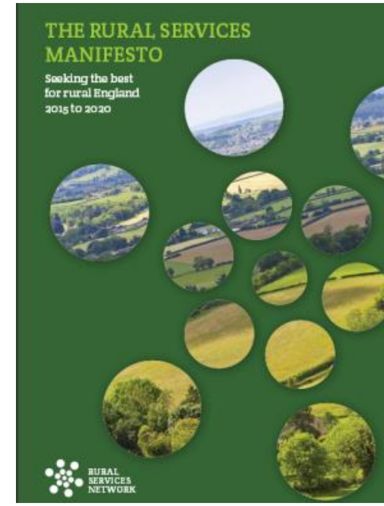
RURAL SERVICES NETWORK

Rural Services APPG

17th March 2015

Update on Rural Broadband from the SPARSE Rural Unitaries Group

Introduction

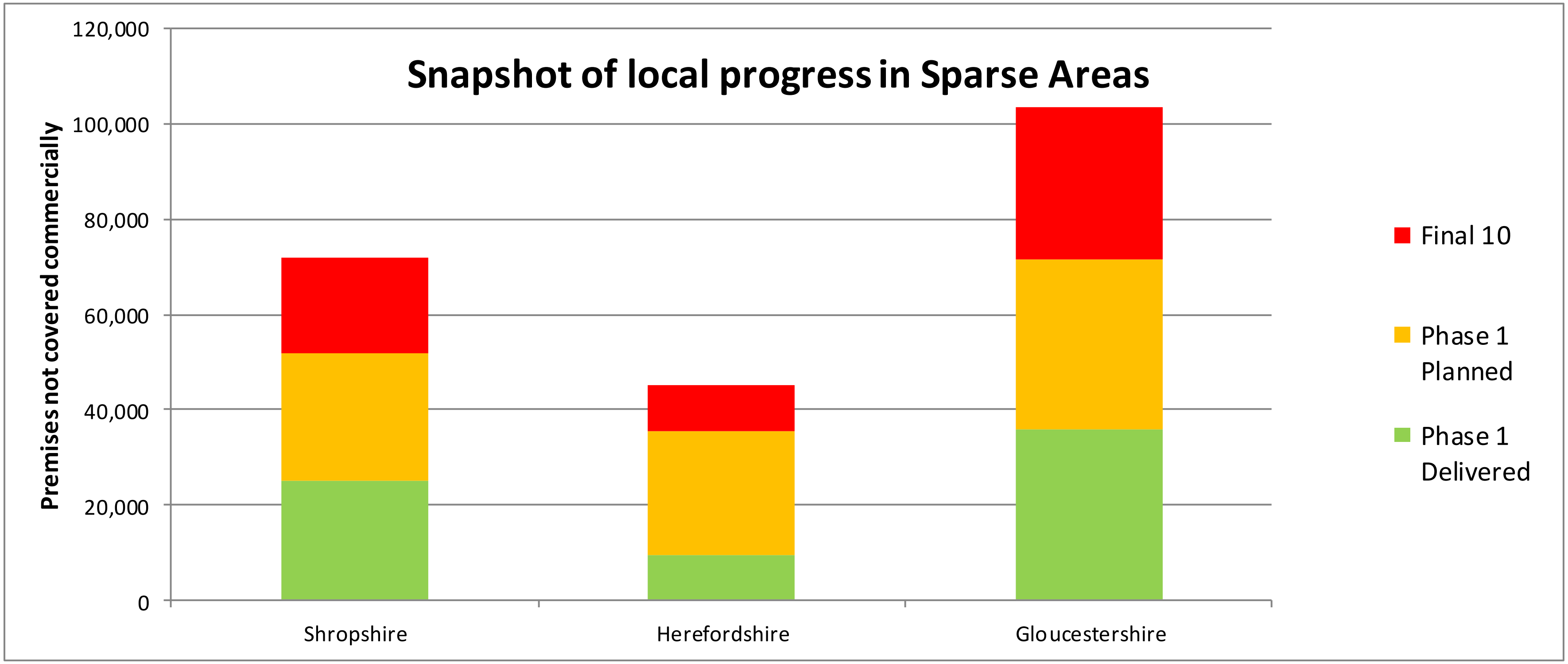


- Helen Briggs – CEO, Rutland
- Matt Smith – Operations Manager, Herefordshire
- Sparse Group of Unitary Authorities - Broadband Group
- Rural Services Network Manifesto – Broadband

