Improving connectivity for very hard to reach premises

Department for Digital, Culture, Media and Sport (DCMS) Consultation

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Introduction

1. The Country Land and Business Association (CLA) is a trade association representing 28,000 members in England and Wales. Whether they be farmers, landowners, or rural businesses, they will have a direct interest in digital connectivity, particularly in terms of access to broadband.

2. The CLA welcomes the Government consultation on Very Hard to Reach Areas (VHTR) in recognising that all areas of the country have a legitimate right to digital access, irrespective of location or geography. Indeed, the CLA's digital priorities are based on universal coverage.

3. However, it is important to be practical. We recognise both the financial and physical constraints imposed on fixed line infrastructure providers where the ability to deploy fibre to very hard to reach areas is severely stretched. This means that the government needs to examine alternative technologies where costs are reduced and the effectiveness of the connection can be maintained.

The issue of demand

4. The most immediate issue or question is why there is a clear gap between the supply of digital connectivity and the demand for bandwidth. According to the latest statistics, 97% of premises have access to a superfast broadband connection. However, demand averages around 60% which represents a significant gap. This has a direct implication for infrastructure providers and the investment decisions that are made in terms of deployment, particularly so in very hard to reach areas.

5. It is very much the case that the lack of demand will affect infrastructure providers in determining where, in the country are the most cost effective areas in which to build networks. Irrespective of whether the provision of digital connectivity is seen as a public benefit and a societal requirement, providers will be unwilling to invest where there is no demand and no return on investment unless there is clear and sufficient government support.

6. However, as stated in the consultation, there are estimated to be 100,000 premises which are likely to fall into the category of being broadband bereft, the vast majority of

these premises being in remote rural areas. If the government objective is to meet public need, it needs to incentivise providers to ensure access. Given the costs involved for fixed line infrastructure providers, consideration needs to be given to alternative technologies. We would, therefore, suggest that for very hard to reach areas the provision of technologies such as satellite, needs to be considered. In addition, the government should consider the award of grants and vouchers as a means of stimulating demand.

The benefits of access to digital connectivity

7. The Covid-19 pandemic has highlighted the importance of digital connectivity, irrespective of location. When looking at the potential of digital connectivity in rural areas, the Rural England and Scotland's Rural College report estimates that: "Unlocking the digital potential of rural areas across the UK could add between £12 billion and £26 billion (Gross Value Added) annually to the UK economy. This would result from the additional turnover achieved by rural based businesses, which would be between £15 billion and £34 billion annually."[1]

8. These benefits can be set out as:
   - Access to new markets and professional services including banking, accountancy, legal, advisory, suppliers, assurance schemes;
   - Online business management;
   - Improved environmental performance through data driven resource use efficiency and engagement in government productivity schemes delivered through online platforms;
   - Access to remote learning and working and the availability of digital skills;
   - Expansion of businesses and engagement in the planning system which is increasingly online;
   - Access to online government and public services;
   - Diversification of land-based businesses; and,
   - Networking with business stakeholders (business partners, suppliers, buyers, consumers, communities.

9. However, despite these benefits, there remain two issues: access to the available technology by removing the barriers; and the ability to use it effectively.

Barriers and challenges to overcome

10. There remain barriers that prevent rural digital connectivity being a critical enabling technology. The pandemic has shown the importance of digital competencies, particularly for small and micro businesses. However, despite many rural SMEs producing goods and services that are suitable for sale on digital platforms, it is very much the case that many recognise that they lack a compatible set-up or know-how to fully exploit this potential. In addition, the rural tourism and hospitality sectors often face

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[1] https://ruralengland.org/wp-content/uploads/2018/03/Unlocking-digital-potential-website-version-final.pdf

problems with digital communication due to a lack of effective infrastructure. Digital adoption is also increasingly bank branch closures.

11. The disruptive nature of Covid-19 has, according to the National Innovation Centre for Rural Enterprise (NICRE), "led to a marked acceleration of digital adoption among SMEs (online marketing, e-commerce, social media, use of CRMs, etc) and uptake of advanced technologies (internet of things, cloud computing, augmented and virtual reality, artificial intelligence and machine learning etc.)"[2]

12. But NICRE has also stated that "rural firms to be less likely than urban counterparts to use digital technologies, and much more likely to cite broadband capacity and internal staff resistance as obstacles to use. They are also less likely to be planning to introduce new digital technologies following the pandemic."[3]

13. There is also the issue of government objectives and timelines. We now know that Project Gigabit will now only have an objective of reaching 85% of premises by 2025 and the Shared Rural Network has an objective of extending 4G coverage to 95% by the same timescale. The concern we have is that these objectives actually need to be met. In addition, only £1.2bn of the £5bn fund will be used up to 2025, raising the obvious question as to when the remaining £3.8bn will be utilised.

14. Digital skills provision is muddled with mixed performance. In terms of trying to increase productivity in rural areas, where there is a gap of some 18% compared to urban areas, digital skills and having the ability of using the most up to date technology, is fundamental. But there remains a fear of those in rural economic sectors to exploit the technology. There is a lack of understanding and confidence in using digital skills programmes even if businesses can gain access. We look at this in more detail below.

