

COUNTRYSIDE ALLIANCE BACKGROUND NOTE
BT BROADBAND PROVISION FOR LOCAL BUSINESSES



Westminster Hall Debate

Thursday 10 March 2016, 1:30pm - 3:00pm

Helen Goodman MP (Labour, Bishop Auckland)

Summary

- The Countryside Alliance believes that high speed broadband is an essential service alongside water, electricity and gas; but is nowhere near as available in rural areas as it is in urban areas. This view is shared by Ofcom and highlighted in their *Connected Nations Report* published in December 2015.
- Continued poor connectivity in rural areas represents a huge missed opportunity for economic development and these gaps and weaknesses need to be addressed as a priority.
- The Countryside Alliance welcomed the Government announcement in November 2015 to introduce a Universal Service Obligation (USO) of 10Mbit/s for broadband speeds across the country.
- Nearly half of all premises in rural areas across the UK are still receiving speeds of less than 10Mbit/s. This continues to be a particular problem for many consumers in rural areas. Around 1.5 million, or nearly 50% of, rural premises are connected by lines that are unable to receive speeds higher than 10Mbit/s and one in five rural premises are unable to receive speeds higher than 5Mbit/s.
- The Alliance also welcomed the initial findings of the Ofcom digital review published on 25 February 2016, which we believe will go some way to delivering digital connectivity to communities, although there is still a long way to go in rural areas and in particular those remote, hard to reach areas.
- The Alliance particularly welcomed the Ofcom proposal to open BT's ducts and telegraph poles to its rivals and the reform of BT Openreach to ensure a better service for customers and businesses.
- This opening up of access to infrastructure will enable greater competition which will help drive the delivery of superfast broadband across the UK. As the latest Ofcom report notes "competition can deliver significant consumer benefits by driving innovation and take-up of new technology, improving service quality, delivering affordable prices and reducing the country's reliance on Openreach."
- The BDUK programme is progressing well but alternative technologies such as satellite and wireless options need to be utilised more in rural areas where fixed line solutions are difficult or impossible to deliver high speed broadband.

- The UK Government needs to consider how the Universal Service Obligation is going to be delivered and allocate resources to ensure that 10Mbit/s can be accessed in all premises across the UK.

The Importance of Broadband

The importance of broadband to rural businesses and households cannot be overestimated, with many considering it as an essential service alongside water, electricity and gas.

The Countryside Alliance is concerned that the lack of broadband coverage and high speeds in rural areas is holding back the countryside economically and socially, and limiting the growth of start-up and small and medium-sized enterprises (SMEs). Reliable broadband is essential for competitive and successful enterprises in a growing digital economy. It is vital that rural communities and businesses have access to effective and affordable broadband if the digital divide between rural and urban areas in the UK is not to grow any wider.

Countryside Alliance research shows that 82% of people in rural areas believe superfast broadband is essential to 21st Century life and that everyone should have access to it. However, 56% feel the Government is not doing enough to ensure it happens. Rolling out high speed broadband across the whole of the UK is the technological improvement that the British public most widely believe will impact positively on the UK economy. 80% of all adults agree that the provision of high speed broadband would have a positive impact, rising to 85% amongst rural communities. This measure outscores greater investment in renewable energies, major transport projects such as high speed rail, the Elizabeth Line and a third runway at Heathrow.

Limited access to broadband services also affects education in rural areas and access to online services, especially the new offering of government online services. The Chancellor's commitment in the Spending Review last year "to build one of the most digitally advanced tax administrations in the world," will only work if these services are accessible to all and do not exclude those in remoter areas, who already struggle to access many public services.

For example, HMRC expect tax returns and PAYE to be completed online, so rural and farm businesses are often excluded from this service as they are unable to access and return data online due to the lack of a suitable broadband connection. The new Basic Payment Scheme, which was intended to be fully digitally administered and processed online, caused great frustration and expense to farmers without broadband provision.

If you do not have broadband then, as a rural business, you are expected to use an agent or adviser to help complete online forms, which is a significant additional cost. The latter point is particularly troublesome for farmers in more remote areas, who need access to the internet. A survey by the National Farmers Union on broadband access in rural areas showed that around 40% of respondents could not get broadband at all, while 90% who could access broadband did not get a reliable connection.

Current Coverage and Speeds in the UK

In November 2015 the Government announced that work was commencing to introduce a Universal Service Obligation (USO) of 10Mbit/s for broadband speeds across the country with a consultation planned for early 2016. As the Universal Service Obligation has become a reality in policy terms and the superfast rollout programmes move forward, the UK Government needs to address the issues faced by businesses and households in the more

remote and rural areas of the country in order to ensure the USO is delivered and exceeded where possible.

