even after completion of the BDUK investment programmes it is acknowledged there will be significant gaps in coverage. Even where there is provision, speeds will lag behind those available to homes and businesses in urban areas, meaning that rural economies and communities will be put at a competitive disadvantage.
11. Of more concern is the perceived lack of understanding as to the needs of rural areas. The CLA believes that the key remains one of universal coverage. Many rural businesses, at present, do not need speeds associated with superfast broadband to operate efficiently. This will change in the future and this is why it is essential that any broadband network is proofed against future developments in business.
12. There should be little doubt that the Government has to perform a long term, strategic role. The last 10 years or so has shown that leaving the creation of applicable digital infrastructure purely to the private sector is fraught with difficulties and can lead to market failure.
13. But the CLA also believes that the institutional composition of government, with central, regional and local government is not best placed to ensure proper economies of scale and therefore, it remains unlikely that Government will actually be able to get the best out of what is on offer.
14. Indeed, this is the case with the development of overall broadband strategy. Here, there is one lead government department (DCMS) trying to liaise with other interested departments, for example Defra. Unfortunately, the results have not been helpful.
15. We would therefore suggest, given the long term ambitions of the government, for there to be a dedicated unit within the Cabinet Office which is composed of officials from the relevant Departments. We do not believe that Broadband Delivery UK (BDUK) should undertake this role and we would suggest that, as soon as the procurement process is complete, BDUK should be abolished.

Q4: Is an ongoing disparity of broadband services inevitable ? If so, should this be addressed and how might this be done most effectively ?

16. The CLA is rather concerned with the premise on which this question is put. Under paragraph 2.11 the consultation states that “Although connectivity maybe close to be ubiquitous....” This is simply not the case and we would dispute the view that this will in fact be the case after 2017. To suggest, for example, that 5% of rural populations will be unable to access the superfast network, this is nearly half a million people in remote areas.
17. We are also concerned that the present strategy only allows for a Universal Service Commitment of 2Mbps. This may be sufficient now but certainly will not be the case in the future. Surely, as the consultation suggests, the purpose of the document is to put in place a digital communications strategy for the period 2025-2030. This is, undoubtedly, blue sky thinking.
18. But here lies a fundamental problem. At present, Government objectives only go as far as 2017. It is hoped by this time that there will be universal coverage and that 95% of the population will have access to the superfast broadband network, albeit at a benchmark of 24Mbps. However, there appears to be nothing after that and certainly no clear policy objective for the period 2018-2025.
19. There needs to be greater ambition and certainly, a greater clarity of purpose. It is necessary for the Government to consider, with the industry, the reasons why there is likely to be a disparity between urban and rural areas in terms of speed and capacity. There needs to be a benchmark in terms of speeds for rural areas. We would suggest a minimum of 2Mbps now, rising to up to 10Mbps over the next two years. By 2017, therefore, all areas of the country, whether they be urban or rural, will have guaranteed speeds of up to 10Mbps. Of course, this will require putting in place a Universal Service Obligation (USO). The CLA’s position on this is set out under question 29 below.

Q18: Scenario 3: Do you agree with this scenario or elements within it? Where do you agree/disagree? If you disagree what alternative scenario do you envisage?

20. We would accept the premise of scenario 3. We would also agree that for more remote rural areas, it will remain likely that satellite and other alternative technologies will perform a vital function. We believe that this will be the case because within the period 2017-2025, it is highly unlikely that the 5% of rural areas that will not be covered by the superfast network will have access. Therefore, the only logical solution remains alternative technology.
21. Nevertheless, the CLA is of the view that a universal fibre network has to be the optimum solution. As such, government digital strategy should be geared, from 2017 onwards, towards providing the incentives necessary for infrastructure providers to put this in place.

Q24: Do you expect commercial providers to deliver future infrastructure and meet demand on a purely commercial basis, or is some form of public intervention likely? If public intervention is likely how might that work with the commercial provision of infrastructure? What form might that intervention take?

22. There are strong arguments that within the telecommunications industry, the private sector should be permitted to act without government interference or prescription. There is some logic in this and the CLA recognises that many such private sector infrastructure providers will be bound by their respective shareholders.
23. However, the activities that have taken place in the past and the rapid pace of technological change means that government intervention will be required in order to prevent clear market failure. It must also be highlighted that the digital communications sector is now fundamental to the well being of rural communities and the rural economy, so much so that without the principle of government intervention being accepted, it is very possible that the development of the broadband market in the UK will be significantly inhibited.
24. However, the CLA believes that any form of government intervention has to be proportionate and balanced depending on the level of intervention required.

