

House of Lords: “Question for short debate on the state of the rural economy”

(Baroness McIntosh of Pickering, Con)

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## Introduction

A successful rural economy is vital for maintaining a living and working countryside. Without it there would not be the rural communities and landscapes as we know them today. It is therefore essential that the people who live and work in the countryside are able to engage fully in the economic life of the country.

Businesses in the countryside face some unique challenges including lack of access to broadband and mobile phone signal, inability to expand or diversify due to planning constraints and lack of services such as high street bank branches which are closing in our towns and villages at an alarming rate.

Despite these challenges the number of businesses per head of population is higher in predominantly rural areas than in predominantly urban areas. Rural areas have a strong entrepreneurial make-up with around 486,000 small businesses registered in rural areas – 26% of total UK small businesses. However, for these to continue to prosper and be able to grow and compete, proper investment in rural areas is needed and laws and regulations need to support development and diversification.

Farming remains an important part of many rural communities and businesses, but farmers in many sectors are facing the worst trading conditions in a generation. It is vital that the planning system supports sustainable development and diversification projects, particularly during these challenging conditions for the farming industry. HMRC expect tax returns and PAYE to be completed online, yet farm businesses are often unable to access and return data online due to the lack of a suitable broadband connection. Improvements in the digital infrastructure need to be a priority.

The Government has stated its commitment to small businesses and to rural life, so it should be helping to boost local economies through policies which address the challenges faced by businesses in rural areas.

It is also important to note that some of the most significant investment in the rural economy is private investment resulting from recreational activities including shooting, angling and hunting. These often take place in remoter areas especially in the winter months outside the main tourist season when other activities are less popular.

## Broadband

The Countryside Alliance believes that high speed broadband is an essential service alongside water, electricity and gas; but it is nowhere near as available in rural areas as it is in urban areas. Continued poor connectivity in rural areas represents a huge missed opportunity for economic development and needs to be addressed as a priority.

One of the main obstacles to high speed broadband in rural areas is the lack of infrastructure able to support high speed connections. The [Ofcom Report "Connected Nation 2015"](#) showed that around 8% of premises in the UK (2.4 million) are connected to lines that are unable to receive broadband speeds above the proposed Universal Service Obligation of 10Mbit/s. Many of these are in rural areas, where about 48% of premises (1.5 million) are unable to receive speeds above 10Mbit/s.

We welcomed the Government's announcement in November 2015 to introduce a Universal Service Obligation (USO) of 10Mbit/s for broadband speeds across the country by 2020. We were therefore very disappointed that the Culture Minister, Ed Vaizey MP, recently indicated at a Select Committee meeting that not all rural homes may be able to receive speeds of 10Mbit/s by the end of this Parliament as promised by the Prime Minister last year. The whole point of a USO is that it applies to everyone, and this USO was suggested specifically to ensure that the most rural, hard-to-reach properties would enjoy workable broadband speeds. We have responded positively to the Government's consultation on a USO so it is disappointing to learn, before it has closed, that its result seems to have been prejudged. Our response to the consultation is available [here](#).

We welcomed the recent [Ofcom Report "Making Digital Communications Work for Everyone"](#) which included recommendations 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. We have always said that Ofcom must place consumers at the heart of its decision-making process to ensure that we can all benefit from this digital world. These proposals will go some way to improving connectivity through greater competition but we must not forget those hard to connect areas.

The Broadband Delivery UK 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.

Our full brief on BT Broadband Provision for Local Businesses (Westminster Hall Debate, House of Commons, Thursday 10 March 2016) is available [here](#).

### CA calls for:

- **Government to clarify their position on the broadband USO and their commitment that all premises in the UK will have high speed broadband by 2020.**
- **Broadband Delivery UK (BDUK) rollout to be transparent with a clear schedule for consumers, and 'not spots' identified to enable alternative providers to fill the service gap.**
- **Government to promote and support alternative technologies, such as satellite and mobile broadband, which can deliver connectivity to remote rural areas.**

## Mobile

Mobile phone signal is just as important in the countryside, but nowhere near as available, as it is in urban areas. Coverage is patchy and can be unreliable, making life for families and businesses very difficult. Continued poor connectivity in rural areas represents a barrier to economic growth and these gaps and weaknesses need to be addressed as a matter of urgency.

Access to the internet via the mobile network is increasing by 66% a year and mobile devices are predicted to account for 55% of all internet traffic by 2017. We need to ensure that not only do we have the infrastructure and coverage to meet this demand, but also to educate consumers and businesses about the benefits of high speed connectivity.

