



INCA Response to DCMS Consultation on the Connection Vouchers Scheme

“It feels like we are commenting on a grant scheme that gives grants to put 1" leaky copper pipes into office blocks rather than investing in a new mains system for the cities to equip business areas connected to the digital equivalent of water mains linked by durable plastic 1m pipes!” – Lorne Mitchell, telecoms expert, INCA team member.

INCA welcomes the opportunity to contribute to this consultation on the proposed voucher scheme for the Super Connected Cities Programme, but Lorne’s comment sums up INCA’s dilemma. Many INCA members are developing projects in UK cities, delivering high capacity transformational digital infrastructure with low cost, high bandwidth services for SMEs as an integral component of their plans.

From the perspective of non-incumbents one of the risks of the voucher scheme is that it simply adds a state subsidy to the two major operators with extensive networks in the cities at the expense of more innovative solutions that can genuinely deliver high capacity digital networks at the sort of price points that are becoming commonplace in other countries. If groups of end users cannot aggregate their vouchers in ways that lead to genuinely innovative solutions they will fail to achieve the benefits that many of our cities are seeking to deliver for their digital and creative sectors.

INCA members are delivering high speed fibre and wireless networks in our cities. They are working on processes to aggregate independent networks linking them to service providers through platforms like Fluidata and have put forward plans for new carrier neutral digital exchanges. These are all activities that foster a more creative, more innovative environment that brings in additional investment, building for the future. If the Super Connected Cities Programme cannot support these types of initiative it will have failed the independent sector in favour of the status quo of the incumbents.

Consultation Questions

Question 1: What methods do you consider most useful and practical in the context of stimulating awareness and demand for a broadband connection scheme?

Local advertising online and in print will raise awareness of the scheme. However rather than just telling SMEs what they can do with better connectivity it makes sense to create a programme that enables them to develop creative approaches to the use of high capacity digital infrastructure. This can be done through imaginative events and seminars that bring together different types of business with digital and related businesses.

Question 2: If you are an SME, ISP or network operator: (a) would you be keen to participate in the voucher scheme on the basis that we have set out in this consultation?

Yes but with severe reservations about the limitations of the scheme, particularly with regard to:

- The scope for innovation beyond straightforward 'broadband' - support for businesses that would include connections as part of a value-added product, or for other types of connectivity.
- The lack of support for shared connection schemes: where superfast is available SMEs will not gain much from a connection voucher because connection fees are not high. The real value of a connection voucher would be for Ethernet or similar dedicated connections: the only way these are viable for many SMEs is if they share connections.

(b) In addition to the elements described in this consultation document, what further steps, if any, would BDUK need to take to ensure your participation in the scheme (e.g. broadening the categories of eligible end-users)

Specific support for shared connection schemes.

Question 3: Does BDUK need to place any conditions or criteria on the vouchers to ensure effective take-up by end-users?

No, they are already too inflexible.

Question 4: Which costs do you consider should eligible for funding by the connection voucher?



INCA members have differing views and would like further engagement with BDUK on this question.

Some have suggested that routing and switching equipment to make use of dedicated Ethernet and similar connections, and shared schemes. Internal building wiring to facilitate sharing. Others question how the distinction between capex and opex costs can be effectively policed when services are purchased through ISPs.

Question 5: Do you think the current value range proposed for the connection vouchers (£250 to £3,000) is appropriate?

No because of the answer to Q4. At least one INCA member has indicated that the level of the voucher available in a city could influence their willingness to engage.

Question 6: Should a contribution to the connectivity costs be required of end-users or should the scheme support the total costs of connectivity? If you consider a contribution to be appropriate please explain why and confirm which end-user should be required to contribute (e.g. SMEs, residents etc.), and what the minimum contribution should be.

Many SMEs would be prepared to pay the cost of an ordinary broadband connection fee where there are no excess construction fees.

Question 7: Do you agree that a 'portal' (web based interface) providing is the best mechanism to enable end-user's to meet potential suppliers? If so, what information do you consider should be provided on the 'portal'?

A national portal site risks favouring a small group of suppliers. Cities themselves should host information that enables their SMEs to purchase from an appropriate range of suppliers.

Question 8: Other than the use of a portal, what steps could be taken by BDUK to maximise the effectiveness and efficiency of the scheme for suppliers and end-users?

Combining the opportunity to meet solution providers while learning and thinking about what better connectivity can do (see Q1)

Question 9: The measures that BDUK is proposing are designed to stimulate the take-up of high-grade connectivity demanded by SMEs. These measures and the voucher scheme in particular have been formulated to work with the current regulatory framework and State aid rules. Please confirm:

(a) Whether and how you consider these measures might result in a distortion to competition and what, if any, adjustments to the scheme might serve to correct for such distortions; and

Yes, the scheme is in danger of reinforcing existing market distortions favouring incumbent operators.

A truly competitive scheme must ensure that:

- pre-qualification of suppliers is reasonable and objective and does not unfairly prevent access to the scheme for new entrants or existing providers;
- a full list of all the potential suppliers is provided by the City council at every stage of enquiry by potential customers;
- attempts are made to accommodate alternative infrastructure providers, in particular by making council duct and roof spaces for wireless providers available.

(b) Whether the operation of the proposed scheme is likely to give rise to any regulatory concerns.

Whether there are regulatory concerns depends on the detailed design of the scheme. Certainly the market power of some operators risks distorting the outcome.

Question 10: What methods do you consider might be most useful and practical to monitor the Voucher Scheme and evaluate its outcomes?

The cities and DCMS should record and monitor:

- the number of customers successfully applying for vouchers;
- per city and by size / type of customer;
- the time it takes between award of the voucher and installation of the service;
- the main terms of the service provided, eg upstream and downstream speed, contract length, monthly charges and technology used (fibre, wireless or copper);



- the name of the service provider for each customer, so that it is possible to see how many service providers are operating in the scheme on a per city basis;
- if possible/ where relevant, the name of the underlying network provider for each customer.

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