

20<sup>th</sup> January 2010

All-Party Parliamentary Group for Rural Services

Meeting Note – “How can digital technology help to deliver services in rural areas?”

1. **Philip Dunne MP, Chair of the APPG**, welcomed the speakers, members, and invited guests. In opening discussions, Philip pointed out that delivering public services online presented great opportunities, but that universal access is crucial if we want to achieve this.
2. **Prof Paul Foley, Professor of eCommerce at De Montfort University and Director Tech4i2**, outlined the opportunities for rural areas presented by broadband and Next Generation Access (NGA), as detailed in the attached PDF document. This included:
  - i. The current speeds available to the UK in general and rural areas.
  - ii. The UK's broadband connectivity in relation to the rest of the world.
  - iii. Factors affecting investment by the private sector.
  - iv. The impact of broadband accessibility on local business and public benefits.
  - v. Return Path speeds are crucial to telecare and similar applications.
  - vi. There is currently only a little hard evidence of the public benefit and savings associated with accessibility, as commencement of research is relatively recent.
  - vii. The “grey areas” between Urban and Sparse rural. Prof Foley highlighted that these areas risk being left behind as they may not receive the private investment targeted at urban areas, nor the public investment targeted at sparse areas.
  - viii. Possible solutions to the problem of high (fibre) infrastructure investment costs in rural areas (e.g. Alternative infrastructure, demand aggregation etc.).
  - ix. The ultimate problem for private investment is the balance of long term investment in infrastructure vs. the short term need for rates of return. Need to find a way of separating these two.
3. **Phil Jackman, Head of ICT Services at Durham County Council**, began by echoing some of Paul's comments and used Durham as a case in point. Phil outlined the different connectivity issues facing different areas of the county, comprising a mix of urban, deprived rural (former coalmining) communities, and more affluent but sparser rural areas.
  - i. He added that, for public bodies like the Council, it is not just the broadband, but the services in top which matter, including:
    - Business services ;
    - Access to markets and consumers;
    - Learning opportunities;
    - Social inclusion;
    - New services at lower cost.

- ii. Durham currently has around 50% of the population receiving a service of 2 Mbps or more, but only 2 exchanges in the county are set to be upgraded to NGA under current BT plans. Therefore some form of intervention will be needed for the 'final third'.
  - iii. Phil outlined that the one of the main considerations for the Council in this is cost efficiency. 'Channel Migration' is the term used to describe moving services from face-to-face or other delivery methods onto alternative methods such as the internet. Hence reducing the cost of service delivery; i.e. what costs £2 face-to-face may only cost 2p online. Deprived communities make up some of the highest users of public services, and therefore if deprived communities don't get online, the Council will end up paying more.
    - There are other benefits to getting more people online:
    - Increased access to learning platforms.
    - More innovative ways of connecting with and empowering citizens.
    - Home working to cut down mileage.
  - iv. A proper electronic relationship with citizens is therefore crucial both to the transformation of services and reductions in cost.
  - v. Finally, Phil outlined the "Digital Durham" project: Using council tenants as anchor customers to deliver fibre services where the market will not, delivering services on a commercial basis (using a CUPID system). 17 of the 25 exchanges in the County have already been upgraded, as they serve council premises, therefore there are only 8 to go.
4. **Questions were opened to the floor**, with the following points raised and discussed:

**Philip Dunne MP:** In Shropshire, a backbone network is provided to connect the County's schools, with suitable security protocols, could this be used to connect communities? Secondly the RDA has invested in improving access in rural communities, but some operators are threatening to withdraw when RDA's pump-priming subsidy is withdrawn in April. So even if the infrastructure exists it does not guarantee success.

**Andrew Gill (Motorola):** There is a business case for wireless in very rural areas, so we should not just focus on big investments in fibre. Especially where fibre is not economical, the right kind of wireless network can provide a 10Mbps service, which will be better than average for a good few years yet and certainly not a bad speed to "put up with".

**Malcolm Corbett (Community Broadband Network):** Cited the community broadband example of Alston Moor. Using a business model based on longer-term investment, Alston Moor has demonstrated that if the business case is right, you only need limited public investment and costs are significantly lower than predicted. He highlighted the 'three hundreds' that were key to the business model:

1. 100Mbps symmetric
2. 100% population coverage
3. £100pa line rental

Plus, you can leverage public sector network investment to reduce costs.