The [Ofcom Report "Connected Nation 2015"](#) stated that faster 4G mobile network coverage has increased significantly. All four operators now provide outdoor coverage to 46 per cent of UK premises and three of these operators now cover more than 70 per cent of UK premises. However, the report also stated, levels of mobile coverage in rural areas continue to be lower than in urban areas. Outdoor coverage of voice services in rural areas is 72% of premises, compared to 99% of premises in urban areas. Indoor coverage in rural areas is particularly poor, with only 31% of rural premises receiving an indoor voice service, compared to 91% in urban areas.

In a landmark deal announced on 18 December 2014 the four network operators announced a £5bn investment in the UK's mobile phone coverage. The deal will guarantee call and text coverage on all networks across 90% of the UK's geographical area by 2017, and coverage including internet access to 85% by the same date. In return the Government agreed to reform the outdated Electronic Communications Code and make it easier for new masts and other infrastructure to be built, something for which the Countryside Alliance has long campaigned.

Following the end of the Mobile Infrastructure Project (MIP), which only delivered approximately 40 new masts, the Chancellor announced in the Budget last month that the Government would seek to "reduce planning restrictions on existing mobile infrastructure and facilitate the taller, new-ground building of new masts". A [consultation](#) has recently been launched by the Department for Culture, Media and Sport on extending permitted development rights to mast building. We support the Government's proposal to replace the existing temporary permitted development rights with a new permanent right which will help speed up the planning process in this area.

Our full brief on Mobile Phone Coverage and the Mobile Infrastructure Project (Westminster Hall Debate, House of Commons, Wednesday 10 February 2016) is available [here](#).

### CA calls for:

- **Government to reform planning law relating to mobile infrastructure to ensure it is easier and quicker to build new site, upgrade existing infrastructure and allow new infrastructure to be built that best suits the local area.**
- **Mobile infrastructure that has the capacity to grow to meet increasing demand as we become ever more reliant on digital technology.**
- **Implementation of the Government's proposals to allow the sharing and upgrading of sites, proposed December 2014, to ensure rollout of a mobile network which meets the needs of households and businesses.**

## Housing/Planning

It is vital that the planning system is efficient and planning policies achieve a balance between delivering sustainable housing development, supporting local businesses, and protecting the amenity of the countryside.

The need for more housing stock is not just an issue in towns and cities as many rural areas are also suffering from a lack of housing. Population growth combined with migration from urban areas has seen the rural population grow by 800,000 in the last decade, driving up house prices and pricing many families out of the communities in which they work and in which they have often been brought up.

Those young people unable to find homes often move to urban areas placing a further strain on affordable housing in those areas. This can also increase the distance people travel to work with the associated negative environmental impacts. The break-up of family and social networks when young people are forced to move away often leaves older people increasingly isolated and dependent on public services.

Rural house prices are much higher, rural wages are much lower and the gap between them is widening particularly for agricultural workers. There is a premium for rural housing in all parts of the country and property prices in the countryside are, on average, £43,490 (22%) higher than in urban areas. However, workers in rural areas have seen wages rise at a slower rate than the rest of England in the last decade, by 21% compared to 24% in the rest of the country.

We are concerned that these factors have not been adequately addressed in the Government's Housing and Planning Bill. We remain concerned that the extension of Right to Buy to Housing Association properties in rural areas will further deplete affordable housing stock as there is no obligation to replace houses that are sold off.

Locally led initiatives must develop small groups of affordable housing for local people to rent or buy where they meet criteria of local support, good design, and are affordable in perpetuity. We believe the Government should have implemented a [number of proposals](#), consulted on by the last Labour Government, to provide fiscal incentives for landowners to bring forward land for affordable housing.

The Countryside Alliance has used the Government's [Rural Planning Review](#) to call for changes to permitted development rights which would mean farmers no longer have to choose between their residential or agricultural permitted development. Under our proposals farmers will have greater flexibility on when they are able to use their Class Q rights to convert from agricultural to residential use which will help deliver sustainable housing development whilst also supporting farmers who are facing some of the most difficult trading conditions in a generation. Our response to the Rural Planning Review is available [here](#).

### CA calls for:

- **Planning system that is efficient with planning policies that support sustainable rural life and businesses; including better use of permitted development rights.**
- **Government to implement measures to incentivise landowners to bring forward land for affordable housing.**
- **Support for amendments to the Housing and Planning Bill that protect affordable rural housing.**

## Local Government Funding

Local government spending accounts for around a quarter of all public spending and includes schools, social services and maintaining roads which are some of the most vital public services for rural communities. Delivering public services in rural areas is often more expensive, leading to higher taxes or poorer services, which impact on the rural economy.