- Phase 1 £530M Government investment, match-funded by local councils
  - 90% of UK premises with superfast broadband by 2015/16
  - All UK premises with at least a 2 Mbps connection
- Phase 2 (SEP) £250m Government investment, match-funded by local councils
  - 95% of UK premises with superfast broadband by 2017
  - £10m fund innovative broadband technologies in hard-to-reach areas the final 5%.
- The last 5% nationally a sizeable proportion of the most rural areas
- The fall back of having at least 2 Mbps looks increasingly dated and problematic

Current Programme Progress to date

- 44 Authorities contracted with BT to deliver c. 90% fibre coverage
- Initial State Aid Approval caused some delays
- Very positive messages from the centre with high volumes of premises being passed relatively quickly
- BDUK Figures state c. 2m premises have been passed across the UK



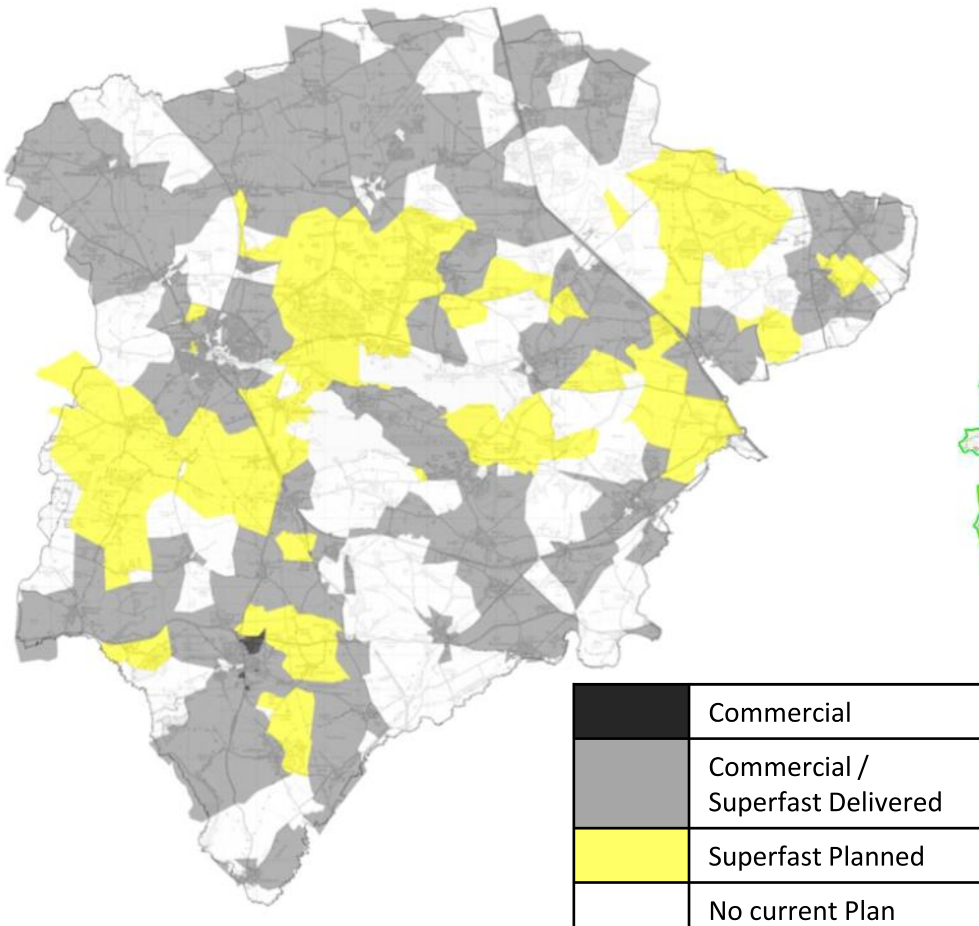
