

Brighton & Hove City Council Comments on
Voucher Scheme Consultation

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

There needs to be national publicity as well as local authorities and partner bodies (e.g. sector groups and more general business groups) raising awareness locally. In addition it is very much up to the ISPs to ensure there are the right products and to push those products to businesses, both proactively and through the Portal, to make them aware of the potential opportunities.

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)?

n/a

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

Minimal conditions should be placed, as policing those conditions will add to the cost and inefficiency of the scheme. The conditions should be agnostic on technology and let the market propose the solutions – the only limits should be that the end user is an SME and that they are achieving a connection that is a step change on the speeds they can already get.

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

Initial research has shown that the higher costs seem to be around the line rental and tie in period – more than the capital connection cost. This is perhaps because existing business models factor the capital connection costs into future line rental income (in the same way a mobile phone contract defrays the handset price into the 24 months of line rental). Whilst not suggesting that revenue costs should be funded (they probably couldn't be even if BDUK were minded to do so), it is imperative that ISPs come up with business models much more like the PAYG mobile handset pricing model – where the true connection cost is paid upfront and the contract is then far more flexible and based on real use. This will suit SMEs far more and also mean the vouchers are more usable.

Brighton & Hove City Council has asked that it be able to explore the option of Digital Exchanges using a portion of our voucher funding. If we can make a case that it would work in commercial and state aid terms we feel that we should be able to direct voucher funding as a form of very high level aggregation, pointing to the fact that DX will have more scalable and long term benefits that can benefit a whole area, while a single line to a single premises might not.

In other aggregation scenarios, vouchers should have the potential to be pooled to fund a cabinet upgrade – so if 10 businesses in an area wanted to put in a £5k voucher each that would provide £50k, enough to make cabinet upgrade viable. As the subsidy will still be of the individual SME, the ‘de minimis’ threshold would remain unbroken and so state aid risks would be minimised.

From the local authority perspective, we feel that the allocation should be allowed to cover administration costs to ensure that the local admin of the voucher scheme runs smoothly and efficiently and to ensure that resources can be directed towards it.

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

To ensure maximum flexibility and maximum take-up, we would suggest that the voucher limit be raised well beyond £3000. Probably up to £5000, but also with a proviso that where cost and benefits can be ascertained then that cap can itself be lifted on a discretionary basis.

The removal of the fixed broadband element of the UBF project means that there are fewer solutions available. As our bid showed, many of our key businesses are in areas that will not benefit from NGA cabinets and so options like ‘Fibre on Demand’ from the local NGA cabinet will not be available to them, requiring other options to be explored.

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.

This depends on cost and benefit. Where a connection cost is higher, then expecting an SME to shoulder half of that cost may not be realistic. We would therefore suggest that (like removing the top cap of funding) the option be given for SMEs to request a 100% voucher if a) they can make the case on growth benefits and b) there is sufficient money left in the scheme. It would be at the local authorities’ discretion to then grant that if they wish. If the vouchers are being taken up very quickly at 50% funding then they are likely to say no, if demand is slow and there are provable benefits they can say yes.

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’?

Yes, though there is also a role for ISPs and re-sellers to proactively approach SMEs.

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?

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

Not aware of any.

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

Not aware of any.

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

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

We would refer to the points about the DX option outlined in question 4 above – this is a demand-side measure as it would be driven and owned by the SMEs that use it, outnumbering in any co-operative the suppliers that would link into it.