

The following response has been prepared by Tees Valley Unlimited, the Local Enterprise Partnership for Tees Valley, in response to the consultation from the Department for Culture, Media and Sport (DCMS) on the government's Digital Communications Infrastructure Strategy.

We have not attempted to answer every question in the consultation, but those most pertinent to the Tees Valley and to the Tees Valley Local Enterprise Partnership.

If you require any clarification or further information, please contact:

Rory Sherwood-Parkin
Economic Strategy & Intelligence Manager
Tees Valley Unlimited
DD: 01642 632 004
Email: rory.sherwood-parkin@teesvalleyunlimited.gov.uk

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1. Background on Tees Valley

The Tees Valley comprises the local authority districts of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees, with a combined population of over 660,000 people. It is an area of significant innovation that contributes £11 billion per annum to the national economy through its major hub status for the process and chemical industries and its growing reputation for advanced manufacturing excellence. We are home to major industries that export products and services across the globe; a skilled workforce supported by leading colleges, universities and national knowledge centres; and a major port, airport and direct rail routes to key locations.

2. Background on Tees Valley Unlimited

Tees Valley Unlimited (TVU) is the Local Enterprise Partnership (LEP) for Tees Valley. We are a partnership of public, private and voluntary bodies striving to deliver jobs and economic growth across the Tees Valley. As one of the first LEPs in the country to gain approval from government, Tees Valley Unlimited is driven by a private sector-led Leadership Board which builds on more than a decade of successful partnership work to lead and co-ordinate the development of the Tees Valley economy. Already commended for a pioneering and forward thinking approach, TVU's wide reaching remit ensures a thorough understanding of barriers to growth and a comprehensive appreciation of Tees Valley assets and strengths.

3. Tees Valley Priorities

Tees Valley's Strategic Infrastructure Plan¹ places broadband as one of its top priorities alongside transport, utilities, flood risk and energy. There is a good high speed broadband network serving the more densely populated areas in the Tees Valley conurbation and our main towns – we have faster average speeds than Leeds, Manchester and Birmingham – but elsewhere coverage, particularly in rural areas and at some key business sites, is only slowly improving or is very poor.

A range of work is being carried out to address issues of poor coverage and, through the delivery of BT and Virgin commercial rollout and Broadband Delivery UK (BDUK) funded improvements, the majority of the Tees Valley will have good superfast broadband coverage. Our Enterprise Zone sites and parts of our town centres are being covered under the Tees Valley BDUK roll-out programme and will take the coverage of superfast broadband to over 90%. We believe that there should be more emphasis and investment from government to ensure the areas that cannot access superfast broadband and where the private sector is reluctant to invest – including rural areas, low income household areas, business parks and industrial estates – are not disadvantaged.

Such connectivity is vital for Tees Valley businesses, particularly to allow SMEs to export and market their goods and services and for the thriving digital cluster in Tees Valley. Over 200 digital firms, supplying services to market leaders such as Google and Sony, have been created in recent years. Growth has been driven by Digital City, a major Tees Valley partnership initiative, and Teesside University's digital expertise, placing it in the top 20 places in the world for studying animation. Our digital industry also provides innovative technology solutions to local industry, from shutdown and plant simulation software for the process industries to financial modelling for the energy sectors.

Digital connectivity is vital to all our key sectors, from advanced manufacturing and logistics to healthcare and the creative economy, helping to ensure that the Tees Valley economy retains

¹ Tees Valley Strategic Infrastructure Plan 2014, Executive Summary, https://www.teesvalleyunlimited.gov.uk/media/237402/sip_-_may_2014.pdf

and enhances its competitiveness, keeping pace with other locations across Europe. That is why it is a priority for Tees Valley to both deliver high speed broadband infrastructure to key employment sites and provide the business support necessary so that businesses can exploit the opportunities that ICT can bring.

In short, as the Tees Valley Strategic Economic Plan 2014 makes clear: *“strategic, enabling infrastructure, including business accommodation and employment sites, flood risk infrastructure, utilities and broadband, are vital to achieving the economic aims of the Tees Valley as they unlock employment and investment opportunities. Overcoming barriers to providing and sustaining such robust and resilient enabling infrastructure is therefore essential to retain and attract learners, investors, workers, visitors and businesses.”*²

² Tees Valley Strategic Economic Plan 2014,
https://www.teesvalleyunlimited.gov.uk/media/237864/sep_full_document_may_2014.pdf

4. Response to Consultation Questions

Section 1

Q1:

- a) Is this an appropriate role for Government?**
- b) What other high level principles might the Government adopt?**
- c) What resources do you consider the Government should aim to deploy to effectively manage its role?**

We agree with the ambition set out in the document that it is the Government's role to ensure that the UK has a communications infrastructure which is competitive with other leading countries, enables the UK to attract investment and encourages companies to trade, expand and grow. We concur that *"it is imperative that the UK pays the same close attention as other countries to developing communications infrastructure to maintain the competitive edge essential to retain and attract business. In terms of infrastructure the UK is currently competitive compared to similar nations and we must ensure we remain so."*

We support the thrust of the consultation that in order to do this government should set the outcomes of what we need from our communications infrastructure and plug any gaps that the private sector cannot commercially deliver. This is particularly the case for superfast broadband to rural areas and older industrial estates and business parks, where significant economic impact can be achieved through superfast broadband rollout, for example, but where it is not always in the interest of the private sector to invest.

