

For the attention of the Chair

DCMS Select Committee

Parliament

30 September 2015

Dear Chair

Culture, Media and Sport Select Committee Superfast Broadband Inquiry Submission

Thank you for the opportunity to provide comments to the DCMS Inquiry into the coverage, delivery and performance of superfast broadband in the UK, and the progress being made in extending and improving mobile coverage and services across the Country.

The West Yorkshire Combined Authority has recently signed a Contract with BT to deliver Phase 2 of the BDUK, Local Authorities and potentially European funded superfast broadband programme, rolling out fibre to the cabinet across West Yorkshire and York. Phase 2 builds on the successful Phase 1 programmes across these areas, which were delivered through strong partnerships between the local authorities and BT.

This response is therefore informed by recent extensive experience gained collectively over the past three years, and which we ourselves took into account in our preparation and procurement of the Phase 2 programme. Detailed responses to the specific questions asked are set out in the attached Appendix 1, but the key points to highlight include:

- There is still an important role for Government in intervening in broadband infrastructure as a market failure continues to exist, and improving broadband connectivity to businesses and households is a critical driver of economic growth, and social and economic inclusion for both urban and rural communities.

- City and town centres need to be recognised as areas with ‘hard to reach’ premises as there are significant numbers of businesses and residents in, for example, Leeds and Bradford City Centres that do not have access to affordable (non-lease line) superfast broadband services; which is hampering business growth and social inclusion.
- It is also critical, not only to tackle social exclusion but also to support activity to re-engage people in the workforce, that broadband access and training support is prioritised for deprived communities and people who are out of work.
- Measuring the success of government policy and the BDUK programme by coverage and speed alone masks significant issues related to broadband infrastructure and the operation of an efficient market for broadband services. Many end users (both residents & businesses) suffer from poor access to superfast broadband and/or a lack of consumer choice – these issues are prevalent in urban as well as rural areas.
- In view of the significant reduction in local available resources, there is a critical need for additional support for local demand stimulation activity to increase business and public awareness and drive take-up and exploitation.
- Devolution of future investment to Combined Authorities / local authorities will provide a more efficient and effective way to focus limited resources and develop innovative solutions, including potential income generating models to support further investments.
- The increasing number of broadband infrastructure and service providers in the industry is having a positive effect on choice and cost reductions for businesses and households, but there are further measures by Government that could be taken to enable greater competition to flourish.

I trust that our comments will be helpful in the considerations of the Select Committee, and we would be pleased to discuss our views and experience with the Committee in person at the Inquiry, should the Committee find this useful. In the meantime if you require any further information or clarity on any points raised in this response, please could you contact Colin.blackburn@westyorks-ca.gov.uk in the first instance.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ian Gray', with a large, sweeping flourish extending to the right.

Ian Gray
Director of Delivery, West Yorkshire Combined Authority &
Chair of the West Yorkshire and York Broadband Programme Board

WEST YORKSHIRE COMBINED AUTHORITY RESPONSE TO DCMS SELECT COMMITTEE - BROADBAND

What role should Government, Ofcom and industry play in extending superfast broadband to hard-to-reach premises?