The Ofcom Report shows that rural areas have the greater number of lines currently incapable of supporting the proposed USO speed of 10 Mbit/s.

Given the geography and population densities of different areas of the UK it is clear that there will be locations where the length of the line to individual premises will mean that delivery of even 10Mbit/s is difficult, if not impossible, through fibre cables. Distances between exchanges and premises reflect the lower population densities and disparate nature of dwellings in rural areas.

Even where superfast speeds are available in rural areas they tend to be slower than in urban areas due to the dispersion of premises and the distance of premises from cabinets with a Fibre to the Cabinet (FTTC) solution. Alternative technologies such as satellite and wireless deployments could ultimately form part of the solutions in delivering high speed broadband in rural areas.

The Ofcom Connected Nations December 2015 Report notes particular challenges facing businesses and SMEs:

- *While coverage and speeds have increased for some, many consumers and businesses have not seen improvements. Small and medium sized enterprises (SMEs) still experience poorer superfast broadband coverage compared to consumers as whole.*
- *There are broadly similar levels of superfast broadband coverage for SMEs in England, Wales and Northern Ireland. Coverage is lower in Scotland and reflects the lower availability of superfast broadband overall. More generally, the relatively low levels of superfast coverage for SMEs throughout the UK reflects the fact that many SMEs are based in rural areas or business parks, which to date have not been targeted for network upgrades.*
- *Only 68% of SMEs have access to superfast broadband in the UK, compared to 85% of all premises; this leaves over 400,000 SMEs without access to superfast broadband. Similarly, almost a half of SMEs (around 130,000) in certain business areas are unable to receive speeds above 10Mbit/s.*
- *The UK's 5.4 million small and medium enterprises (SMEs) constitute 99.9% of UK businesses, account for 60% of private sector employment and 47% of business revenue. High quality telecommunications services are essential to their ability to participate in and drive the digital economy.*
- *Superfast coverage for SMEs has increased to around 890,000 (or 68% of) premises, up from 56% in 2014, although SMEs still experience lower coverage of superfast services than the population as a whole.*
- *By 2017, when 95% of all UK premises are likely to have superfast broadband, around 18% of SMEs (over 230,000) will still not have access to superfast broadband.*

BDUK - Superfast Broadband Rollout

The Government has promised that 95% of UK premises will have superfast broadband (at speeds of 24Mbit/s) by 2017 and a roll out of 4G services to 98% of the population. This still

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leaves over 1.3 million homes across the UK without superfast broadband or a mobile phone signal. This is why innovative schemes, such as those outlined in the Budget (March, 2015), to provide better services to the hardest to reach areas must be delivered.

The National Audit Office reported in January 2015 that Phase 1 of the BDUK Program is progressing well after a slow start and this is good news for rural communities. The availability and quality of roll-out plans has improved, with 42 out of 44 local bodies published maps and postcode checkers; take-up of superfast broadband has been significantly faster than anticipated; costs for rolling-out superfast broadband to 90% of UK premises by 2016 (Phase 1) were lower than anticipated; and the delivery of Phase 2 (coverage of 95% of UK premises by December 2017) is likely to require less public funding.

However, connectivity is also key for the final 5% who will not be connected by fixed line broadband and fall outside of the BDUK program. For this 5% the use of alternative technologies will be particularly important.

Alternative Technologies

The Countryside Alliance believes that to ensure connectivity in rural areas we should not be relying on fixed line broadband, but embracing all technologies including mobile and satellite.

The Countryside Alliance welcomed the announcement by the Government in January last year of eight innovative pilot projects, designed to test alternative ways of boosting superfast broadband coverage in rural areas. The £10m fund from the Department of Culture Media and Sport is a great stride forward in the drive to improve rural connectivity. The Countryside Alliance has always said that a combination of technologies, rather than fixed line broadband, would answer the question of how to provide superfast broadband to the final 5% of homes and businesses in hard to reach areas. By using a variety of means - including wireless and satellite provision - and investigating different ways to fund these projects, we hope the Government will find solutions to improving broadband coverage in hard to reach areas.

The Countryside Alliance also welcomed the publication in November 2014 of Ofcom's research into 4G and 3G mobile broadband speeds. However these figures only measure the speed of smartphone broadband in five big cities across the UK. This information is vital so that consumers can make informed choices as to which operator will provide them with the best service. A transparent market will not only ensure operators are more competitive, but will hopefully ensure better coverage across the UK. The Alliance has called for Ofcom to conduct similar research in rural areas so that those who live and work in the countryside can also have access to information as to which operator will best meet their needs.

The proposals contained in the Budget in March 2015, including boosting broadband coverage with support for satellite, ultra-fast broadband (100Mbit/s), and extension of the Super Connected Cities Program, will provide connectivity for some households outside the BDUK program.

