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A response to Consultation by:



East of England Rural Forum

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The Region

The East of England has no major cities, and even in its largest urban areas the countryside is close at hand.

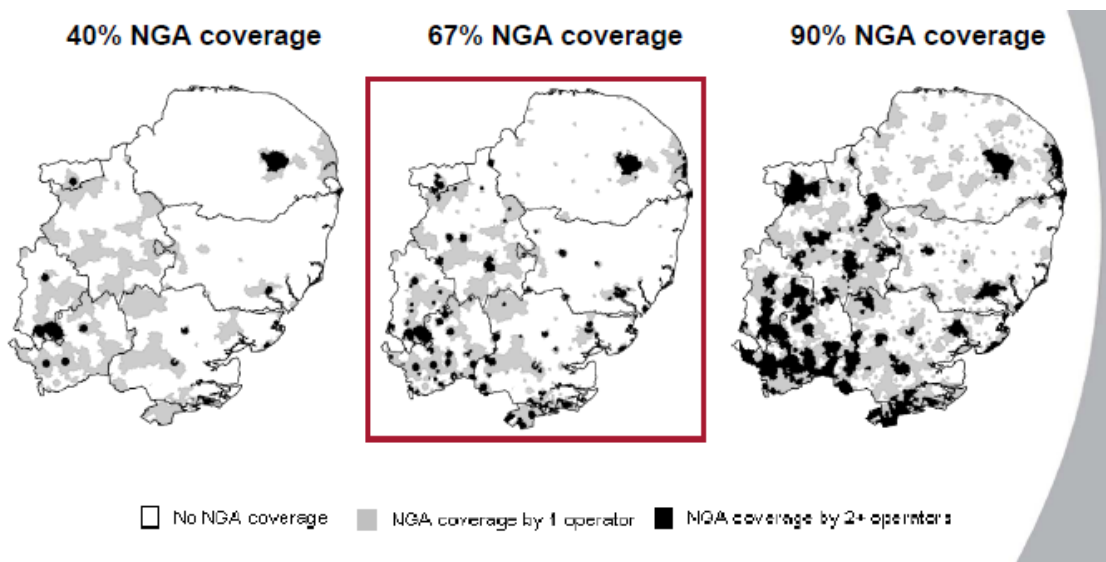
The region has nearly a quarter of England's market towns and numerous villages all linked economically and socially to larger towns and small cities. This settlement structure presents particular issues due to the dispersed nature of the population.

Our experience indicates that new ways of working and new technology show greater increases in the rural as opposed to the urban populations. In relation to economic policy most government plans, whether at the national, regional or local level propose that most economic growth should be concentrated in urban areas despite rural areas embracing new technologies and ways of working.

In relation to this consultation we feel that it is essential that next generation delivery policy is re-examined to re-balance the drive to support economic growth across the whole of the region.

On the specific subject of broadband access not only are rural areas likely to be disadvantaged by a focus only on fibre based systems, but the focus on fibre also ignores the fact that 1 in 5 (and growing) of the population no longer uses fixed line communications¹.

A workshop held in March 2010 by Digital Partnership East looking into the coverage of NGA for the East of England predicted the below coverage scenarios² showing how dispersed the region is particularly in the East and North East.



¹ East of England Rural White Paper 2010 (Draft March 2010)

² An extract from presentation – A view of NGA availability in the East of England – by Analysis Mason available to members on <http://dpeast2010.ning.com/page/workshop-for-local-government>

The Organisation

The East of England Rural Affairs Forum (EERAF) was originally set up in 2002 to carry out the role of 'rural sounding board' as set out in the Governments 2000 Rural White Paper.

The Rural Strategy, published in 2004, included a description of a range of new functions for Regional Rural Forums. In response, Government Office for the East of England facilitated a review of the EERAF, in partnership with other regional organisations and members of the EERAF itself. The East of England Rural Forum (EERF) is the result of that review.

The EERF is an independent body which draws its membership from local and regional bodies; its members cover a wide base of rural interests and include specialist groups on Housing, and Learning and Skills.