1. Government needs to stay involved in this agenda. Improving connectivity to all premises (residential and commercial) is an important driver of economic growth, social and economic inclusion and better quality of life for residents in both urban and rural communities.
2. Connectivity and especially connectivity in cities needs to be recognised as a key part of the Northern Powerhouse agenda. The current position of cities means that businesses based in our economically most significant locations can find their growth ambitions hampered by poor connectivity. Cities should be at the forefront of the UK's drive to create world-class connectivity.
3. Any debate that does not acknowledge the significance of premises in city centres and urban environments in defining hard-to-reach premises will only ever be partial and will fail to tackle this important barrier to economic development. In this respect, we would echo the principle findings of the What Works Centre for Local Economic Growth Review into broadband to support the need for investment to address market failure in urban as well rural areas. See <http://www.whatworksgrowth.org/policies/broadband/>
4. Similarly, in order to not only to tackle social exclusion but also to support activity to re-engage people in the workforce, broadband access and training support needs to be prioritised for deprived communities and people who are out of work.
5. To date extending the availability of superfast broadband has been focused around coverage. Framing success in this way means that the position of premises in city centres and other urban environments can be overlooked. In these locations coverage per se is not necessarily the issue for commercial users. What coverage figures can mask is the fact that in city centre locations there can be very limited choice available to end users. Superfast coverage in city centres is overwhelmingly provided through leased lines. There is little or no FTTC available and businesses (and residents) are therefore very limited in the types of service they can access. There are two groups within businesses in city centre locations;
 - businesses that have identified a requirement for superfast and can afford the increased monthly costs associated with a leased line but are unable to access these products without incurring significant capital installation costs; and
 - businesses which cannot access FTTC superfast products because cabinets have not been upgraded and are unable to pay either the high upfront or enhanced monthly costs associated with either leased line or business grade wireless connections, and so feel 'stuck' with basic broadband connectivity.

6. In these situations there is existing infrastructure (often a complex infrastructure that has been developed in an ad-hoc way over time) but, in our view, an unwillingness to make commercial investments in this infrastructure to bring maximum choice to end users.
7. The Connection Voucher scheme has played a valuable role in enabling superfast access for both sets of customers mentioned above. For customers in the first group vouchers have allowed them to access either a traditional fixed leased line or a business grade wireless connection. For the second group the availability of vouchers has allowed ISPs, particularly wireless providers, to develop products offered with either free or low monthly costs which have allowed businesses a low risk opportunity to explore whether having a superfast connection is valuable to them. Once the initial low cost period expires businesses will have to assess whether they can continue to meet the cost of the connection. In the event that the monthly costs are unaffordable the business is back in the position of having only basic broadband access.
8. As the latter example shows the Connection Voucher scheme, whilst welcome and of value to individual beneficiaries, can only offer a partial solution to city centre issues. Delivering a step change in connectivity to city centres to deliver world class business locations will require a much more ambitious approach which seeks to comprehensively tackle infrastructure issues.
9. Recommendations
 - Government should consider bold interventions which underline its ambitions to build the resilient, future proof infrastructure necessary to drive productivity and growth. Making full fibre to the premises solutions (FTTP) a part of any new build development (commercial and residential) would signal a commitment to ensuring that hard-to-reach premises become a thing of the past. Using the Planning system to place this obligation on developers makes this consideration part of the development process – a far more cost and time efficient way of delivering infrastructure.
 - Government needs to reconsider its approach in city centres. They should consider seeking a new position on State Aid to allow for public sector intervention in city centres. There is market failure in city centre locations where commercial investment in existing infrastructure (to bring FTTC capability to city centre premises in line with premises in the rest of the district) is not happening. City centre issues include prevalence of exchange only lines, costs associated with highways and traffic management issues, way-leaves and permissions from land and property owners.
 - Government should look to support demand stimulation activity such as the Connection Voucher scheme which raise awareness of improved connectivity as a business development tool and incentivise businesses to invest in additional capacity. In the residential context Government should consider supporting demand stimulation activity to maximise the take up, and therefore, impact of the huge public sector investment in physical infrastructure.
 - The Government's commitment to a Universal Service Commitment of 2Mbps, should be delivered but increase to 5Mbps.

- The Government should stimulate the market to deliver and incentivise smaller ISPs to deploy their own solutions to rural areas; also review FTTRN, wireless or satellite solutions and communicate 'best practice' advice through to Local Authorities. BDUK to be the enabler; other providers to be given the opportunity to deliver, not just BT.
- Government and Industry – better Communications/PR to assist with Demand Stimulation. Encourage commercial roll out of 4G to bridge the gap.
- It would be interesting to understand what the economic benefit would be of extending superfast into the harder to reach places and mapping that against the benefit of focusing on more urban areas. Connectivity will become increasingly pivotal to unlocking and securing investment for the Leeds City Region, the influence Government and Ofcom has on industry providers is key to ensuring no one region benefits from a competitive edge over others.

