

Mr. James Bird
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Your business better connected

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Dear James

Please find below our response from Commsworld in relation to the Consultation on Connection Vouchers.

Commsworld are a UK Communications Provider with offices in Edinburgh, Glasgow and Aberdeen and as such are very interested in the initiative to drive up the adoption of faster and more reliable connectivity services to business end users. In response to your request for input, I have offered below our thoughts on the overall likely success and adoption of the scheme as it currently stands in addition to specific responses to your list of questions.

I would be happy to contribute further if you should seek more input but I am formally requesting that Commsworld be included as a Communications provider in this initiative.

Kind Regards

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4. Consultation Questions

We particularly seek views from SMEs and communications providers (in particular ISPs), regarding the following questions:

Commsworld are a Scottish, Edinburgh head-quartered, ISP and Communications Provider. As such we are completely in support of any initiatives that encourage the uptake of high speed Internet / Data services that will allow clients of any profile to benefit from faster and more reliable access speeds, supporting Data, Cloud, Voice and Video applications.

However, having considered the content and proposed model with the 'Consultation on Connection Vouchers' document, we are not convinced that there will be a significant sea change in uptake due to the restrictive elements of this proposal. We would like to lay out our reasoning on this opinion prior to responding directly to the questions below and we believe some key factors have not been fully thought through.

Voucher Scheme Analysis

It is our understanding that this proposal limits the use of vouchers to funding either 'excess charges' for the provision of circuits, or to cover the 'hardware' for the provision of Wireless services. It is also our understanding that the scheme is limited to SME end users who commit to speeds in excess of 30MB which for ground based services will really only be over Fibre Ethernet.

In which case the numbers of SME's to whom this scheme will make a difference will be relatively small and will not deliver any significant uptake of such services.

Our reasoning is based on the following thoughts. If the starting point for this scheme is the provision of 30MB Fibre Ethernet services to which the SME has to ensure they will cover the running costs of such a service, then that SME has to already have accepted that the need for super-fast speed is significant enough to the growth of the business that they are prepared to cover the running cost of such a service. It is almost the de-facto standard these days that all Communication Providers will offer a zero install charge in exchange for a 3 year term commitment to the service. The Provider may well be amortising the base installation costs but to the end user the effect is the same in that there are no installation charges.

In today's market the provision of a 30MB Fibre Ethernet service can be sourced in a number of areas for an annual rental of under £10,000, but for arguments sake and ease, we will keep the starting point at that level. Therefore the pool of SME's to whom the voucher scheme applies have to have already committed to an annual spend in the region of £10K. This in itself will have a reducing effect on the numbers of target companies likely to consider the scheme. There are now three scenarios we would like to propose for discussion.

Where the Excess Charges are equal to or less than £3,000 (the voucher maximum)

In our experience, client who have previously cross a line to invest in their business to the tune of £10K per annum on rentals are unlikely to be put off by excess charges up to £3K. They won't

necessarily like it but accept this as a necessary evil. However, they will be delighted that someone is prepared to fund that element for them. Therefore the net 'growth' in uptake will be minimal.

Where the excess charges are between £3K and £6K

SME's in this situation may well have previously opted out that this stage but most would battle on and try to find ways to spread the cost of the excess charges. In which case it is our opinion that SME's in this situation would warmly welcome the voucher scheme and continue to adopt the improved service. This is where the best return will be achieved with the voucher scheme.

Where the excess charges are over £6K

In our opinion, most SME's would drop out at this stage regardless of a possible £3K voucher scheme.

Summary Points

In summary then, when you count up the numbers of organisations who fit the defined SME profile of up to 249 employees and turnover no greater than €50 million that reside within the boundary as defined by the likes of a City such as Edinburgh who are prepared to fund an annual rental of £10K, then you end up with a relatively small pool to start with. Of those who fit within our group one profile above, they would proceed regardless, if indeed they haven't already. SME's who fit within the group two profile are most likely to be new adopters of the scheme, and SME's within group three may well drop out regardless of the voucher scheme.

Wireless

Wi-Fi solutions can be a viable alternative to ground based services and the voucher may well be of use here. However, the actual cost of hardware required is relatively low in the low £100's and are not really the barrier of adoption today. The main barriers are more likely to be around permissions to install equipment on buildings they do not own.

It is our assumption that the voucher scheme will not cover Engineering installation services for this solution.

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

Apart from the obvious Marketing techniques of old, SME's are fantastic adopters of Social Media tools, so use of all the networking groups such as LinkedIn, Twitter etc. The business Networking groups such as Federation of Small Business and the Chamber of Commerce will also be able to promote the messages to their members.

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? (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)?

- (a) Commsworld are absolutely keen to be involved with the scheme as set out in this consultation.
- (b) Our thoughts on the likely success of the scheme are already laid out above and we will participate regardless. From the end user point of view we would suggest a lot more of them would be interested in a 'first three months free rental' type incentive.

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

You may want to consider expanding the eligible costs to include a small amount of Provider Engineer resource at the point of Router installation and connection to the client LAN for both circuits and Wi-Fi. SME's need help at this point in a way that Corporates with larger IT teams don't.

Question 4: Which costs do you consider should be eligible for funding by the connection voucher?
As our suggestion above.

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

In that the voucher is currently designed to only really support excess charges which will be from Openreach in the main, then the range is appropriate. It is more than enough for Wi-Fi installations.

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.

As previously stated, almost all Fibre Ethernet installations are now free of charge for the provision of the service in exchange of a three year contract. Therefore the only other upfront costs are excess charges and Engineering. We believe SME's will appreciate a contribution to the initial rentals.

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'?

The provision of such Internet services can be carried out by any Communications Provider to anywhere in the UK. However, local SME's may well appreciate the local contact aspect in which case a simple search of Providers by City will suffice. Perhaps the Providers could supply a mini profile.

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?

A real step change would be to integrate the portal to Providers back end systems so that the SME can procure an immediate online quote of pricing. Updates can then be channelled directly between the SME and the Provider. There needs to be a mechanism whereby the portal can capture completed or rejected jobs with reasons.

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

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

The proposed scheme makes little impact on framework or State Aid rules as there is little real choice available anyway to Government, SME's and Providers. With the bulk of the voucher scheme likely to end up being used to cover excess charges for the provision of Fibre Ethernet services, then almost without exception, the only organisation affected by this will BT Openreach. Whether we would like it to be otherwise, this is the reality of the UK communications infrastructures.

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

As suggested above, the ability to log all SME initiated requests, the Providers responding to each request and a full flow through to resolution. An analysis by localised area, SME business sector and a collation of the excess charges as provided directly by Openreach etc.

Question 11: Are there any other aspects that directly relate to BDUK's proposed demand-side measures that you would like to raise?

We believe we have covered these in our initial set of comments before Question 1. We would welcome any further discussion with BDUK should you be interested in our thoughts in more detail.