Specific responsibilities of the forum include:

- Rural proofing of key national and regional strategies.
- Contribution to the development and review of regional delivery priorities.
- Monitoring, scrutinising and review rural delivery.
- The Rural Forum will act as the rural voice of the region.
- The Forum provides a link between rural stakeholders and the East of England Regional Assembly, Government Office for the East of England and the East of England Development Agency.
- Linking in with County Rural Forums.

The East of England Rural Forum (EERF) is mirrored by similar groups in other regions and meets regularly with Ministers and the other regional forums to promote the case for rural areas nationally.

The EERF is in the process of producing a Rural White Paper, as part of the research and consultation for this document; Digital Economy has been rated as the highest priority issue for our region by the forum members, and those discussions have addressed and informed many of the comments and views in this consultation response.

Solving rural access to digital communications would deliver substantial economic and social benefits both regionally and nationally. On a local level there is some indication that digital communications can be a solution for rural service delivery therefore maintaining access to services whilst addressing cost and carbon reduction targets.

Consultation Questions

1. We welcome responses to any aspect of this consultation.

We welcome the opportunity to respond to this consultation and to go further to demonstrate the feelings of our members on this most important issue. It has long been acknowledged that in respect of Internet access, rural areas are falling behind their urban neighbors. With the roll out of Next Generation Access (NGA) there are fears that this gap will grow even wider and we will be in a position of a 'two speed Britain' if this is allowed to continue there could be far reaching repercussions on rural enterprise, employment and skills including the associated social disadvantages for our rural communities.

Access to modern digital communications is increasingly recognised as both a key enabler of rural progress, but also one of the major constraints which many rural communities are currently experiencing.

An estimated 90% of public services are now available online, with some exclusively online³. There are potentially reduced costs for businesses in complying with legislation, e.g. the Whole Farm Approach reduces form filling by 15% and is estimated to save the industry £16.5m per year⁴.

In early 2009, 65% of UK households had a fixed broadband connection, compared to just 4% of UK households in 2002⁵. However, rural broadband speed is not keeping pace with urban provision and the current 2017 80% target for high speed broadband is seen by many as too little too late⁶. An FSB report⁷ concluded that the key reason for the lack of take-up of new internet tools could be the lack of high-speed broadband, as only 37% of businesses had access to broadband over 4Mbps.

Lack of broadband speed hinders home workers⁸, to whom upload speeds are critical as they enable the exchange of data with remote networks, but most ISP's prioritise download speeds.

Advertised download speeds are expected to rise quickly in a few years to 100Mbps – 200Mbps, at the present time over 42% of rural households don't reach 2Mbps, 160,000 households cannot access broadband services at all, and another 1.5 million cannot download at more than ½Mb⁹

³ www.greenfutures.org.uk (July 2009), Green Fields, digital divides

⁴ IBM (2009), IBM's response to Digital Britain

⁵ Ofcom (2009), UK broadband penetration proportion of adults (%)

⁶ Commission for Rural Communities (2009), Mind the Gap: Digital England - a rural perspective, CRC 104

⁷ FSB (2008), lifting the barriers to growth in UK small businesses 2008 - Putting the economy back on track: Transport, Environment and ICT

⁸ www.greenfutures.org.uk (July 2009), Green Fields, digital divides

⁹ <http://www.openreach.co.uk/orpg/products/llu/BET/bet.do>

2. Do respondents feel that the cost analysis for fixed-line Next Generation Access is still valid, and if not, what are the latest estimates?

We would agree that the trend demonstrated in the cost analysis is consistent with delivery from dense urban to sparsely populated rural areas. The report does highlight that there could be significant savings to be made on the estimated costs, and this could mean that areas seen as not cost effective could in fact, be included as part of a commercial deployment. Efficiencies learnt as part of the roll out, and as technologies develop, should also be included in future activity and may prompt the need for revised analysis.

3. What do respondents feel is the minimum bandwidth requirements, both download and upload, in order to qualify as a Next Generation broadband service? Are the requirements above regarding quality of service, including latency and reliability sufficient? What figures should we set on the bandwidth requirements?

We do not have the technical expertise of bandwidth speeds; however we would support a government led definition of NGA minimum speeds and would encourage this to be actual useable upload as well as download speeds not just the ‘headline’ download speed available as most providers use.