Position in Rutland & Herefordshire

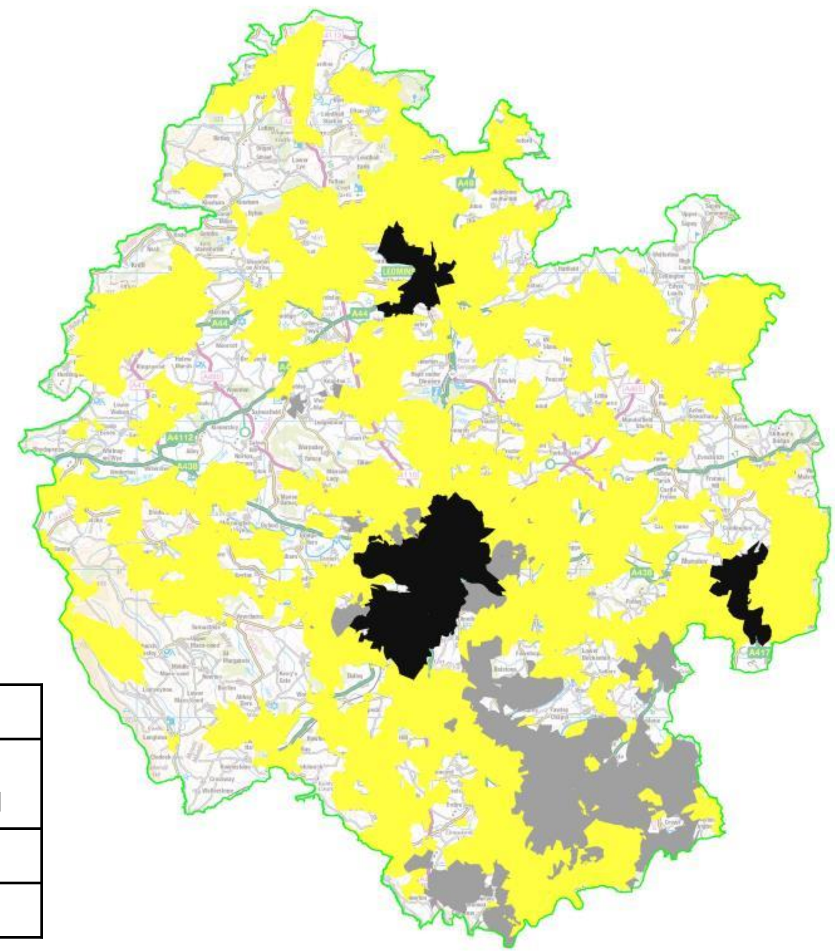
Rutland

- May 2012
- 9,000 NGA THP to date

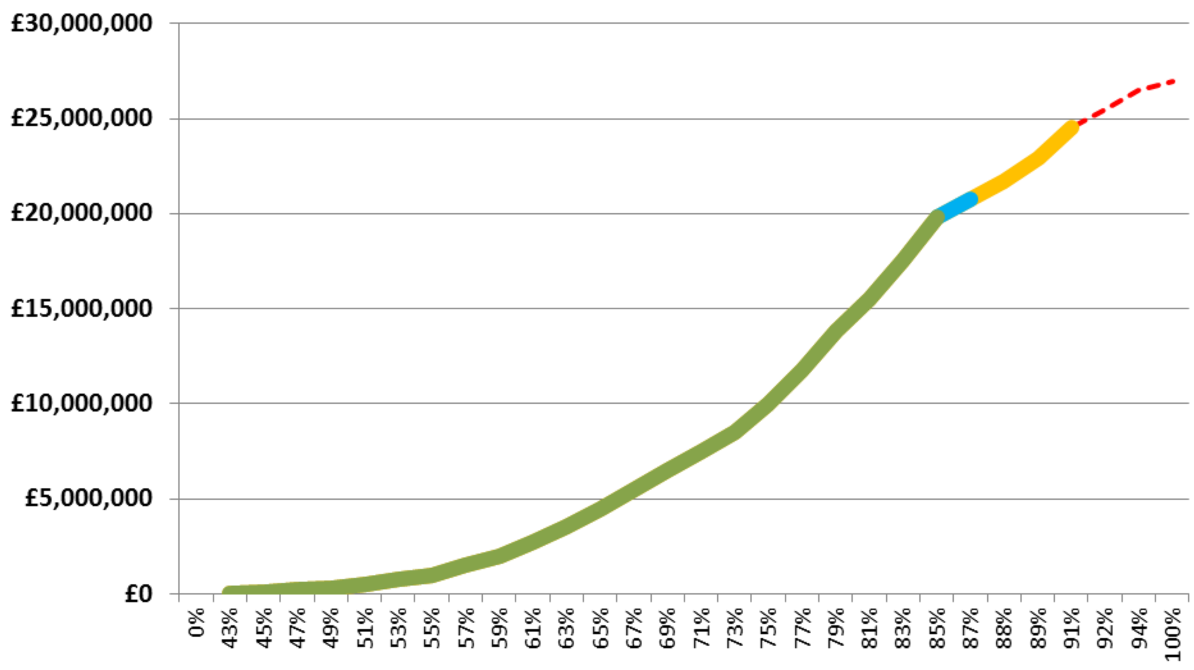
Herefordshire

- Dec 2012
- 8,500 NGA THP to date



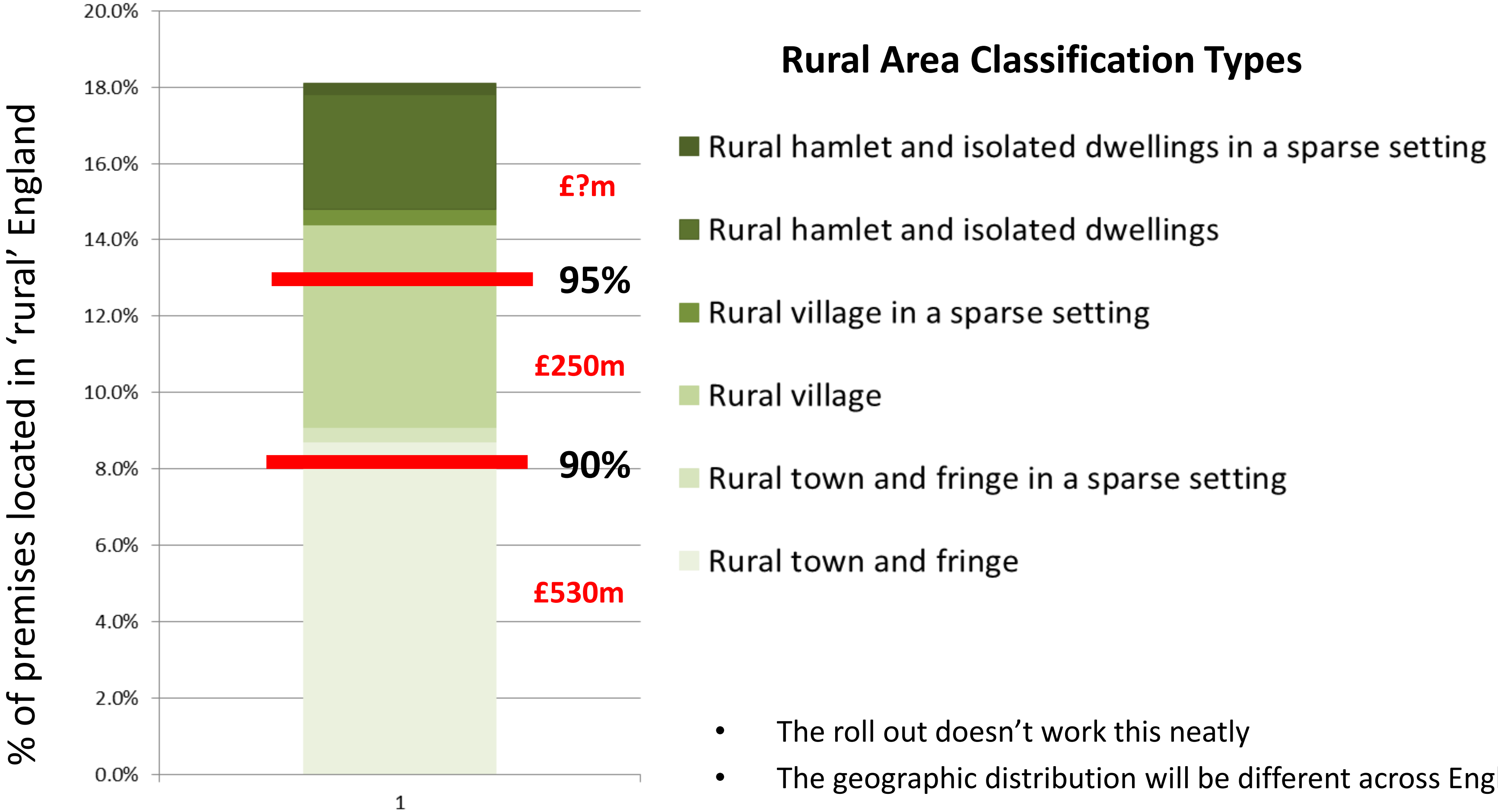


- Low hanging fruit tackled first
- Focused on providing Fibre to green cabinets already in situ
- Most intervention making acceptable speeds superfast
- Becomes exponentially more difficult & expensive to deliver
