



Department for Culture, Media and Sport

Government Response to the Welsh Affairs Committee Report “Broadband Services in Wales”

Presented to Parliament by the Secretary of State for Culture,
Media and Sport and Minister for Women and Equalities by Command of Her Majesty
November 2012

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Introduction

The Government welcomes the Committee's report into broadband services in Wales.

The Government is grateful to the Committee for its consideration of the state of broadband access in Wales, the particular challenges faced by users in Wales, and the work of the UK and Welsh Governments to improve access and roll out superfast broadband, based on written and oral evidence from key stakeholders.

The Government has carefully considered all the recommendations suggested by the Committee and is pleased to be able to present its response.

The Government's Approach

The Government recognises the economic growth potential of broadband and has made available £530m to stimulate private investment to take superfast broadband to 90% of UK premises and basic broadband coverage to virtually everyone else at a speed of at least 2Mbps. It has also allocated a further £150m to support the development of super-connected cities which will have ultrafast broadband and high speed wireless internet access. This support, in addition to commercially-led deployment by the private sector, is aimed at delivering our key ambition of having the best superfast broadband network in Europe by 2015.

The Government's approach is for procurement to take place at a local level. In Wales, Scotland and Northern Ireland, Broadband Delivery UK (BDUK) has developed approaches with the Devolved Administrations to ensure that the local broadband plans will meet the Government's overall target. This approach leverages local and European funding, and as a result over £1bn of public funds in total will be invested in delivering broadband to remote and rural areas, together with significant funding from the commercial sector. Wales has received £56.9m from the UK Government's broadband investment fund to deliver superfast broadband, in addition to investment from the Welsh Government, European Structural Funds and the private sector.

The current Government's approach is to support the extension of fibre deeper into the network, including the transmission network (backhaul/middle mile) where this is a bottleneck. The Government has sought to encourage infrastructure competition through providing funding to stimulate private investment in locations where the commercial investment case is weak and would be unlikely to happen at all without subsidy. We are also determined that remote, rural areas that currently do not have access to broadband are not left behind, and our strategy includes plans to deliver broadband to these areas via a variety of technology solutions.

However, broadband is not just about fixed location usage and just fibre technology. Wireless technologies have an important role in both extending coverage, providing a wider choice of services and also provide mobile broadband services. Government recognise the important contribution mobile broadband can play in enabling a fully connected experience for citizens and have taken steps to ensure that more spectrum is made available to support the development of 4G mobile services. After consultations, Ofcom is commencing the auction process for 800 MHz and 2.6 GHz spectrum, both bands being suitable for 4G services, and we expect the auction will take place soon. But the demand for mobile services shows no sign of slowing and many are predicting the exponential growth in data consumption that indicates that more spectrum may be needed. For that reason Government has also committed to releasing 500 MHz of spectrum below 5GHz, suitable for wireless broadband services, by 2020, to ensure that as it is needed there is sufficient spectrum to enable demand to be met. It is a challenging target but work is underway and the first spectrum releases should take place by 2014.

The Government are supporting the programme of investment with a series of policy and regulatory interventions that will lower the cost of deployment for commercial

providers and provide greater certainty to allow the market to invest. The Government recently announced that:

- broadband street cabinets and other infrastructure (such as overhead infrastructure) can be installed without the need for prior approval from the local council (except in Sites of Special Scientific Interest);
- broadband companies will face less cost and bureaucracy in laying cables in streets; and;
- broadband cables and cabinets can be installed on or under private land without the bureaucratic burden of long-running negotiations.
- Government will broker a new deal for the installation of broadband with industry and highway authorities to ensure that traffic regulation does not hinder the roll out of superfast broadband

These measures will tackle issues that are costing communications providers time and money, delaying the roll out of superfast broadband to the areas that need it most. We will be bringing forward these measures as soon as possible, following consultation where necessary. These measures are, however, a combination of devolved and reserved matters: planning changes, for example, are a devolved issue in Wales, whereas changes to the Electronic Communications Code are reserved.

We believe that this approach of both supporting investment and implementing policy and regulatory interventions will enable the commercial market to deploy superfast broadband to as many households as is commercially viable, as well as providing support in areas where the commercial investment case is challenging. By enabling local authorities to take control of investments in their area, we maximise public and private investment whilst ensuring local needs are taken into consideration.

The Government's Response to the Recommendations

1. Over a number of years, the availability of broadband has been consistently lower in Wales than the UK average. However, according to Ofcom, that gap has narrowed in recent years following investment by the private sector and through the efforts of the Welsh Government. We are concerned, however, that Ofcom figures for 2012 show that the gap between Wales and the UK has widened again. This demonstrates that it is imperative that Wales continues to receive the funding and political leadership to ensure that broadband provision is at the very least in line with the rest of the UK. We will continue to monitor progress in this area throughout the remainder of this Parliament. (Paragraph 20)

The UK Government's plans to speed up the roll-out of superfast broadband will benefit the whole of the UK, including Wales. The BDUK gap funding model for Wales estimated the requirement to deliver 90% superfast broadband and 2Mbps to remaining users to be £56.9m. This reflects the investment required to deliver broadband to remote, rural areas of Wales.