Local government funding includes the Rural Services Delivery Grant which is paid to the most rural local authorities – as defined by the Office for National Statistics classification – to help address the ‘rural penalty’ experienced by local authorities with rural communities as a result of the additional costs of service delivery in more sparsely populated areas. The Countryside Alliance welcomed the increase in this grant in the last settlement from £15.5 million last year to £80.5 million in 2016/17.

It is important that this additional funding is considered in the context of broader changes to local government funding, particularly changes to other central government grants and the devolution of business rates, in order to assess properly the impact on rural areas.

The Government has said that by 2020 local government will receive 100% of its funding from local revenue rather than central government. As local government funding moves from a predominately centrally funded system to an entirely locally funded system, it is vital that rural areas are not disadvantaged by the disparities in their revenue sources compared with urban areas. This policy also raises questions about the long term future of the Rural Services Delivery Grant and how the Government intend to tackle the ‘rural penalty’ under the new funding model.

In the 2015 Spending Review the Government announced that local authorities will retain the full revenue from business rates without any allocation to central government. This is a significant devolution of tax allocation as rates for 2014-2015 were expected to generate gross revenue of £22 billion.

These changes are designed to create greater accountability and competition between local authorities but they may also create greater disparity between rural and urban areas as the local revenue base in rural areas is generally lower and more expensive to administer than it is in urban areas. When this is combined with the additional costs of service provision in rural areas it is clear that rural areas are at a distinct disadvantage. It is vital that the Government recognises this and ensures adequate funding for rural areas.

Our full brief on Local Government Funding for Rural Areas (Backbench Business Debate, House of Commons, Monday 11 February 2016) is available [here](#).

### CA calls for:

- **Government to continue to make available grants for rural areas; and to increase year on year the funds available to rural local authorities.**
- **Government to commit to a review of the local government Formula Grants to ensure fairness between funding allocated to rural and urban areas, and bring an end to the ‘rural penalty’.**
- **Government to commit to a review of the latest changes to local government funding to ensure that rural areas are not disadvantaged.**

## Rural Services

People in many rural towns and villages do not have acceptable access to the most basic services, goods and amenities. They often have to travel longer distances for healthcare, petrol stations, financial services and shops; and pay a premium for basic essentials such as heating fuel and road fuel. A lack of access to services is not only damaging to rural communities but can also make it more difficult for the rural economy to compete with urban areas.

For the rural economy to grow, access to services is essential. These services are the life blood of a community especially in remoter areas. They hold communities together and it is no surprise that research shows 91% of people feel that post offices play an important role in their community.

Access to banking and financial services in rural areas is a particular problem. 20% of the population live and work in rural areas and yet only 12% of bank branches are located there. Out of the 28 bank branches that closed in Wales in 2014, 10 were "last bank in town" closures and this is reflected in England and Scotland as well. This means it is becoming increasingly difficult for people and businesses located in rural communities to access their money and other services necessary to living, and to running a local business.

Postal services remain essential to those living and working in the countryside. Digital communications provide alternative ways for people to exchange information, but many still rely on the post, as it is seen as reliable and secure. Which is why we are concerned about the impact changes and competition in the postal delivery market could have on rural postal services and the knock-on effect for rural communities and businesses.

An expansion of financial services in post office branches could help provide a sustainable future for the network as well as helping to address the lack of banking and financial services in rural areas. This is why we welcomed the announcement by the Post Office to make available a current account in more than 100 branches, rising to 2,000 by the end of the scheme. However, in all likelihood these will mainly be in urban areas and not all high street banks are taking part.

In June last year, [Ofcom announced a review of the regulation of Royal Mail](#). The review aims to ensure regulation remains appropriate and sufficient to secure the efficient and financially sustainable provision of the universal postal service. We called for this review to be brought forward as it is important to consider the effectiveness of the existing regulatory structure in light of potential changes regarding end to end delivery, the growth of the internet and the future of the Universal Service Obligation (USO). Ofcom is yet to report but our response to the review is available [here](#).