**Brian Lasslett (Powerline Technologies Ltd):** Company has conducted a feasibility study into using electricity infrastructure to get broadband into homes. Most of the cost of upgrading networks is in the final 'fibre to the home' (FTTH) cost. Powerline's proposal is to 'inject' broadband into power lines and hence piggyback on existing lines. Electricity pylons are also more reliable than telephone poles because of the way they are constructed and bedded-in. The current issue is that electrical companies are not currently empowered to put other services on their poles, but they are interested because it would have uses for their proposed smart metering grid too. Pointed out that many very sparse areas are 3G not spots.

**Aidan Paul (Vtesse Networks):** Asked the CLA if they were planning to address (with their members) the issue of the £6 per metre charge which landowners can levy on cables passing across their land?

**Charles Trotman (CLA):** Confirmed that they were looking at the issue.

**Brian Lasslett (Powerline Technologies Ltd):** Common sense should prevail in most cases, because the people with the opportunity to levy the charge are the very people who would benefit from the fibre being laid.

**Philip Dunne MP:** How do you deal with the issue of not-spots when providing wireless broadband in rural areas?

**Aidan Paul (Vtesse Networks):** Pointed out their trial currently being undertaken at Box Hill in Wiltshire, which is topographically very difficult (i.e. hilly). The trial covers 150km<sup>2</sup> with a non-urban population of 5000. Trials in resolving not-spots are ongoing at two communities. Initial results highlight that there is very little difference between residential and business use, because of the high prevalence of SMEs and home-working. Feasibility studies for 10Mbps services also need to be undertaken in smaller villages because of their distance from all other infrastructure, also there can be problems with speeds collapsing at 6pm. But wireless tends to return investment fairly quickly due to low operating costs.

**Philip Dunne MP:** Is there a licensing challenge?

**Aidan Paul (Vtesse Networks):** High charges by government for licensed spectrum means that those who bid for it have to pass this cost on to consumers. In other countries, unlicensed spectrum has created huge markets, and therefore the government should encourage this through similar unlicensed spectrum here.

**Leo Todd (Anapper Ltd):** Service providers (such as those who provide networks for schools), pay BT for the use of conduits and ducts, which is a serious disincentive to investment in new infrastructure.

**Malcolm Corbett (Community Broadband Network):** There is also the Gordian knot of the rates issue on infrastructure investment. Since we are only going to make such large

infrastructure once, it would make sense to relax rates and other restrictions and let it happen well.

**Callum Knowles (Anapper Ltd):** BT have increased their footprint in recent years, yet have had their rates dropped, whilst those for smaller providers have increased.

**Bridget Taylor (BT Group):** Unable to comment on the rates issue, as deals with local government side of the business. But the £1.5bn investment from BT will see 40% of the population connected by 2012.

**Anthony Walker (Broadband Stakeholder Group):** We issued our “Pipe Dreams” report two years ago, and a lot has changed since then in terms of broadband take-up. A lot of attention has been paid to the issue, and it is worth noting that we are still in the early stages of broadband roll-out, with lots of options still open and relatively high levels of innovation and private investment (raised issue of passive infrastructure and duct-opening). The question of funding NGA is a political one, but £1bn is quite a lot of money either way, and the availability of it will do a lot to drive innovation.

**Aidan Paul (Vtesse Networks):** Often come across people who would be willing to pay about £1500 to get a broadband connection if they had title to the infrastructure, because it raises the value of their house.

**Anthony Walker (Broadband Stakeholder Group):** Echoed the comment, compared the investment to a new boiler.

**Dan Rogerson MP:** Expectations of rural constituents are high. We need to continue to shout for funding, investment, and support to be directed toward rural areas. Especially as broadband access is vital to boost rural economies.

**Philip Dunne MP:** Whilst further public money is unlikely to be forthcoming in the current economic climate, a lot can still be done about removing the barriers to private investment and allowing the market deliver.

5. Philip Dunne MP closed the meeting by thanking the speakers, members and guests for attending. Those attending who had not had the chance to ask questions or comment were invited to submit short summaries of their points, which have been attached as appendices to this meeting note.
6. This session was concluded at 09h30.

