



HOUSE OF COMMONS

LONDON SW1A 0AA

Matt Warman MP
Minister for Digital Infrastructure
Parliamentary Under Secretary of State
Department for Digital, Culture, Media and Sport

25th January 2021

Dear Matt

Delivering broadband to hard to reach rural areas

The APPG for Rural Services was very grateful for your time when we met on 3rd November, 2020 to discuss Digital Connectivity. Your candid contribution to our discussion left us feeling reasonably optimistic about the future roll out of gigabit capable broadband to rural areas over the next 4 years. That was, of course, before the Spending Review.

The Spending Review decision to allocate just £1.2bn over the next four years while still referencing the original £5bn has left us quite confused.

I was further dismayed to read recently the following summary conclusion from the recent report by the Public Accounts Committee “Improving Broadband”:

“After we took oral evidence from the Department on 9th November 2020, we felt it was clear that Government’s 2019 election pledge to deliver nationwide gigabit (1000Mbps) broadband connectivity by 2025 was unachievable. Since then, the government has accepted that. On 25th November it published, alongside the November 2020 Spending Review, a revised target of at least 85% by 2025 but will seek to accelerate rollout to get as close to 100% as possible and has committed less than a quarter of the £5 billion funding needed for the Department’s programme to support roll-out to the hardest to reach 20% of premises. This is still a challenging target and increases the risk that the very hardest to reach premises will be struggling with slow broadband for many years to come. We are concerned that the Department has yet to make any meaningful progress in delivering the policy and legislative changes deemed essential by industry if it is to achieve rapid roll-out. It is still developing its £5 billion programme to subsidise roll-out to the hardest to reach 20% of the UK’s 31 million premises and could not tell us when it intends to deliver major milestones, such as the letting of contracts. We are increasingly concerned that those in rural areas may have to pay more, and may reach gigabit broadband speeds late.”

The APPG would be grateful if you could let us know as soon as possible what the current position is. If there are capacity issues, what are they and what action is the government, working with the sector, planning to take (and when) to address those issues?

Looking at the recent DCMS procurement plans, published on 22nd December 2020 for gigabit-capable broadband, our understanding is that there are effectively three levels to these procurement plans (over and above the already commercial roll-out in urban areas):



- (a) Those peri-urban and accessible areas where much of the roll-out will be commercial, but some public subsidy will be on offer to contractors to ensure that the more isolated settlements/premises are reached (see map on page 20). Competitive bids are expected, albeit acknowledging that competition for these large areas may be restricted;
- (b) Those less accessible rural areas where roll-out contracts are likely to need substantial public sector funding (see map on page 21). This will aim to encourage and stimulate smaller telecoms providers to deliver in these areas. What if this does not achieve it's objective in some areas, or not until after 2025?
- (c) There are then vague references to regional contracts (paragraph 3 on page 10) to sweep up any remaining uncommercial settlements/premises that have lost out. The DCMS plan says only that they are "exploring" this idea. It is not clear to us if the areas that this would address are pockets within (a) and (b) above or areas at (b) that do not attract bids or something else.

Our assessment of this procurement plan does not change our understanding that the 2025 target has been downgraded, that a sizeable rump of rural premises will be left behind and these will be in the most uncommercial areas - so as an "outside-in approach" it is not going to meet its target, with some of the most hard-to-reach properties remaining unconnected.

We would welcome your comments on the above relating to the procurement plans.

As we interpret the present position:

1. Only 5% of uncommercial premises will receive a gigabit capable connection, leading to large areas of rural Britain (being uncommercial) not having access to a gigabit capable connection until well after 2025. Some areas may have to wait until 2029 or 2030.
2. The Government says that the new plan is due to the limited capacity of the infrastructure providers. However, it also wants to accelerate the rollout. It is hard to reconcile how deployment can be accelerated if capacity constraints are the limiting factor.
3. It has also said that the "outside-in approach" remains in place. This is simply not the case: if the commercial rollout is complete by 2025 but only 5% of uncommercial areas are connected, how can the outside-in approach be applied for the remaining 15%?
4. The Government's position appears regrettably confused and contradictory. If it wishes to accelerate deployment beyond 85% by 2025, it must allocate the remaining £3.8bn during the next Spending Review of 2022/25. Government and Industry also have a responsibility urgently to resolve the regulatory and capacity issues if the approach to outside-in is to be consistent.

Again, we would welcome your comments.



Finally, in respect of the USO as the MP for the Ludlow Constituency I recently received information from BT including the following statements (my bolding) upon which your comments would be appreciated:

“We are also introducing a cost-sharing system to make paying these costs more manageable if a constituent wants to progress a USO project. This will allow neighbours who are USO-eligible, and would collectively benefit from upgrading the infrastructure, to share the overall ‘excess’ costs to all be connected at once. We expect to launch this system shortly. As part of it, we will be inviting any constituent that receives an ‘excess’ quote under the USO to take part in a cost sharing scheme. We will also work with their local community to let them know about the opportunity and encourage them to become involved they are also eligible for support under the USO.

Despite this, we know that there will be some constituents, particularly in hard to reach rural areas, for whom the costs of getting better broadband under the USO are just too high. **We estimate that to connect all the ‘above-threshold’ USO eligible premises across the UK to ‘full fibre’ would cost more than £1bn. The fact is that the USO was not designed to meet the challenges of connecting these very remote places. This needs urgent focus from industry, Government and Ofcom to find alternative, cost-effective solutions where existing approaches are unable to provide adequate support”.**

I would be grateful if you could comment on this approach to the problem from the leading contractor supposed to be delivering the USO policy.

I would appreciate a reply that I can circulate to members of the APPG. We would be pleased to host a further meeting with you to discuss your response.

With best regards

A handwritten signature in black ink that reads "Philip Dunne".

Philip
Rt Hon Philip Dunne MP
Chairman, APPG for Rural Services