15. If very hard to reach areas are to enjoy the benefits of the digital revolution and at the same time, close the rural-urban digital divide, the regulatory framework set out by the Electronic Communications Code needs to ensure balance. Evidence since the revision of the Code in 2017 unfortunately shows that, if anything, the pendulum has swung too far in favour of operators. Our concern is that if the Code is modified again, furthering the imbalance, as suggested by Government, then there is a real possibility that the implementation deadlines will not be met.

The need for a digital skills platform

16. The Covid-19 outbreak has shone a light on the importance of access not only to digital and telecoms networks but also to digital skills. Digital platforms allow greater collaboration between producers and retailers in finding alternative markets, and digital channels have provided direct access to consumers for businesses which had hitherto relied on stable business-to-business markets, for example in the food sector.

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[2] What is the contribution of rural enterprise to Levelling Up, and how can this be further enabled.pdf (ncl.ac.uk)
[3] What is the contribution of rural enterprise to Levelling Up, and how can this be further enabled.pdf (ncl.ac.uk)

17. To be resilient, businesses need be confident about using the latest digital technology and have the ability to exploit its potential. According to the SME communications needs report[4], SME decision makers are often non-specialists in ICT and can have very limited technical understanding of the communications products and services available. They often struggle to understand some of the terminology used by providers on websites and by customer-facing staff, and this makes it difficult for them to procure the products and services that are right for their business at the right price.

18. To enable them to exploit digital technology to the full, SMEs need sufficient awareness and understanding of what digital connectivity can bring to a business, as well as opportunities to tap into a range of relevant digital skills and use technology to improve their productivity. This lack of digital skills is particularly relevant to the rural productivity gap for two reasons: (i) although the proportion of SMEs is almost the same in both rural and urban areas, a much higher proportion of people employed by businesses registers in rural areas are employed by SMEs (71%) than in urban areas (41%)[5]; (ii) for some businesses in more remote areas, it is critical to be able to reach a geographically distant market via non-physical means to manage costs. Although some help is currently available through local Growth Hubs, this is limited.

19. We believe that it is essential for government to invest urgently in a national skills programme that is targeted at SMEs, tailored to their needs and widely available (in the way the recently announced SME leadership programme[6] is) and widescale, to be overseen by DCMS and in Wales by the Welsh Government. The CLA also calls on Defra to include digital skills in their transition business adaptation package for farmers and land managers and on the Welsh Government to do likewise.

20. The coronavirus pandemic has highlighted the importance of up-to-date digital technology and effective digital skills. Equipped with both, businesses and society will be able to exploit the opportunities that have arisen from the disruptive effective of Covid-19, including:
   - Increase in home working, reducing travel and thus carbon emissions;
   - Greater business efficiency, particularly in terms of supply chain logistics, making cost savings while providing a more efficient service to the consumer;
   - Potential new markets through online channels.

21. Although a range of delivery mechanisms are already in place to deliver this (e.g., Growth Hubs, Small Business Charter, local farm training groups) an audit of the present skills offerings is needed to identify gaps in provision. Consideration also needs to be given to a rapid extension of the Local Digital Skills Partnerships in England and regional digital skills partnerships in Wales. These digital skills partnerships delivered locally and regionally should be seen as the main delivery vehicles.

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[4] Ofcom SME research, 2018: https://www.ofcom.org.uk/research-and-data/multi-sector-research/general-communications/sme-research

[5] Defra (2020): *Statistical Digest of Rural England*

[6] https://smallbusinesscharter.org/small-business-leadership-programme/

Availability of the right technology

22. At present, there is an onus on delivering fixed line digital connectivity through fibre networks. For those areas of the country with high population densities, the provision of fibre is not an issue. For very hard to reach areas, however, fibre provision is cost prohibitive.

23. This begs the question as to why digital policy is fixated on fibre networks. Whilst we fully recognise that fibre is the "nirvana" for digital networks, it is questionable as to whether it is the right fit for very hard to reach areas. However, there are alternatives.

24. We wish to make it clear that policies directed at very hard to reach areas need to meet one overall objective: the provision of an effective and affordable broadband connection. As long as the bandwidths are sufficient and the connection is reliable, many businesses in very hard to reach areas may not actually require a fibre connection but can rely on alternative technologies, such as satellite or fixed wireless. There are now suitable digital products on the market that are both effective and far cheaper that the provision of a fibre connection. One of the major issues we are evidencing with the Universal Service Obligation (USO) is that the application of the price threshold of £3,400 for infrastructure is a major constraint. When quotes are given by the Unique Service Provider for connections are well above the price threshold, then there is no incentive for those in very hard to reach areas to take up the USO.

25. We would strongly recommend that the USO price threshold be removed and that the USO be technology neutral. If the objective is the provision of digital connectivity to all, including those in very hard to reach areas, then it is incumbent on the government to remove the cost restraints that makes meeting such an objective unviable.

Adopting a balanced approach

26. If the UK is to become a major digital player, the approach to digital access must be balanced. We fully support the government ambition towards gigabit capable provision although, as we have said above, we want to see the ambition to be 100% rather than 85%. But it is integral that if the UK is to develop universal coverage so that all can benefit, it is vital that there is greater flexibility, particularly in terms of the digital products on offer to those who live and work in rural areas. Such an approach must be technology neutral to rationalize the costs involved and to ensure that those in very hard to reach areas are able to access connectivity at an affordable price.

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