**COUNTRYSIDE ALLIANCE BRIEFING NOTE**

**ROLLOUT OF SUPERFAST FIBRE BROADBAND**

**GRAND COMMITTEE**

**HOUSE OF LORDS**

**Thursday 27 October 2016, 1pm**

**Lord Foster of Bath**

**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 Reportpublished 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. 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 then Chancellor, Rt Hon George Osborne MP, committed in the 2015 Spending Review “to build one of the most digitally advanced tax administrations in the world,” this 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.
* 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[[1]](#footnote-1).
* 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.

* This opening up of access to BT 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 butalternative 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 Countryside Alliance welcomes the Digital Economy Bill and we hope that the Bill will ensure that digital connectivity is delivered in rural areas.
* One of the main obstacles to high speed broadband and mobile connectivity in rural areas is the lack of infrastructure able to support high speed connections. This is why we are welcoming the proposal contained in the Digital Economy Bill to reform the Electronic Communications Code and the simplification of planning rules, which will assist with the construction of mobile and superfast broadband infrastructure.
* The Countryside Alliance also welcomes the proposals in the Bill to introduce a Universal Service Obligation (USO) of 10Mbit/s for broadband speeds across the country. However, 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.

**Current Coverage and Speeds in the UK**

* The [Ofcom Report Connected Nation 2015](http://stakeholders.ofcom.org.uk/market-data-research/market-data/infrastructure/connected-nations-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.
* 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.

**BDUK Superfast Broadband Roll-out**

* 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 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. 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.

**Roll-out Facts**

* 4,021,047 premises had a superfast broadband service made availableby the end of June 2016 as a result of BDUK-supported projects.[[2]](#footnote-2)
* BDUK grants to local authorities and budget transfers to devolved administrations amounted to a cumulative £492,573,929 in cash terms up to the end of June 2016.[[3]](#footnote-3)
* This equates to 8,163 premises covered per £1million of broadband delivery programme expenditure up to the end of June 2016. Including current claims or using a true accruals basis would lead to higher expenditure figures and lower numbers of premises covered per £1million of broadband delivery programme expenditure.[[4]](#footnote-4)

**Universal Service Obligation (USO)**

* 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.
* The USO is a welcome step forward on bridging the digital divide where there has been market failure in delivering broadband to all parts of the UK. The BDUK project has gone some way to correcting this market failure but has failed to deliver in some of the more remote parts of the country. Delivering better coverage to the final 5% is a complex and critical task, and needs careful planning and consultation with industry and communities.
* 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 USO which will give rural homes and businesses certainty to plan ahead, invest, grow and compete with their urban counterparts as well as increase social inclusion across the countryside We also believe a USO should be forward looking, with the minimum speed of 10mbps seen as an evolving threshold that is flexible and can be easily increased to meet the needs of society.
* The Government has long pledged to deliver a minimum download speed of 2Mbps for all through their Universal Service Commitment(USC), although the delivery of this has been repeatedly delayed and often seemed to be in conflict with the goal of ensuring that 95% or more of the UK can access a superfast broadband (24Mbps+**)** speed by 2017/18. Neither of these is legally binding like a USO, which is the key difference.
* The USO would be a complement, not replacement, for the on-going deployment of 24Mbps+ capable “superfast broadband” services to 95-96% of the UK by 2016/17.
* In order to ensure it is effective, the USO must be legally binding, providing a legal right to the consumer. The USO must also come with a legal guarantee for consumer compensation where this speed is not met.

**The Countryside Alliance calls for**

* Government to deliver the broadband USO and their commitment that all premises in the UK will have high speed broadband by 2020, including hard to reach areas.
* 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.
* 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.
* 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.[[5]](#footnote-5)
* 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).[[6]](#footnote-6)
* 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.[[7]](#footnote-7)
* 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.[[8]](#footnote-8)
* The internet is responsible for creating 2.6 jobs for every one made obsolete.[[9]](#footnote-9)
* Businesses with a strong online presence are growing more than twice as fast as those with no, or minimal, presence.[[10]](#footnote-10)
* 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%).[[11]](#footnote-11)
* 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.[[12]](#footnote-12)
* 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.[[13]](#footnote-13)
* A reliable Internet connection is viewed as a key business requirement by 94% of small UK businesses.[[14]](#footnote-14)

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1. Ofcom (2015):Connected Nations Report [↑](#footnote-ref-1)
2. Department for Culture, Media and Sport (June 2106): Broadband Performance Indicator. [↑](#footnote-ref-2)
3. Department for Culture, Media and Sport (June 2106): Broadband Performance Indicator. [↑](#footnote-ref-3)
4. Department for Culture, Media and Sport (June 2106): Broadband Performance Indicator. [↑](#footnote-ref-4)
5. Ofcom (2015): Connected Nations Report [↑](#footnote-ref-5)
6. Ofcom (2015): Connected Nations Report [↑](#footnote-ref-6)
7. Ofcom (2015): Connected Nations Report [↑](#footnote-ref-7)
8. The Boston Consulting Group (2015): [The $4.2 Trillion Opportunity: The Internet Economy in the G-20](https://www.bcgperspectives.com/content/articles/media_entertainment_strategic_planning_4_2_trillion_opportunity_internet_economy_g20/#chapter1) [↑](#footnote-ref-8)
9. Mckinsey Global Institute (May 2011): Internet matters: The Net’s sweeping impact on jobs, growth and prosperity [↑](#footnote-ref-9)
10. Mckinsey Global Institute (May 2011): Internet matters: The Net’s sweeping impact on jobs, growth and prosperity [↑](#footnote-ref-10)
11. Research by the Federation of Small Businesses (FSB) released on 15 January 2015 [↑](#footnote-ref-11)
12. Research by the Federation of Small Businesses (FSB) released on 15 January 2015 [↑](#footnote-ref-12)
13. Research by the Federation of Small Businesses (FSB) released on 15 January 2015 [↑](#footnote-ref-13)
14. Research by the Federation of Small Businesses (FSB) released on 15 January 2015 [↑](#footnote-ref-14)