2. While we welcome efforts to improve broadband coverage in Wales, we are concerned that, particularly in rural areas, the existence of broadband notspots and slowspots has hindered existing businesses and has deterred new businesses from choosing to locate there at some cost to the local economy. Eradicating remaining broadband notspots and slowspots in Wales must be a priority for the UK and Welsh Governments. (Paragraph 28)

The UK Government shares the Committee's view that eradicating notspots and slowspots is an important priority to support local businesses and stimulate growth. This is why the UK Government has allocated £530m – including £56.9m in Wales – to help roll out superfast broadband to those areas not covered by commercial suppliers. Our approach to provide 90% of homes and businesses with superfast broadband and the remaining users with 2Mbps minimum will tackle the problems of both notspots and slowspots across the UK.

3. We welcome the efforts by the Welsh Government, working with commercial providers, to bring broadband to areas of Wales for the first time. However, the Welsh Government's Regional Innovative Broadband Support scheme only provided a minimum download speed of 0.5 mbps, which soon proved inadequate to businesses and consumers. (Paragraph 34)

The UK Government also welcomes the work by the Welsh Government to increase broadband access to more isolated parts of Wales. Our investment plans will ensure

that everyone in the UK will have access to a minimum of 2Mbps; we welcome the Welsh Government's plans to continue to improve users' speeds beyond 0.5Mbps.

4. The Broadband Support Scheme has also experienced problems. We call on the Welsh Government to ensure that the Broadband Support Scheme reaches as many people as possible and is adequately advertised and that the application process for grants from the scheme is made as easy as possible to complete. (Paragraph 35)

This is a matter for the Welsh Government. The UK Government would encourage the Welsh Government to do all it can to make it easy for people to access high speed broadband.

5. We welcome the Government's award of funding to Cardiff to enable it to develop superfast broadband which will bring significant economic benefits to that city. It is vital to the economy of Wales that investment in urban broadband is extended beyond Cardiff and we call on the Wales Office to prioritise support for Swansea's bid for "super connected" status. (Paragraph 41)

The UK Government welcomes the wide range of cities – including Swansea – that bid for 'super-connected city' funding from the second phase of BDUK's Urban Broadband Fund. The successful bidders will be announced in the autumn.

6. The UK Government has pledged to provide the UK with the best broadband in Europe by providing access to superfast broadband for 90% of the UK by 2015. The Welsh Government's target is even more stretching and includes a commitment to provide Welsh businesses access to next-generation broadband at a minimum speed of 30 mbps by "the middle of 2016". Both of these targets are extremely ambitious. The two Governments will deserve great credit if they are achieved. (Paragraph 48)

The UK Government thanks the Committee for its conclusion. Our ambitious targets reflect the importance of improved broadband provision to the country's prosperity and our plans to stimulate economic growth. While there is no room for complacency, we are confident that our plans are progressing well.

7. We are concerned that too much focus may have been placed on the roll-out of superfast broadband at the expense of ensuring that the needs of those without any broadband service at all are met. The first priority must be to ensure that the needs of the approximately 90,000 homes in Wales which currently do not have access to broadband are addressed as soon as possible. The

Government's ambitions for superfast broadband must not be at the expense of delivering a good broadband service for all. (Paragraph 49)

The UK Government's investment will deliver superfast broadband to 90% of the UK and a minimum of 2Mbps everywhere else. Our ambitions to deliver superfast broadband will not be at the expense of those without access; in Wales specifically, our provision of £56.9m to deliver access for the thousands of users who currently have none demonstrates our commitment to providing a minimum service to the whole country. Our focus on providing superfast broadband for 90% of the UK is vital to support the businesses that rely on this level of service, and will begin to future-proof the country's broadband infrastructure.

8. We are concerned that the Welsh Government's scheme appears already to be behind schedule. The contract for the provider of the scheme was awarded some four months after the planned date. Any further delay to the programme will put the Government's timetable in jeopardy. (Paragraph 50)

The Welsh Government's scheme is ready to progress once State aid clearance has been provided for the project (which we anticipate being confirmed shortly). All other preparation has been completed ahead of implementation.