10. The USO shouldn't change. Even 2Mbps as a minimum is not fast enough in 2015.

Is there sufficient competition in these markets? If not, how can any market failures best be addressed given the investments already made?

11. No. Devolve funding to Combined Authorities / local authorities and allow them to roll out infrastructure in line with highways improvements and local strategies offering the opportunity to adopt income generating models.
12. In some urban areas, yes, particularly around the 'quad play' offer for residents. For businesses, no, and for rural residents, no again. In terms of market failure – consider widescale deployment of alternative solutions (more investment may be required). If possible, utilise clawback and capital reinvestment from the BDUK WY projects to procure infrastructure from other providers, not just BT.

What are the commercial, financial and technical challenges the programme faces in reaching the final 5%? What technologies exist to overcome them? What investment is required, by whom and for what return?

13. We should deliver upto 99% coverage by 2019/20 across West Yorkshire and York following the roll-out of our existing Phase 2 programme. It appears likely that the only solution in the remote rural areas within the final 1% will be a satellite solution. However, in city and town centres and some other urban areas which will be still part of the final 1% following completion of Phase 2, the solution could still be fibre to the cabinet if and appropriate State Aid exemption can be negotiated by Government or BT connects the remaining cabinets with fibre through their commercial programme.

Again what is the benefit of the 5% and does the cost represent return on investment. Can we justify public intervention?

14. Would further creative thinking allow us to reduce cost of reaching the remaining 5% and increase the return on investment eg incentivise developers/landowners/investors to improve provision in a similar way to solar power? Not sure if this is possible, just a thought.
- Commercial – BT and Virgin don't want to deliver as it doesn't represent value for money.
 - Financial – Local Authorities don't have the cost or resources in place to facilitate delivery.
 - Technical – Unless the cost of deploying fibre falls dramatically, the technology used will need to reflect some of the alternative solutions – wireless, 4G, 5G... Mobile broadband could be the answer.

Given that in practice a Universal Service Obligation could not capture 100% of households, what should a USO for broadband look like?

15. Any debate about revisiting the USO needs to consider how this obligation is defined. Limiting the discussion to speed alone does not leave room for other important considerations such as;
- Reliability
 - Cost (both of deployment and to the end user)
 - Choice
16. In the context of business users in so called hard to reach premises in the urban environment, choice is an important consideration. As referred to in previous answers, for businesses in city centre environments where there may be little or no FTTC available, current provision may meet or exceed the threshold expected under the USO. However if a business wants to upgrade and increase the capacity of their connection there is no way of doing this other than taking a leased line or a wireless connection if this is possible. For residential users there may be no alternative at all.
17. We echo the sentiments of the Broadband Stakeholder Group (<http://www.broadbanduk.org/2015/09/02/bsg-publishes-new-model-on-small-businesses-connectivity-requirements/#more-2901>) which recommended that Government should work to ensure that all SMEs have access to superfast connectivity. Recent research by Federation of Small Businesses underlines the importance of connectivity to small businesses and calls for a minimum USO of 10 mbps (<http://www.ispreview.co.uk/index.php/2015/09/uk-small-businesses-repeat-demand-for-10mbps-broadband-uso.html>).
18. Notwithstanding the above, we would reiterate our view that speed alone should not be used to define our expectations of broadband infrastructure.
19. The USO shouldn't change. Even 2Mbps as a minimum is not fast enough in 2015.

What are other countries doing to reach 'not-spots'? How affordable are their solutions?

20. Some portable Wi-Fi solutions, with limited success. Other countries have better mobile broadband and in some cases FTTP as standard.
21. Should Government be investing more in research and development into finding innovative solutions to meet the communication needs of remote communities?
22. Is Government best placed to lead on developments within the sector, would this be more suitable to industry leaders/universities? However new solutions will inevitably lead to reducing cost of reaching the 5% so should be encouraged as a priority

Are BT and other communication companies investing sufficiently themselves in reaching these groups?

