

Broadband Delivery UK (BDUK)

Broadband Connection Voucher Scheme Consultation – Summary of Responses

1. Background

- 1.1 BDUK launched a consultation on the Broadband Connection Voucher Scheme on 24 June, which ran for one month.¹ The consultation was published and is still available on DCMS's website². We received 31 responses. All consultation responses are available to view on the website apart from those where suppliers requested that their response remains confidential.
- 1.2 BDUK also held a supplier engagement day on 10 July where we explained the principles of the scheme to the market, and invited questions and discussion. Over 40 stakeholders attended the event, with some 25 suppliers being represented, as well as trade bodies, cities and other groups.
- 1.3 This note provides a summary of stakeholder views received from the consultation responses and feedback from the supplier engagement day.
- 1.4 Following this consultation, the connection vouchers scheme is now being market-tested in five cities (Belfast, Cardiff, Edinburgh, Manchester and Salford) over the course of August and September 2013. We have allocated each city a set amount of funding for use during this period which will allow for a limited voucher deployment in areas identified by each city as SME priority zones.

¹ The consultation closed on 24 July. A number of responses were received after this date. Regardless of whether late responses were given an official extension or were simply submitted late we have considered all representations received to date on the scheme.

² For the BDUK Connection Voucher Scheme Consultation and responses to the consultation, see:
<https://www.gov.uk/government/consultations/connection-vouchers-scheme>

- 1.5 It will be supported by a range of complementary demand side measures designed to encourage take up. The web 'portal' that will enable SMEs to search for a registered provider is now live (<https://www.connectionvouchers.co.uk/>) with over 45 participating suppliers already signed up (registration remains open so this number may increase). This group of suppliers includes a range of fixed line and wireless providers capable of delivering high speed/high grade connectivity solutions to SMEs.

2. Headlines

- 2.1 The 31 responses received during the consultation were sent by a mixture of internet service providers, mobile network operators, other telecommunications organisations, local authorities, trade bodies and individuals with an interest in the scheme.
- 2.2 The organisations who responded were a mixture of large, medium and small.

3. Points of Broad Agreement

- 3.1 There are a number of points of general agreement in the responses and from the supplier engagement day.
- **Raising awareness** – Most respondents think it is important to raise awareness with SMEs of the benefits of faster broadband and technological solutions.
 - **Demand aggregation** – A number of respondents mention this as a cost-effective mechanism for SMEs to access high quality connectivity at a reasonable cost. They argue that aggregation is an area where they require clarity and that it is important for aggregation to happen effectively under the scheme to allow multi-occupancy buildings, business parks etc. to get the optimum solutions.
 - **Permitted expenditure** – Many respondents think that the vouchers should only be used for connection costs and that the end users should cover the on-going costs.
 - **Vouchers to cover 100% of connection cost** – The majority of respondents agree that end users should not pay any contribution towards connection costs, just cover the subsequent on-going costs.
 - **Central portal** – Most respondents agree that a central internet portal is the most appropriate way to enable end users to identify, interact with and source potential suppliers. However, this should not be the sole means of contacting suppliers but be used in conjunction with other communication tools.

4. Points for Consideration

4.1 There are also a number of other points raised that BDUK will consider further:

- **Voucher value** – The proposed maximum and minimum voucher values are acceptable to many respondents. A number suggest they should be higher and have more flexibility i.e. £500 minimum to £4,000/ £5,000 maximum with local scope to allow for exceptions to this where required. A few others suggest the maximum voucher value should be lower.
- **Connection charges** – A few respondents do not think that connection charges are a genuine barrier to digital connectivity. However, some other respondents identify the charges as a genuine barrier.
- **Permitted expenditure** – A few respondents have some concerns over what the vouchers can be spent on, suggesting the limits to qualifying expenditure will disadvantage certain supplier groups or technologies. In particular, two main groups:
 - (a) Providers that choose to amortise the upfront connection over the contract term thereby making the connection charge low or zero, but the on-going monthly charges higher and the term longer; and
 - (b) Providers who have made historic investments in dark fibre and are not permitted to recover those costs under the scheme and so may lose the advantage of those investments.
- **Market distortion** – A few respondents raise concerns that the scheme might lead to a distortion in competition by favouring some types of supplier over others. A few other respondents stated that they will reserve judgement until the scheme has been implemented.
- **Length of market test** – A few respondents indicate that a two month market test will not be long enough to conduct a meaningful and representative study of the scheme benefits due to the lead times for deploying many of the solutions. However, it should be adequate for testing interfaces and processes.
- **Money better spent in rural areas on the last 10%** - Some respondents consider that support should be prioritised to those enterprises and citizens that are in rural and under connected areas. The view here is that access to and the uptake of broadband services will have a far greater impact on growth and bridging the digital divide in these areas.

- **Clarity on the State Aid position**– Some respondents mention the importance of suppliers receiving clarity on whether the scheme will continue to be viewed as non-aid attracting and that the current uncertainty is limiting the number of suppliers willing to participate in the scheme. BDUK is in on-going discussions with the Commission to gain clarity on the position.
- **Desire for simple scheme** – A number of respondents suggest the scheme should be as user-friendly as possible avoiding excessive bureaucracy. This includes standard processes and procedures across the participating cities whilst recognising the possibility of a degree of local flexibility.
- **Prevention of fraud** – A few respondents mention that the auditing infrastructure needs to be designed so that it is able to both detect and prevent fraud. It needs to eliminate the very possibility of abuse as far as possible.
- **Voucher expiry date** – A few respondents mention the need for an expiry date so that end users are incentivised to use their vouchers quickly.
- **Demand statistics** – Many respondents raise the importance of suppliers having access to end user demand statistics from local authorities to enable them to target their offers effectively.
- **'Home based' businesses** – One supplier suggests these types of business should be excluded from the scheme as the economics to residential areas are different. Alternatively, a few suppliers suggest including digitally excluded residents in the scheme.
- **Clarity on monitoring**- One supplier is unclear how the capital only principle would be monitored in the event of internet service providers who purchase a wholesale service from a network provider. It questions whether it would be necessary for the wholesale product charges to be split between capital and operational expenditure.

5. Next Steps

- 5.1 The market testing phase of the connection vouchers scheme commenced at the beginning of August and will operate until the end of September.
- 5.2 BDUK will use the results of the consultation, the market tests and a survey of SMEs as well as feedback from on-going discussions with suppliers, the Commission and cities, to inform the decision on how best to proceed.