9. We encourage the Welsh Government to examine the UK Government's plans to enable broadband street cabinets and other infrastructure to be installed without the need for prior approval from the local authority (except in Sites of Special Scientific Interest). The Welsh Government should consider whether these measures are appropriate to Wales. (Paragraph 51)

Speeding up the installation of broadband street cabinets and other infrastructure, as we announced on 7 September, is a key part of our plans to roll out superfast broadband across the UK, including Wales. As a devolved matter, it will be for the Welsh Government to consider whether this is appropriate at this time.

10. BT currently exercises significant market power in the provision of fixed broadband services in Wales. This market power must be regulated effectively because only with effective competition in the provision of broadband will choice be provided to consumers and the market able to operate efficiently to deliver to everyone across the country. While we welcome Ofcom's efforts to open up the access to BT's ducts and poles in Wales to other providers, we are concerned that it has not yet gone far enough in ensuring access is available at a reasonable cost. We call on Ofcom to increase its efforts in this area. (Paragraph 56)

While this is a matter for Ofcom as an independent regulator, the UK Government welcomes the work by Ofcom and BT to open up access to its ducts and poles. This

sits alongside our own plans to cut red tape and speed up the deployment of broadband infrastructure, for example removing unnecessary bureaucracy around the installation of street cabinets and overhead telecoms lines.

11. Broadband services in Wales can only be made available to the most remote parts of Wales through a mix of technologies including mobile. Mobile broadband is the fastest growing means of accessing the internet in Wales and this trend is likely to continue. The delayed Spectrum auction, now planned for 2013, must ensure that 4G mobile services are available to at least 98% of people in Wales. (Paragraph 69)

The UK Government agrees that mobile broadband is an important tool in delivering broadband access to remote communities, and is a key part of our commitment to providing the digital infrastructure needed to support businesses. On 2 October, the Secretary of State for Culture, Media and Sport, Maria Miller, met with the UK's four main mobile operators and agreed a faster timetable for the spectrum auction and launch of 4G services. Ofcom will run the auction later this year, and mobile operators will be rolling out 4G services in the first half of 2013, six months earlier than previous estimates. The auction will include one licence with a coverage obligation to provide indoor coverage for 98% of the UK and 95% of each of the Nations. However, given the anticipated competition between licence winners, the 95% obligation is not necessarily the maximum coverage.

12. Satellite broadband is a practical alternative to fixed line and mobile broadband. Although we received conflicting evidence regarding the performance and cost of satellite broadband, we received very persuasive evidence that for very difficult-to-reach areas it might be the best solution for Wales, as it has been for Scotland. We recommend that Ofcom undertake a study to evaluate whether satellite broadband should be supported more vigorously in Wales. (Paragraph 70)

The UK Government is aware of the benefits and drawbacks of using satellite broadband, in terms of cost, latency and bandwidth availability. Satellite broadband is currently unlikely to provide the superfast speeds (above 24Mbps) we plan to deliver to 90% of the UK. However, we acknowledge and agree with the Committee's conclusion that satellite is likely to have an important role to play in reaching remote areas in the UK, including in some parts Wales. Satellite broadband is already available commercially, and deciding on its use as part of any subsidy programme would be a decision for the Welsh Government. We understand that the Welsh Government has made provision for the use of satellite through one of its contracts.

13. There is a little over two years for the Government to deliver on its pledge to provide the UK with the best broadband in Europe. For Wales, broadband will become an increasingly important generator of economic success and a means

of addressing social exclusion. The task before the Government is therefore significant and if they are to succeed the programmes of both the UK and Welsh Governments must be implemented without delay. (Paragraph 71)

The UK Government agrees with the Committee's recommendation – the delivery of superfast broadband is vital to encouraging economic growth and supporting businesses in Wales and the rest of the UK. Our rapid delivery timetable reflects this.

14. The Government must ensure that its ambition to roll-out superfast broadband does not undermine efforts to ensure that a basic broadband service is available to premises in Wales that currently have no service at all. (Paragraph 72)

As mentioned in the response to recommendation 7, the UK Government's investment will deliver superfast broadband to 90% of the UK and a minimum of 2Mbps everywhere else. The funding allocated to improve broadband access in remote, rural areas of Wales will help us deliver on our aim to provide all premises in the UK with this minimum service level.

15. The Government and Ofcom must ensure that there is a level playing field for broadband providers and competing technologies to ensure that the broadband market in Wales is as competitive as possible. To that end, the Spectrum Auction must proceed without further delay. We will continue to monitor the broadband strategies of both the UK and Welsh Governments over the course of this Parliament. (Paragraph 73)

While competition within the market is a matter for Ofcom, the UK Government's broadband strategy supports a number of different technologies – including fixed, wireless and satellite – to deliver superfast broadband. The current UK broadband market is one of the most competitive in the world, and the roll-out of further infrastructure will further benefit consumers. As mentioned above, the 4G spectrum auction will now be taking place later this year, allowing mobile operators to roll out 4G services in the first half of 2013



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