Q28: Are there any further regulatory measures necessary to incentivise the rollout of future mobile infrastructure in currently underserved areas?

25. It is well accepted that mobile signal strength in the majority of rural areas can be regarded as extremely poor, if not non-existent. Many rural businesses will depend more on the use of mobile broadband and the importance of the mobile phone network should not be overlooked, particularly in relation to smart phone technology. Quite simply, poor signal quality will have a detrimental impact on performance.
26. This is why we have supported the Government's efforts in trying to extend the range of mobile telephony and mobile broadband through the Mobile Infrastructure Project (MIP), worth some £150 million.
27. The CLA has been instrumental in negotiating with the infrastructure provider, Arqiva, in ensuring that not only is there adequate coverage across England and Wales but that landowners are adequately compensated.
28. Another important issue is one of national mobile roaming where a customer is able to switch from one network to another in order to maintain signal strength. For rural areas, the ability of both businesses and customers to be able to benefit from a well maintained mobile phone infrastructure is essential. Unfortunately, this still does not happen.
29. That is why we support the Government's efforts to put in place a national mobile roaming policy. We believe that if rural businesses are to be in a position to compete with their EU counterparts, they must be given the same tools in terms of mobile telephony. We are not convinced that a national roaming plan would effectively reduce investment in infrastructure as suggested by some mobile network operators.
30. The CLA believes that it is imperative for the Government to act and force mobile phone networks to adopt a national 'right to roam' mobile telephony framework for the benefit of both rural business and those who live in rural communities.

Q29: Is there a role for a revised USO or USC to ensure that minimum consumer demand requirements are met and to reduce the potential for a new digital divide? What might this look like?

31. The CLA's goal has always been to ensure universality of broadband coverage. However, the BDUK approach has not worked. The policy is too fragmented and we now know that all of the projects have gone to BT, the largest infrastructure provider in the market. Irrespective of whether there is adequate transparency, the system has been badly skewed by the nature of the procurement process and the methods used by local authorities.
32. What is required is a broadband Universal Service Obligation (USO), beginning at 2Mbps, and we remain concerned that the Government remains wedded to the idea of a Universal Service Commitment (USC) which has no legal sanction behind it. We did not agree when the previous government advocated the USC and we remain concerned that a USC provides government with a get-out clause. The USC will not be delivered in 2015 and there are no guarantees that there will be universal coverage by the new 2017 deadline.
33. Greater broadband speeds will be required in the future with applications becoming increasingly sophisticated and requiring ever more bandwidth in the future. Adequate infrastructure for future bandwidth requirements is therefore essential if rural businesses are to remain competitive. The objective must be the availability of at least 2Mbps which, in turn, should increase to a 10Mbps benchmark. Whether this happens through a fixed broadband network or alternative solutions does not greatly concern us. What is more important is that every rural business has access to the internet.
34. Even if superfast broadband were to be made more widely available, there is every likelihood that some rural areas would miss out simply because of the cost of putting in a superfast broadband infrastructure. It is also well known that infrastructure providers will not fund projects in remote rural areas as there is no economic return. Even the Government has acknowledged that 5 per cent of people of rural areas – those living in the most remote parts of the countryside – will never be able to gain access to the superfast network. This means that alternative broadband provision needs to be developed.
35. The CLA is not wedded to the idea of solely relying on a universal fibre network as the best solution although this must still be considered the ultimate objective. We remain convinced that the best model is a 'patchwork-quilt' one where other technologies, such as "wifi" and satellite, become more widely available and more widely used.

Q38: Views are sought on whether there are any additional actions the Government should consider to ensure:

(b) aside from legislation and adapting the regulatory framework in the broad sense which other actions should the Government take to encourage investment in communications infrastructure?

36. This raises another fundamental issue, that of demand. In essence, paragraph 5.11 (first bullet point) sums up the crucial economic question that infrastructure providers need to

answer before engaging in capital investment. Will there be sufficient take up of the service to guarantee and adequate return on investment?

37. The information the CLA has is that take up on superfast broadband is between 15% to 20% of availability. There appear to be some areas of the country where demand is as low as 7%. For a commercial operator, this is quite simply unsustainable.
38. We recognise that demand should increase in the future. However, there is no knowing how long this may take.
39. We believe that it is incumbent upon government to engage in a well co-ordinated broadband awareness campaign with the industry. Such a campaign needs to be target across a number of sectors within rural areas, such as agriculture, tourism and the rural SME sectors. What is important for Government to acknowledge is that without public support, as well as information setting out the benefits of the superfast network, increased demand could take considerably longer to achieve.

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