### CA calls for:

- **Government to take forward the recommendations in Ofcom's review of Royal Mail when this is published**
- **Ofcom to guarantee regulation that ensures fair competition across the whole of the UK.**
- **Government to ensure that rural communities are not left isolated due to lack of services**

## Value of Shooting and Angling to the Rural Economy

### Shooting

The contribution of shooting to the UK economy is valued at £2 billion (GVA) according to a 2014 report<sup>1</sup> carried out by the Public and Corporate Economic Consultants<sup>2</sup> (PACEC) on behalf of a number of shooting organisations. The study found that:

- Shooting supports the equivalent of 74,000 full-time jobs
- Shooting is involved in the management of two-thirds of the rural land area
- Two million hectares are actively managed for conservation as a result
- £250 million is spent each year on conservation by people who shoot
- 3.9 million work days are spent on conservation – the equivalent of 16,000 full-time jobs
- At least 600,000 people shoot (live quarry, clay pigeons, targets) and at least 1.6 million people shoot live quarry with airguns.
- People who shoot spend £2.5 billion each year on goods and services, bringing income into rural areas, particularly in the low-season for tourism. The research shows that an established shoot generates local economic benefits for businesses in a radius of up to fifteen miles.
- The figures show that the amount spent on shooting (£2.5bn) equals almost 10% of the total amount spent on outdoor recreation in a year, which has been measured at £27bn by the Sport and Recreation Alliance.
- Supervised shooting experience by young people encourages responsibility and discipline at an early age. Those who learn to shoot when they are young are usually the best and safest shots. The degree of skill required for participation in competitive shooting at elite level demands training from a very young age. It is also one of the few sports where able bodied and disabled competitors can compete together.

Shooting represents a massive private investment in the local economy of the uplands and ensures the future of our heather moorland at no cost to the public purse benefiting all those who engage in outdoor recreation in these areas.

There are around 149 estates with grouse shooting in England and Wales and The Moorland Association estimate that in England and Wales grouse shooting has a turnover of £67.7 million per year and as an industry supports the equivalent of 1,520 full time equivalent jobs<sup>3</sup>.

The Moorland Association members in England and Wales spend approximately £50 million per year on environmental and landscape management.

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<sup>1</sup> PACEC, 2014, The Value of Shooting - The Economic, Environmental and Social Contribution of Shooting Sports to the UK

<sup>2</sup> Carried out on behalf of the Countryside Alliance, the Country Land and Business Association and the British Association for Shooting and Conservation, in consultation with the Game Conservancy Trust

<sup>3</sup> <http://www.moorlandassociation.org/economics3.asp>

## Angling

- Angling is worth more than £3 billion to the UK economy and the rod licence raised nearly £23 million last year for the Environment Agency to use for management of inland water.
- The Environment Agency (*Economic Evaluation of Inland Fisheries*<sup>4</sup>) in 2007 found that “freshwater angler gross expenditure across the whole of England and Wales was £1.18 billion”.
- A report<sup>5</sup> into the value of sea angling commissioned by Defra published in 2004 calculated that the direct spend by recreational sea anglers in England and Wales was £538 million, and the total spend of the sector was around £1.3 billion.
- A Defra survey<sup>6</sup> conducted in 2012 on the economic and social value of recreational sea angling showed that this figure had increased to over £2 billion total spending, and sea angling supported more than 23,000 jobs (these figures include the contributions of the direct and indirect effects of angling).
- In 2007 the angling industry generated more than 37,000 jobs in England and Wales<sup>7</sup>.
- Market research carried out for the Angling Trust based on lifestyle interviews found that 3.5 million UK adults either occasionally or regularly coarse, game or sea fished<sup>8</sup>.
- A 2012 Defra survey<sup>9</sup> of sea angling revealed the average spend per individual in the sea angling population was estimated to be £1,394 per year - £761 on trip related costs and £633 on major items. Local businesses in coastal communities also benefit directly from spend on accommodation and charter boat hire, amongst other things.
- Nearly four million days of sea angling took place in England in 2012 and between 1,000 - 4,000 angling trips are enough to generate one full time equivalent job per year<sup>10</sup>.

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<sup>4</sup> Environment Agency, 2007, *Economic Evaluation of Inland Fisheries*, p51

<sup>5</sup> Drew Associates, 2004, *Research into the Economic Contribution of Sea Angling*

<sup>6</sup> Defra, 2013, *Sea Angling 2012 – a survey of recreational sea angling activity and economic value in England*, p3

<sup>7</sup> Environment Agency, 2007, *Economic Evaluation of Inland Fisheries*, p5

<sup>8</sup> Angling Trust, 2012, *Fishing for Life, A national strategy for getting people into fishing 2013-2018*

<sup>9</sup> Defra, 2013, *Sea Angling 2012 – a survey of recreational sea angling activity and economic value in England*, p5

<sup>10</sup> Defra, 2013, *Sea Angling 2012 – a survey of recreational sea angling activity and economic value in England*, p1