



INCA Policy Briefing No.1

July 2010

A regular briefing from INCA on recent developments in next generation broadband infrastructure deployment, regulation and public policy.

Broadband Delivery UK – Industry Day

BD-UK has been created within BIS as a delivery vehicle for the 2 Mbps Universal Service Commitment (USC) and for increasing access to super-fast broadband.

The BD-UK Industry Day took place on 15th July. Around 140 people participated, with INCA represented by Adrian Wooster – well-respected in the industry and responsible for INCA's work on technical standards and business processes. Other INCA members were present on behalf of their own organisations. DCMS Minister Jeremy Hunt opened the event with a wide-ranging speech, laying out an ambitious vision of superfast broadband in the UK delivered by the industry with fewer barriers to investment and shared infrastructure networks helping to reduce the cost building networks. Ed Vaizey, the Minister responsible for delivering the broadband vision, chaired the first session and took questions from the industry.

Caroline Spelman, Secretary of State for the Department of Environment, Food & Rural Affairs, spoke about the rural issues, referring to an NFU study which reported that up to a third of farmers were off-line but typically not through choice. She added that it's her goal to "bring rural areas in, out of the cold" and a part of this was to make broadband a priority in the DEFRA business plan.

Much media coverage of the event focused on the announcement that fulfilling the Universal Service Commitment will be pushed back from 2012 to 2015. But this would be to understate the messages in the Ministers speeches, messages that were amplified during the course of the day which described a very much more interesting and positive story.

Rather than prescribing a centralised, top-down approach, the three ministers explained their vision of super-fast broadband by 2015. They admitted that they didn't have all the answers today, instead they laid out what they see as the Government's role – to remove barriers, get Government departments working together and smarter, and create an environment which fully supports investment. They then described a partnership approach, laying out what help they needed from industry, local Government and community.

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What is Super-fast Broadband? The Government are using this term because they understand that it's a moveable feast – what qualifies as super-fast today probably won't do by 2015. Jeremy Hunt stated unequivocally that we should be thinking in the area of 50 Mbps symmetrical services. This suggests that in their judgement FttC/VDSL may not be a suitable solution come 2015. Slide 63 of BDUK's presentation, shows what the government believes will be the trajectory of super-fast broadband. Right now, it's in excess of 20 Mbps but technology is moving too fast to be thinking about investment at those speeds; by 2020 it is likely to be 200 Mbps.

Click here to see the full presentation:

<http://www.bis.gov.uk/assets/biscore/business-sectors/docs/b/bduk-industry-day-presentation.pdf>

Technology: Adrian Kamellard, CEO of BD-UK, coined the phrase “technology neutral with an eye on the superfast agenda”. There is an “irreducible core” of isolated, remote locations (about 160,000 premises) where delivering anything is challenging and for which they will encourage the best viable solution above 2Mbps. For the rest, the majority, they are seeking long-term, sustainable super-fast solutions.

Funding: The £200m previously pledged is essentially a “stake in the ground”; as progress is made the Government are prepared to increase funding as necessary, with a likely cap of £150m per year coming from the BBC licence fee. In addition, they will be seeking other sources of finance, from the EU for example, and are in talks with the European Commission to obtain a UK-wide State Aid approval to provide clarity on the ways public network infrastructure can be used. However, Jeremy Hunt emphasised the fact that the South Korean broadband programme was Government led but 95% privately funded, and that this is the model he expects to follow. The Government are proposing *a national policy with a local approach*. They hope that investment will be led from sub-regional level (possibly local authority or lower) with BD-UK acting as central bankers and advisers to these local programmes. Around the local programmes they want to see “mid-level aggregation”.

This is indeed the very approach that INCA has been advocating and INCA is looking forward to helping our members turn this vision into reality. There will need to be a structure which links BD-UK with the local delivery groups, and there will need to be a function which enables the mid-level aggregation work for the existing industry. Both of these are current work programmes INCA is assisting in.

USC Theoretical Exercise: This is a paper exercise which seeks indicative solutions, technical and commercial, for three geographies - one near Swansea, one in Sutherland, and one near Lancaster. BD-UK is seeking partnership solutions for these three to help inform the delivery models and specific funding programmes.

BD-UK is using the USC Theoretical Exercise to understand both the *cost effectiveness* of different standard and super-fast broadband solutions to achieve universal broadband service coverage (the USC), and also the *capacity and willingness* of broadband suppliers to increasing broadband availability in the UK to areas that are economically more challenging to serve.

This information will be used by BD-UK in determining which commercial models are most likely to be successful in achieving its objectives, before designing and running a competitive process for deploying Government funds in accordance with that model. We would encourage INCA members to participate in this exercise, to take the opportunity to illustrate their capability and capacity to achieve the USC, and thereby influence BD-UK's choice of commercial delivery model. INCA is offering to help members to build partnerships and submit solutions.

The RFI can be found here:

<http://www.bis.gov.uk/assets/biscore/business-sectors/docs/b/10-1065-bduk-usc-theoretical-exercise-request-information.pdf>

Interested parties must sign a mutual NDA, following which they will receive more detailed area information. Notification of intent to submit a response must be received by BD-UK by **26 July, 2010**. Responses may be submitted from **August 16th**, with a final deadline of **September 3rd**.

For more details on how to take part in the USC theoretical exercise, please click here:

<http://www.bis.gov.uk/policies/business-sectors/telecommunications/broadband/bduk/industry-day/usc-theoretical-exercises>

Super-fast Broadband Pilots: In parallel, the Government are asking the Regional Development Agencies and Devolved Assemblies to provide a long list of locations from which they will pick an initial three real super-fast market testing deployments. We are encouraging Local Authorities to provide their own suggestions to the RDAs, and INCA is offering to assist LA members to draw up their own lists. BD-UK will reduce the long lists to a short list of actual projects which the Government will then tender for.

The short-list will be announced in September followed by a procurement process with £5-10m of public funding for each location; contract awards are expected in Q2 of 2011. For the pilots this will be a simple capital subsidy to reflect the nature of the projects; the Government wants to understand, for example, what forms of demand registration and stimulation work, how EU State Aid rules will apply, models of open access, the impact of infrastructure sharing, etc. However, the funding programme for further future projects is more likely to be in the form of a public investment programme than simple grants – the Government expects projects to be commercially viable.

BIS Consultation on Broadband Deployment and Sharing Other Utilities' Infrastructure

Also on July 15th, BIS published a discussion paper which seeks to prompt a discussion about the merits of using existing infrastructure networks, including telecoms, electricity and the sewers, to facilitate deployment of next generation access networks.

The paper raises some interesting questions:

- To what extent will there be demand to use new or existing telegraph poles to deploy overhead fibre to the premises?
- Ofcom's recent review of the wholesale local access market proposed that BT should be obliged to offer access to its ducts and poles where it has market power, i.e. in the access market. But the new EU framework directive allows regulators to impose infrastructure sharing obligations on operators regardless of market power. This could mean opening up Virgin's network and also BT's network outside of the access network, e.g. between main switching exchanges.
- The process for obtaining wayleaves may need reforming.

To read the consultation, click here:

<http://www.bis.gov.uk/Consultations/broadband-deployment-and-sharing-other-utilities-infrastructure?cat=open>

The deadline for responses is **16 September, 2010**.