**Attendees:**

Philip Dunne MP	
Baroness Byford	
Dan Rogerson MP	
Lord Dear	
Richard Benyon MP	
Anthony Walker	Broadband Stakeholder Group
Bridget Taylor	BT Group
Malcolm Corbett	CBN
Terry Bowers	Conservative Technology Forum
Joanne Milligan	Consumer Focus
Matt Forde	Consumer Focus
Richella Logan	Country Land & Business Association
Liz Peel	CRC
Peter Vines	CRC
Matt Hill	CRC
Geoff Stevens	East Midlands Development Agency
Philip Virgo	Eurim
Andrew Gill	Motorola
David Lasslett	Powerline Technologies Ltd.
Charles Trotman	CLA
Akudo Ike	Royal Mail
Nancy Saunders	Royal Mail
David Inman	SPARSE / RSN
Graham Biggs	SPARSE / RSN
Dan Bates	SPARSE / RSN
Matt Rogerson	Virgin Media
Nicola Perkin	Vodafone Ltd
Aidan Paul	Vtesse Networks
Ruth Gripper	Researcher - Funding formula
Callum Knowles	Anapper Ltd
Leo Todd	Anapper Ltd

**Philip Virgo, EURIM:**

The comment below may be helpful in putting one of the comments on the quality of service actually being delivered into context

“I work mainly from home and spend about six hours a day at my computer or on-line (information searches, e-mail etc.), but do not have the time (with a family and caring for an elderly relative) and do not want to continue sitting at a computer in the evenings or at weekends. I therefore rarely transact on-line and when I do find the connections available are so slow and unreliable that the pages are dropped before completion, or I have forgotten the password, and being out of hours cannot get through by phone. Similarly I cannot spare the time to fight through automated call centres. Therefore I commonly batch the transactions for myself and those who rely on me, including with banks and building societies, for when I am visiting the city and can speak to someone face to face. My son and I wasted 40 minutes the last time we tried his bank by telephone and ended up ringing the customer complaints number in order to speak to a human being.” *Louise Beaton, senior Village Halls Adviser Action in rural Sussex, Consultant Village Halls Adviser, ACRE*

If that is the case for an able-bodied computer literate graduate responsible for providing advice to rural community support groups, what is the position of the average rural resident: let alone the elderly in most need of public sector care and attention.

The growth in the number of elderly, with a consequent growth in numbers with impaired eyesight and/or hearing, calls into question the growing reliance on screen and keyboard or call centre for contact between those in need of service in the inner cities, suburbs and rural areas and those supposedly responsible for delivering it to them.

We need to greatly improve the quality of our on-line services (speed of response and reliability as well as ease and security of use) so as to improve take-up among those who would like to be able to make effective use of them. But if we are serious about delivering improved service at lower cost, we need to also turn every sub-post office into a first point of contact for those who can walk but cannot use a screen, keyboard or telephone. In parallel we should issue mobiles (blackberry or equivalent) to every postman so that they can bring the sub-post office, (ideally including cash and paying in facilities), to those who cannot walk.

That means reversing the process of turning Postman Pat, the pillar of the local community, into White Van Man, deskilled and demotivated other than to meet centrally met targets. The overall net savings to the taxpayer will almost certainly be well above any that have been made or are in prospect from decimating departmental silo contracts while the improvement in community service and cohesion could be immense. More-over, allowing the transformation to be driven from the bottom up could enable it to be delivered on positive cash flow.

The issue of providing authoritative guidance on the procurement of shared network services needs to be addressed. More-over this should be in line with the way in which other EU member states interpret the rules on state aid.

The impact of Business Rates does, of course, need to be addressed. The way in which these have a different impact on different suppliers and are linked to neither the revenue or profit generated nor the cost of construction is bizarre. The "rules of thumb" and fictional formulae being used as proxies for "rental income", the supposed basis of business rates, need to be addressed as does the "all or nothing" position when a network is shared between rateable and exempt functions.

**Bridget Taylor, BT Group:**

Cost reductions and service improvements can be achieved by public services if

- a) the technology is available in rural areas and;
- b) citizens are given help in using on line services.

In the BT Joint Venture CSD which I represent we have successfully increased our self service web access by 15% in the last few months by working with customers face to face to give them the confidence to use the technology. The cost benefits are dramatic £1.53 per contact centre transaction vs. 12p on line. Apply this across the country and there are huge savings to the public purse to be realised.

This supports the argument that the public sector has a role to play in helping to achieve access and take up. With most rural communities having access to fixed or mobile libraries with WAN or wireless capability – we have used them to help drive channel migration.