23. No, as they will argue it isn't commercially viable for them.
24. BT as with any other profit making organisation will concentrate their investment where they will see a return, therefore until the cost of delivery is below the potential return they will continue to ignore the harder to reach areas and 'bump' them down their commercial rollout priority list. Transparency around commercial rollout of all providers is essential to effectively plan 100% coverage and increase speeds in key locations across the LCR.
25. Three issues in play around commercial investment by BT
 - In city centre context there's a feeling that status quo protects the leased line model and therefore there is a reluctance to disrupt that.
 - Capacity issues within BT as an organisation to deliver any additional commercial activity whilst the publicly funded programmes are ongoing. Our experience suggests that BT as currently resourced are focused around planning for BDUK rollout to 2018 and are unable to plan beyond that point in time for either additional funded (ERDF) activity or for their own commercial activity.
 - Relatedly there is a concern that capacity issues within BT may mean that commercial activity that was mapped prior to Phase 1 rural programmes commencing has not happened. BT are under no obligation to complete their commercial programme and therefore some premises will remain untouched. Maps and statements relating to the overall coverage position at end of Phase 1 maybe inaccurate, and these inaccuracies will continue through Phase 2.
26. In city centre locations our experience of running the connection voucher scheme would suggest that there is a cohort of businesses which want superfast provision and are willing to pay the enhanced monthly charges associated with superior connectivity.
27. We have not seen any activity from BT to upgrade the existing infrastructure in the city centres. The feeling is that the status quo protects the leased line model and means that extending choice around connectivity to businesses and residents is limited.
28. Leeds and Bradford welcome BT's announcement of £30m to invest in cities. However this announcement was first made in autumn 2013 and no further details, outside of activity in London, have been announced.

Other investment

29. In Leeds we have seen activity from other providers in the marketplace. We have seen investment in primarily residential buildings (with some commercial buildings as well) by Hyperoptic. We welcome discussions with Virgin around how we can support them in rolling out Project Lightning investment in Leeds and Bradford. In Kirklees CityFibre are beginning an investment in Huddersfield town centre which will provide an alternative infrastructure. CityFibre's work in York is rolling out into residential areas with a joint venture with Sky and Talk Talk to provide residential services.
30. The Connection Voucher scheme has brought about activity from wireless providers who have made investments in developing wireless networks in Leeds and Bradford. Metronet in particular have been active across both cities.

What investment and progress are the mobile network operators making in improving mobile coverage across the UK and enabling a swifter process when users choose to change provider? How could these best be improved?

31. Mobile operators are doing well on the whole and the market is competitive. Switching networks is still a clunky process, perhaps Ofcom could review and suggest improvements.

How have the existing Government broadband programmes been delivered?

32. Superfast West Yorkshire has delivered well when compared to other regions; the Phase 1 project is almost complete and has exceeded its target outputs early and has come in under budget. However it may have been advisable to negotiate a better deal centrally on 'clawback' that could have been adopted across all regions as this has allowed BT to maximize profit disproportionately across the UK.
33. It could be argued that there has been too much reliance on BT which has provided a monopoly for public supported investment. The clawback model perhaps needs to be reviewed so that the clawback funding is not inexplicitly linked to the further investment just in BT delivered activity.
34. Infill, the way of reaching the very-hard-to-reach remains an issue
35. The SuperConnected Cities voucher scheme for businesses has been very successful overall and has benefited thousands of businesses of all sizes. An extension to this scheme would be welcome.
36. Finally, there is a significant problem with the way BDUK projects currently identify those areas where public sector funding can encourage BT to intervene in the market. Postcode level data is used as a basis. Under the existing schemes, postcodes can be ineligible for public sector intervention because of the presence of a single premise classified as superfast grey. e.g. if a postcode contains 100 premises and only 3 of these, say, have access to Virgin broadband, the whole postcode is deemed as ineligible for intervention funding. Consequently the other 97 premises lose out. Clearly this must change.