As available speed is intrinsic to the effectiveness of NGB; and particularly linked to business use of NGB (vital in more rural areas) we would like to see minimum speeds which are prepared and ‘future proofed’ to support technological advances across the UK.

4. Do respondents have views how the Next Generation Fund will be used and in particular the focus on fixed line solutions?

Our main concern with the deployment of the NGF is that it will focus solely on fixed line solutions. Whilst we appreciate this is a good solution for many areas we do wish to emphasise, that for more rural and sparsely populated areas this solution will be both more complex and costly.

We feel it unlikely that there is one technology that will provide a cost effective yet sustainable solution to ‘not spots’ across the East of England. In some instances, particularly in the most rural locations, it is possible that wireless technologies will provide the most efficient and effective means of delivering next generation broadband services.

By restricting the potential technology solutions to fibre it could mean that many remote rural locations would remain beyond the reach of next generation broadband.

Many local communities are already working to find ingenious solutions to the challenge themselves, and this should be supported rather than ignored.

Third Sector organisations are also trialing community led solutions and this could be a way of addressing areas which do not fit into the standard deployment template.

Given that the rationale for the creation of the fund was to “**promote greater social equity**” and “**reduce the chance of a digital divide**”¹⁰ it is clear that the fund must be used innovatively to ensure those with the least expectation of commercially provided NGB are not disadvantaged.

5. What minimum criteria should we be looking at, bearing in mind the need for value for money, equity and flexibility?

As discussed above the minimum criteria needs ensure that coverage, speed and access are sufficient to ensure that the stated rationale is satisfied. We would suggest that by setting a minimum requirement it sets could a bar which limits the scope of the fund and therefore actually further disadvantage the people the fund most hopes to help.

We expect the government to ensure that the fund is used appropriately, providing best use (value) for money, equity and flexibility, any minimum standards imposed must take future advancements and access to web based public services into consideration.

6. What applications and services would not be able to be run over a network that has the criteria outlined as a minimum?

If The Government set an appropriate minimum standard then there should be no issues accessing frontline internet services such as education, health and policing.

Leisure uses may be impacted, especially high demand activities such as gaming or high definition entertainment. However all users need to be able to use the internet, download forms, use secure banking, health center info and educational opportunities etc.

This is particularly important as public spending in other areas is cut and costs to travel are being increased both issues are acutely felt in rural areas across our region.

¹⁰ Digital Britain – Consultation on proposals for a Next Generation Fund – Page 14 paragraph 40

7. In your opinion, would a regional or National deployment be a more efficient and appropriate use of the Next Generation Fund, and why? What other options are open to HMG in creating competition in the procurement process?

We would support a regional deployment to ensure that regional nuances are taken into consideration. Also we would welcome a weighted division system taking into consideration geographical penetration not just population figures. It is also important to consider the benefits of NGA stimulating enterprise and economy.

Experience and research has shown that businesses are increasingly reliant on the internet, and most businesses will now be expected to file their returns for PAYE and VAT online from April 2010¹¹ The Federation of Small Business (FSB) has estimated that by 2012, £1 in every £5 will come from online commerce and stated that most small businesses want a minimum speed of 8Mbps¹² With 72% of small businesses operating a website, there is a great need to ensure they have access to effective broadband to meet the demands of customers and clients.

In The East of England the regional development agency (EEDA) have highlighted access to 'Next Generation Broadband' as a key theme for the region and consequently they have been reviewing the provision of next generation access to broadband across the region and have developed a strategy to encourage wider availability of this key technology the strategy sets out how as a particularly rural region EEDA plans to tackle the issues which face rural next generation provision.

