Consultation on Connection Vouchers

Response from Anthony Impey, Founder & Managing Partner of Optimity

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

Communicating with the SME sector is extremely challenging because it so fragmented and multi-faceted. Trade associations are divided across different sectors and markets, while business associations fail to address the full breadth of SME organisations (for example, the Federation of Small Business is predominantly made-up of smaller organisations). Some media outlets target business owners (for example LBC) although these are regionalised. Digital media is widely used in the SME sector and Linked In and Twitter should be used extensively. Individual local authorities or mayoral districts have an important part to play- this is an important message for them to promote to their constituents about the investment that the government is making in the growth and development of the SME community. However, it's only through a combination of different channels that the promotion of the scheme can be comprehensively achieved.

The most important aspect of the campaign is the message it is promoting. Fast broadband needs to be put in the context of the business benefits and the competitive advantage that it can provide for those organisations that use it. The message should centre on expanding markets, developing new ways of doing business and being able to respond faster to customers. A universal message around how the Scheme will underpin SMEs boosting the growth of the economy and driving the UK's competitiveness in the digital global economy, acknowledges the importance of SMEs and the broader impact that they have.

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. The Scheme provides a unique opportunity step-change the infrastructure used by SMEs from services that are essentially designed for the domestic user to those relied on by major enterprises.

(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

Effective outcomes will only be achieved if the administration process is simplified for SME organisations that participate. The essential requirement for adequate verification of bona fide applications must not become burdensome red-tape otherwise the benefit of the Scheme will be lost by the time it takes to access it.

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

Restrict their use in buildings that already have at two or more high speed connections otherwise providers will use the Scheme to capitalise some of the monthly rental cost and reduce on-going charges to the applicant.

The vouchers should only be redeemable with accredited providers and sub-contracted arrangements should be excluded to maintain quality and standards.

There should be an exclusion to capital expenditure that arises from an early termination of a circuit at a particular address and it's reinstallation at a new address (a so-called 'lift and shift'). Businesses usually enter into a term agreement for connectivity and it should be their responsibility to ensure that this term coincides with their tenancy at a particular office location. If the term is broken because the business is moving to a new location, the provider will levy for reinstalling the 'in-term' circuit to a new address. The danger is that these costs are covered by the Scheme which does not fit with the spirit in which it is offered.

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

- Any hardware costs relating to the supply of the service (for organisations who have previously spent £50-100 on a router, the much higher cost of the equivalent equipment needed for ultra-fast services is often an obstacle);

- The connection cost where the building has less than two suppliers already providing infrastructure capable of supporting a service equal to or greater than 100MB full duplex uncontended bandwidth;

- Excess construction charges that are levied when the provider needs to invest above their normal budgetary amount in order to supply service to a particular building or office location within a building.

Question 5: Do you think the current value range proposed for the connection vouchers is appropriate?

The bottom of the range is insufficient to cover any significant upgrade to the underlying infrastructure and is unlikely to be enough to motivate SMEs to engage with the scheme. The top of the range is probably more than necessary to cover the cost of major infrastructure upgrades and excess construction charges needed to deliver services to buildings that are not immediately 'on-net'. Therefore, I believe the range should be narrowed to £1,000 to £2,500.

Question 6: Should a contribution to the connectivity costs be required of end-users or should the scheme support the total cost of connectivity?

For this to have an immediate and significant impact on the SME sector, the voucher scheme should cover the total cost of connectivity, with the SMEs contribution coming through the commitment to cover the on-going charges that it will be contractually required to cover.

Question 7: Do you agree that a 'portal' 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'?

For the portal to effectively connect end-users with suppliers, it must maintain absolute equivalence and impartiality across all the providers.

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?

Ease of administration for end-users to recover the installation fee. It may be that this can be more effectively administered and regulated between BDUK and the providers although this may fail to meet the EU funding criteria.

Question 9a: 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.

No providing that all providers are able to participate on an equal basis.

Question 9b: Whether the operation of the proposed scheme is likely to give rise to any regulatory concerns

None that I am aware of.

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

Measure the number of buildings that:
- Have a connection installed for the first time capable of speeds equal to or greater than 100MB full duplex uncontended bandwidth;
- Have a second connection installed capable of speeds equal to or greater than 100MB full duplex uncontended bandwidth.

Measure the impact that the improved connectivity has on the performance of the business accessing the scheme, through qualitative assessments made by the business 12 months after upgrading connectivity. This might include asking whether the improved connectivity has had a positive, negative or neutral impact on:

- the number of customers that the business deals with;
- the range or reach of the business (either nationally or internationally);
- the competitiveness of the business;
- the ability to access new software platforms and cloud-based systems
- the number of people the business employs and the location of where they work.