However, it is regrettable that rural businesses are excluded from the Super Connected Cities Program, which benefits 22 cities across the UK by providing the opportunity for SMEs within those cities to apply for grants of up to £3,000 to upgrade their broadband. It is regrettable that this initiative does not extend to rural areas and the vouchers should also extend to alternative technologies such as satellite and mobile broadband.

The Countryside Alliance believes

- Broadband connectivity must be able to meet our current demands and have the capacity to grow as we become ever more reliant on digital connectivity.
- The UK Government's current broadband policy, which aims to deliver superfast broadband to 95% of premises by 2017, cannot rely upon fixed line solutions and greater use of alternative technologies should be promoted to help achieve high speed broadband in rural areas.
- The proposal to introduce a Universal Service Obligation is a positive step but the UK Government needs to consider how this is going to be delivered and allocate resources to ensure that 10Mbit/s can be accessed in all premises.
- The broadband voucher scheme should be extended to include rural businesses and communities and alternative technologies.
- There needs to be an ongoing review of broadband policy, including measures to encourage more competition for better packages in the domestic and business broadband market, and prioritisation of fibre-optic roll-out to business parks and enterprise zones. As such we have welcomed many of the initial conclusions from the Strategic Review of Digital Communications – Making communications work for everyone - published by Ofcom on 25 February 2016. The main proposals from Ofcom include:
 - *A strategic shift to large- scale investment in more fibre: We will help create more choice for people and businesses, while reducing the country's reliance on Openreach. A major strategic shift will encourage the roll- out of new 'fibre to the premise' networks to homes and businesses, as an alternative to BT's planned innovation in copper -based technologies. As part of this, BT will be required to open up its network, allowing easier access for rivals to lay their own fibre cables along BT's telegraph poles and in its underground cable 'ducts'.*
 - *We will publish service quality performance data on all operators, and look to introduce automatic compensation for consumers and small businesses when things go wrong. We intend later this year to introduce tougher minimum standards for Openreach with rigorous enforcement and fines for underperformance.*
 - *We intend to reform Openreach's governance and strengthen its independence from BT. In future, Openreach should be governed at arm's length from BT Group, with greater independence in taking its own decisions on budget, investment and strategy. Openreach management will be required to serve all wholesale customers equally, and consult them on its investment plans. Greater independence could be achieved by 'ring-fencing' Openreach (for example, Openreach becoming a wholly owned subsidiary with its own purpose and board members). Full 'structural' separation remains an option.*

These proposals should be implemented as soon as possible. It is not acceptable that Ofcom still believe that by 2017, when 95% of all UK premises are likely to have superfast broadband, around 18% of SMEs (over 230,000) will still not have access to superfast broadband. Many of these will be in rural areas.

Key Facts

- The coverage and speed of superfast broadband continue to increase. Around 83% of UK premises are now able to receive superfast broadband, up from 75% in 2014, and the average superfast download speed is now 65Mbit/s.
- The situation has particularly improved in rural areas, where broadband coverage has always tended to be lower than in urban areas. This year, coverage of superfast in rural areas has increased significantly, from 22% in 2014 to 37% (over 1.1 million premises).
- However, many consumers and SMEs are still unable to receive even standard speed broadband. In the UK as a whole, around 2.4 million, over 8%, of premises cannot receive a speed greater than 10Mbit/s, rising to around 48% of premises in rural areas.
- A download speed of at least 10Mbit/s is necessary to deliver an acceptable user experience.
- 12% of our GDP is generated through the Internet, which puts the UK significantly ahead of other countries.¹
- The internet is responsible for creating 2.6 jobs for every one made obsolete.²
- Businesses with a strong online presence are growing more than twice as fast as those with no, or minimal, presence.³
- Half of rural small businesses are dissatisfied with the quality of their broadband provision (49%). The data showed nearly double the level of dissatisfaction compared to urban small businesses (28%).⁴
- This issue will become even more significant as small firms become more reliant on a high speed broadband connection to do business. More than three quarters (77%) said that email will be critical to their business in the next two years, while more than half (57%) said broadband will be critical to engaging with their customers.⁵
- The current lack of broadband infrastructure serving small firms threatens the expansion of the rural economy currently worth £400bn annually. The business opportunity includes 28% of all UK firms and over one million small businesses.⁶
- A reliable Internet connection is viewed as a key business requirement by 94% of small UK businesses.⁷

¹ The Boston Consulting Group (2015): The \$4.2 Trillion Opportunity: The Internet Economy in the G-20

² Mckinsey Global Institute (May 2011): Internet matters: The Net's sweeping impact on jobs, growth and prosperity

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⁴ **Research by the Federation of Small Businesses (FSB) released on 15 January 2015**

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