However, it is also the government's role to robustly challenge the private sector to ensure that monopoly provision does not exist and that infrastructure providers deliver value for money for taxpayers, local authorities and businesses. At present, costs are not as competitive as they might be for broadband, especially for small business users, given insufficient competition.

As the consultation states, it is clear that any intervention by government must be based on evidence; we believe this evidence should include the impact of intervention upon local economic growth and as a contribution towards rebalancing the economy.

Government should ensure that policies are joined up across Whitehall and that DCMS, BIS, DCLG and DEFRA speak with one voice and have a single strategy for key infrastructure, such as broadband and mobile networks. Government should invest in ensuring there is not a postcode lottery across the UK when it comes to coverage, which could disadvantage areas and fail to remedy the current imbalance in infrastructure spend weighted heavily towards London and the South East. For example, some of the fastest growing digital clusters are growing in the North, including in the Tees Valley, Sunderland, Sheffield, Leeds and Manchester.

Furthermore, we believe the government should set more ambitious targets to meet the EU Digital Agenda vision that all homes have access to superfast broadband by 2020. Getting to 95% by 2017 will be difficult, particularly given the challenging funding environment for local government meaning that local authorities will not be able to find the match funding required to progress the phase two of the Broadband Delivery UK rollout. This calls into question the funding model, where we believe government should invest more to remove the need for a 50% local match to be found.

In addition, to really catalyse growth among digital SMEs and widen opportunities to other key growing industries, getting to coverage levels above 24mbps must be a priority if we are to keep pace with other advanced nations. More should be done to build on the government's SuperConnected Cities initiative to both widen its coverage outside of the current 22 cities and

to provide more innovative solutions over and above grant support for SMEs, which is welcomed, such as wireless mesh networks.

Section 2

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

As the consultation recognises, it is envisioned that “average household requirements will range from a (median) 19Mbps to a high end 35Mbps (looking out to 2023) or between 15Mbps and 52Mbps (looking ahead to 2018).” This means that, as outlined above, government needs to be more ambitious in its vision and more pragmatic in expanding the level of funding on offer to improve coverage to fill the gaps where the private sector will not go. This is vital to the growth of our digital industries and to other sectors which will increasingly rely upon fast broadband speeds, such as advanced manufacturing, healthcare and the low carbon economy.

Q7: What metrics do you think should or will become relevant in comparing network performance in different countries? Which metrics should most appropriately be used as the basis to set objectives for government policy?

We agree that speed and coverage are the key measurements that should be used as benchmarks for comparing broadband performance against other countries, particularly if we want to close the gap with US and the Far East. However, it is vital that services are both affordable and are utilised, making price and take-up other essential measures. Work to ensure that businesses, particularly SMEs, are aware of the benefits of international marketing, search engine optimisation and cloud computing and the opportunities through big data, for example, should continue and be accelerated.

Section 3 - Scenarios

Q23: Are there factors, for example technical or unrelated to the regulatory framework, that could create bottlenecks and delay future infrastructure deployment in the UK in this timeframe, that would result in demand not being met or the UK not being seen as a leading digital nation?

A key concern is the ability and capacity of the private sector to deliver broadband infrastructure improvements. As has been demonstrated through the BDUK process, very few bidders came forward to carry out the work, with BT in many areas being the sole available provider. Furthermore, BT themselves have acknowledged its constraints in terms of its ability to undertake a large number of infrastructure improvements across the country simultaneously. More emphasis is needed upon providing the skilled workers needed to carry out such major projects and this should be recognised and prioritised by government.

Section 4

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?

We believe that the Government's non-binding Universal Service Commitment (2Mbps to everyone) should be enshrined into legislation to ensure that all areas of the UK are covered. Furthermore, if and when the technology solutions allow, this minimum threshold should be raised to ensure that no one is disadvantaged.

Broadband is often described as the fourth utility after gas, electricity and water as it is becoming ever more important to our everyday lives, from work to leisure, and the need for superfast speeds is more pressing than ever. Therefore, a universal service obligation on providing broadband would be a very welcome step forward. With costs of loss of digital connectivity just as critical as other utilities, we believe that OFCOM should have the power to levy fines for inconsistent service and introduce tighter controls on quality and timescales for service installation and repairs.

Planning requirements and timelines for development should go hand in hand with this to ensure that superfast broadband (and, in time, fibre to the premise) is factored in early as part of new build, be this for new housing development, business accommodation or other infrastructure. OFCOM should be equipped with more power to ensure integration between utility and infrastructure planning bodies.