- Volumes will slow and slippage will be significant in the deep rural parts of the UK
- 40% ‘savings’ to date will narrow



Indicative incremental subsidy in Herefordshire

- Assumed that £½Bn new investment will reach another 5% - Highly unlikely with present technology or Poor VfM
- Either way… How far will 95% get?



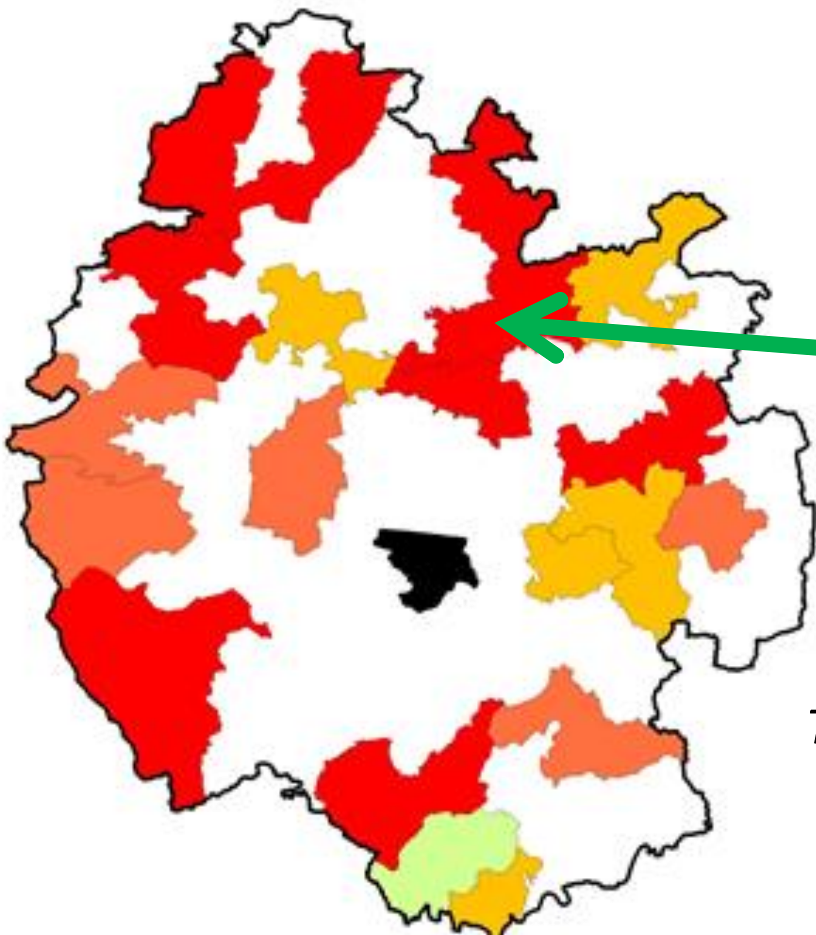
- The roll out doesn't work this neatly
- The geographic distribution will be different across England