The EEDA strategy states: *"In rural areas, a threefold initiative is proposed:*

- *Firstly, the creation of a collaborative regional partnership called the Digital Partnership East (DPEast). This will be comprised of representatives from regional bodies, local government, other public sector bodies operating regionally, communications providers, umbrella organisations for community groups and commercial companies. The role of this body will be to act as a forum for information and the exchange of ideas as well as helping inform and shape broadband strategy across the region. It will also be a source for collaborative projects which might include infrastructure investment; local pilots; the sharing of content and services; the resolution of problems relating to planning issues; identifying opportunities for aggregating demand; material for demand stimulation and research.*

- *Secondly, establish the East of England Broadband Co Operative (EEBC) which is designed to build on the INCA proposal (for supporting*

¹¹ www.hmrc.gov.uk/vat

¹² FSB (2009), quote from John Wright, FSB Chairman

community groups) outlined in the Digital Britain Report but offering a more hands on approach towards supporting community initiatives – for example offering a series of “broadband out of the box” solutions for last mile deployment (ranging from just demand stimulation to fully fledged fibre to the home deployments), acting as the fund holder for community bonds or other forms of investment and providing a shared engineering, maintenance, billing and support function for participating community groups.

- *SONGBIRD (Supporting Open Next Generation Broadband in Rural Districts) will aim to take fibre as deep as possible into the countryside - into areas where the market has no interest in delivering an effective, affordable product. It will chiefly operate as an open access network providing cost effective backhaul and middle mile capability to any communication provider or community group who wishes to deploy a last mile service to end customers. It will attempt to accomplish this by the use of innovative technical and funding solutions. SONGBIRD is not conceived of as a monolithic structure but as a related series of smaller plans (between 10 and 20) able to best take advantage of local conditions. These local solutions will be deployed when there is sufficient demand identified within EREBUS to interest commercial communication providers or properly supported community groups in accordance with the underlying principles laid out below.*

What is significant about the threefold initiative is that each of the elements complements and supports the others – the Digital Partnership brings together all interested parties to ensure that, wherever possible, there is a common agenda across the region that will ensure economies of scale and the best use of finite resources. The Co operative will enable community groups to deliver their services in a professional, sustainable manner and assist with the provision of backhaul services, when required. SONGBIRD will enable communications providers and community initiatives to bring next generation access to areas which were previously thought to be out of reach.”¹³

Given the work already ongoing within EEDA and the Digital Partnership we feel this could be an area for collaboration and to use the funding available to its greatest extent covering the widest possible area.

¹³ http://www.eeda.org.uk/files/Broadband_Strategy_Publicity_Document_27_Jan.doc

8. What do you consider to be the optimum procurement approach or commercial model that balances the public sector’s need to demonstrate value for money with private sector considerations?

The optimum approach to procurement is one where there is fair, open and honest competitive contracting however the process needs to be simple and not unduly tied up with red tape. There also needs to be awareness that the deployment should be flexible to the area and there needs to be the ability to adapt to developments in both best practice and technology.

9. Would an “outside in” or an “inside out” approach to delivery be more effective and why? Are there other approaches that should be considered?

We feel that there are pros and cons to using either approach. An “outside in” approach should avoid any risk of distorting the market. However, it would be shortsighted not to think wider and disregard those areas with a high demand for NGA but which may not be right on the ‘outside’.

As answered in question 7 we support the deployment by a regional body that would be aware of the different issues, business trends and next generation demand in their area.

We believe that the private sector providers should be enabled and encouraged to invest “inside out”. Whilst public sector deployment should be focused on addressing market failure, hence our preference for an “outside in” approach.

Given the comments above, the predominant approach we would welcome would be an ‘outside in’ strategy, aimed at addressing the lowest commercially viable markets first but with the flexibility to respond to demand that may be just a little in from the very ‘outside’. This should ensure two benefits:

- Firstly, the fund will be operating at the very fringe of viable markets, the most appropriate place for Government intervention to apply. This will encourage new market opportunities, thinking and technologies and can deliver NGA to those communities before demand increases to apply alternative funding as an interim solution.
- Secondly, this approach will also position NGA solutions in more remote locations as a priority. We believe that the market will, with the right encouragement, drive further and faster beyond its existing boundaries than is currently anticipated.

10. Where should the Next Generation Fund be used to intervene in the first instance, in terms of either location, or market deployment, in order to minimise the risk of distorting the market, and not chill planned investment?