This is particularly relevant as there have been a number of issues in Tees Valley with major new housing developments being delivered with poor or non-existent broadband accessibility. Retro installing infrastructure is much more expensive, causes additional disruption and often results in roads and footpaths not being reinstated to previous condition. Government should have a role to ensure that infrastructure is provided by default, ending the situation where new housing estates, business sites or town centres having to be dug up after the event and leading to better planning, management and outcomes.

Section 5 – Facilitating and Encouraging Investment

Q37: How might copper access networks evolve over time alongside other access technologies? Is there a role for policymakers in helping manage any transition from copper to other access networks?

We believe that there is a key role for government to help manage the transition away from copper and towards fibre-based solutions for everybody where possible – fibre to the premise is a necessity for a twenty first century economy given it is faster and more reliable – and for other solutions to fill the gaps. We firmly support the need to ensure that infrastructure is resilient, responds to the needs of users, provides a symmetrical service and intertwines with ubiquitous mobile coverage through 4G and 5G infrastructure. On the latter point, it is crucial that 3G and 4G are rolled out across areas like Tees Valley before rollout of future technologies takes place.

Q39: Views are sought on:

- a) The case for the UK to invest to gain ‘early mover advantage’;**
- b) What areas in particular the UK should aim to see investment;**
- c) Are there any actions not covered elsewhere in this report that the government should consider to ensure digital communications infrastructure is in place before it is needed and such that it helps generate need.**

Government should focus upon sectors and industries which can make the biggest difference for UK plc in terms of business opportunities and economic growth. These should therefore include key technologies identified by government, such as big data, satellites and advanced materials, alongside the potential for digital communications to play a major role in dealing with the future macroeconomic and global challenges that we face. For example, digital communications can help find the solutions that tackle issues such as the need for our ageing population to stay in their own homes, through developments such as telehealth and assistive technology, and to reduce carbon emissions via smart metering and related technology.

Tees Valley’s Innovation Strategy states as two of its five priorities the need to provide direct support for both research – particularly in the process/advanced manufacturing, health and digital services – and for businesses for innovation and commercialisation of new products/processes and services, encouraging exports outside of the Tees Valley. We believe this must be the clear focus of government too.

Q40: How can we maximise the current R&D and innovation UK landscape to help take advantage of the opportunities provided by future technologies? What needs to be done by Government and its agencies, and industry to tackle any gaps?

We believe that government should work with local partners to take a number of steps to maximise the opportunity for innovation in digital communications, which could benefit a number of sectors.

Firstly, there needs to be more tailored innovation incentives specific to local areas and built around sector strengths with access to flexible and ready finance that can businesses to innovate and incentives for firms to work with universities and innovation centres. Finance is a key area which can help make a step change in the UK’s innovation performance and the network of support available to help companies, particularly SMEs, to innovate and invest in R&D must be better promoted, with an emphasis upon collaborative projects that span sectors and markets. At present, from our engagement with businesses, we believe there is a lack of visibility and specialist support to help small and medium-sized firms to innovate, invest in R&D or work with knowledge transfer organisations

Fourthly, we fully support the Catapult model and the expert and targeted support for specific sectors that this mechanism provides. However, engagement with other Catapult centres outside of Tees Valley has, to date, been limited. For example, we would have expected to see more engagement between the Connected Digital Economy Catapult (CDEC) and the cluster of digital businesses emerging from Teesside University through DigitalCity, a successful initiative established for over 10 years. This rich source of digital and creative talent has an important role to play in visualising advanced manufacturing processes and technologies and initial discussions have begun between Teesside University, CPI and CDEC to explore these more fully.

Catapults, such as CDEC, must be made more open to economies outside of where they are located, particularly those based in London and the South East, to enable businesses across the country to benefit. With Tees Valley’s growing cluster of digital and creative businesses, numbering over 9,000, an increase in interaction with such Catapults can produce real impact

on jobs and growth in areas like ours and help to rebalance the economy. In the same way, other initiatives funded by central government, such as Tech City's national tech alliance, need to take account of this significant level of activity, and its economic impact, in the Tees Valley.

Q43: What role might local bodies have in facilitating the future delivery of digital communications infrastructure?

It is the role of LEPs to set the strategy and direction for the local economy and to work with key local partners to deliver this vision. Tees Valley Unlimited has played this role in the Tees Valley, working closely with local authorities, Digital City and Teesside University on taking forward the digital agenda. We now have a vibrant cluster of digital businesses based in the area, superfast broadband rollout is happening – albeit not as fast and as wide as we would have liked – and it is the role of local partners to work with businesses to ensure that the opportunities from digital infrastructure for business growth are maximised. Appropriate infrastructure is a necessity for attracting firms to invest and locate in Tees Valley, either digital or non-digital, such as engineering design, and to retain growing businesses in the area. Furthermore, infrastructure is vital to ensure that residents are not digitally excluded from public services and employment opportunities.