Commercial Retraction

- New Open Market Review to define eligibility for Phase 2 (SEP)
- BT Commercial retraction between 2012 & 2014
- C. 800 in premises in Rutland 5% of total county premises
- C. 4,500 in Herefordshire c. 5% of total county premises
- C. 17,000 in Gloucestershire 6% of total county premises
- C. 6,000 in Shropshire 4% of total county premises
- Expectation that Local Authorities will plug the gap
- A risk that funding for the Final 10 will be directed back into the first 90%

Disproportionate Impact

Planned Coverage in Herefordshire LSOAs that are in the bottom 1% in terms of physical access to services



Correlation between the areas that;

- Are most severely affected by physical access to services and
- Will benefit least from the current programme

The most marginalised at the start of this will be the most marginalised at the end only the divide will be deeper and more difficult to scale

- The Final 10% is >10% in many Sparse authorities cases as will be the case with the final 5%
- Indicative average cost of **£2,219** per premise to achieve >24Mbps NGA in the F10 of Sparse Authorities
- Public Intervention Rate of **92%**
- Dwindling potential of FTTC
- FTTP extremely expensive, average cost of **>£3k** in the F10 of Sparse Authorities and **>£4,500** in deep rural areas
- The final 5% is unknown territory
- 10 Pilots being tested but unlikely to deliver NGA as determined by the European Commission

- Phase 1 Issues
  - Reported THP numbers not accurate due to BT systems
  - Data inaccuracies are rife
  - Despite their protestations to the PAC, BT provide little transparency on where and when the program will reach at a premise level which is the only level that counts
  - 100% USC target is being relaxed on Phase 1
- Most Authorities will continue to use the BDUK framework to spend their Allocation meaning **only BT can bid**
  - FTTRN being lauded by BT as the panacea but
    - It is not a product yet
    - It still only works where premises are clustered
    - The power costs alone make it extremely expensive so viability is unclear

What about the final 5%

- State Aid lapses end of June so what then?
  - Wireless the best option but state aid prevents it from being a commercially realistic solution
  - Nothing can really tackle the most remote areas without a change to state aid and nothing at all can help the final 5% unless there is a new derogation beyond June
- DEFRA imposed a moratorium on Broadband investment due to state aid
- Digital by default implemented way before universal availability
- Community solutions in the main don’t have a track record of sustainability and require vast social and technical capacity, they are very difficult to scale up so will remain piecemeal
- Lack of alternative mobile broadband provision in these areas and MIP has failed to deliver

What needs to change?

- Superfast in the deeply rural areas based on the current NGA definition is economically unfeasible. High speeds can be achieved but not the committed rates

- The most marginalised likely to be receptive to lower but adequate speeds

- **NCC / EC** need to progress a new state aid derogation with relaxed requirements re demonstrating a fibre roadmap, open access & network dimensioning. The current rules present both technical and commercial barriers to providing solutions in the deepest rural areas.

- Transparency of data from **BT** to let others into the market has to be made available at premises level if the residual problem is to be tackled. Public programmes need the information to target investment and community-led schemes can proceed with more certainty.

- **BT/BDUK** need to be required to show how the USC will be delivered and not be allowed to defer to 'SEP 3' as the panacea
- High cost of power connection is in part due to the need for metered supply a national agreement with the **power companies** could relax this and make it more cost effective
- Ofcom could regulate **BT** to extend PIA access to mobile operators to access backhaul for 4G
- Resources for Demand Stimulation now critical to realise the projected benefits through exploitation and not just take up
- Service Digitisation is also critical **Local Authorities** need to step up
- Evaluation to understand the impact of public subsidy

Thank you