From our investigations it is imperative that the NGF is used to ensure areas which have no broadband access or ‘not spots’ are given the opportunity to access what many people in urban areas can take for granted. These areas are also likely to be those which are not seen as commercially viable by the big providers and any activity by the government is not at risk of ‘chilling’ planned development.

Provision of NGA can stimulate economic contribution for these areas, it is a known trend that rural areas have a large number of home workers and micro businesses; as technology develops these businesses are either forced to relocate or home workers commute to urban centres with reliable NGA.

Broadband in these rural areas will be much more important than just being able to email a friend, it can enable those with low mobility to shop on line, deal with car tax and banking (as rural post offices and local shops are on the decline) it also allows remote learning opportunities for all ages, healthcare and access to government websites.

11. What do you see the risks to competition from providing public support for NGA roll-out and how can these be mitigated?

The greatest risk is that the commercial providers will see the fund as a way to deploy NGA to areas they do not consider viable without high risk and cost.

The NGF could, if not governed correctly, lead commercial providers to ‘expect’ the government to do their job for them which is not good value for public money.

12. At what stage in the deployment cycle, such as time or penetration, should the Next Generation Fund cease intervention, and why?

At this stage we do not feel we could answer that question, until trials are run or more experience gained it would be difficult to set a deadline which supports success but does not become a continuous funding source.

13. Which areas of the UK should receive intervention from the Fund, and why?

As highlighted in our response to question 7 the RDA for our region, EEDA have a strategy detailing how they plan to address the issues of NGA particularly the proposal to address the more rural areas of the region.

There is already commercial evidence which highlights areas where there is little or no access to the internet via broadband. These areas should be first in line to receive benefit from the fund, and work in collaboration with the SONGBIRD project to ensure that regional deployment is still in line with activity across the country. This collaboration is particularly important to ensure there is not regional disparity in provision or speeds.

14. Should the Government consider a claw back scheme, once the return on investment reaches a certain level?

It is possible commercial providers are waiting to see results from the NGF deployment to determine whether provision will drive greater demand and make some of the less commercially attractive areas viable for them to roll out service. Claw back will not encourage commercial providers to take the risk and aid provision it would be better to have a performance/delivery based contract to ensure best value but to encourage the industry beyond their comfort zone.

15. If so, at what level of return on investment should this begin, and how should this be determined? For example, you could implement a sliding scale that increases as the return on investment increases.

No comments; please see above.

16. Are there any other options HMG should consider to minimize deadweight?

No comment.

17. Do respondents feel that Government is right in insisting all networks built with the use of the Fund should be open access?

Open access would be the best way to ensure that once a network is deployed competition is still available to ensure users choice of provider.

18. Do respondents believe that active line access is the right approach to achieve fixed access competition?

Active Line Access (ALA) seems to be the right approach to take forward based on the work of market specialists; we do have however concerns about community led broadband provision. This important activity needs to be considered in these decisions and where possible support is needed to ensure these initiatives are complimentary to any large scale deployment.

19. Do respondents feel that the proposed product, Generic Ethernet Access (GEA) is adequate, and if not, why not?

GEA seems to be an adequate product solution.

20. Do respondents feel that the same active access remedies should be applied in the areas that receive subsidy from the Next Generation Fund, or are there good reasons for not doing this?

If active access remedies are to be applied they should be applied over all areas where there is a benefit. There should not be restrictions dependant on if the area received subsidy or were commercially viable for 100% of the deployment.

21. How should compliance with any requirements to provide an active remedy be managed? For example, once you've imposed a supply obligation as part of a procurement process, what contractual provisions are necessary to ensure effective compliance, and how would these be enforced?

No Comment

22. How might active remedies vary with time? For example, wavelength unbundling appears impractical now, but we expect it to become a realistic (and possibly attractive) option in 3-5 years time. How might the terms of any remedy imposed as a result of the procurement process be varied?

Digital technology will always be evolving and developing and it is important to maintain enough flexibility to adapt to this. However the biggest issue today for many people and especially those in rural areas is having any access to NGB therefore it will be important to balance speed of delivery now to fixing process and remedies for the future.

23. What other measures could be looked at by Government in terms of passive access, in order to introduce greater competition?

No Comment
