



House of Commons

Environment, Food and Rural
Affairs Committee

Rural Broadband

Eleventh Report of Session 2002–03



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*Report, together with formal minutes, oral and
written evidence*

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The Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

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The current staff of the Committee are Gavin Devine (Clerk), Tim Jarvis (Second Clerk), Richard Kelly and Dr Kate Trumper (Committee Specialists), Mark Oxborough (Committee Assistant), and Anne Woolhouse (Secretary).

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Broadband coverage in the UK, Third Quarter 2002 (Source Analysys)

Summary

The Government believes that reasonably priced and reliable access to broadband is vital for competitiveness and economic development. It wants citizens to be able to access a full range of Government services using the internet. We recognise that, in many areas, the Government's policies towards these ends have been successful. However, we also note that the Government is committed to the maintenance of vibrant rural communities, and advocates diversification in the rural economy. It is therefore unfortunate that progress towards the Government's vision of broadband access, and the uses to which it could be put, has been significantly slower in rural areas. As such, it has allowed a 'digital divide' to open up between urban and rural areas in terms of the availability of broadband.

We believe that the Government urgently needs to close the divide. We recommend that the Government now commit itself to ensuring that broadband is made available to all areas of the United Kingdom according to a defined timetable. We recommend that the Government allocate adequate resources to support that policy. We also make a number of other detailed recommendations to encourage broadband access in rural areas. In particular, we recommend that the Government help develop imaginative means by which other users can 'piggy-back' on public infrastructure.

In respect of broadband Defra has begun to demonstrate a capacity to be a Department for Rural Affairs. But we urge it to do more. If rural areas are not to be disadvantaged compared to urban areas it is vital that Defra acts as a strong advocate for broadband provision in rural communities, and we look forward to it doing so.

1 Introduction

Government broadband policy

1. The Government regards access to new technologies to be of vital importance. It has set itself a goal of “getting the United Kingdom online – to ensure that the country, its citizens, and its businesses derive the maximum benefit from Information and Communication Technology”.¹ The achievement of such a goal, it claims, will result in “better public services, a stronger economy, increased productivity and opportunity for all”.² The aim is for the United Kingdom to be a “world-class place for e-business, public service delivery and online participation”.³

2. Key to the delivery of such an objective is the development of a high-speed and reliable communications infrastructure. The Government believes that broadband is central to that infrastructure. Broadband is a term used to describe technologies which allow high-speed, always-on access to the internet and other electronic services. As well as improving the experience of using the internet, the Government argues that broadband “can change the ways businesses operate”.⁴ It says that broadband has “the potential to increase productivity, enhance competitiveness and open new markets”.⁵

Broadband

Broadband connections permit users to download data much faster than conventional ‘narrowband’ access. The standard narrowband speed is 56kbps (56,000 bits per second); it is generally accepted that broadband allows download speeds of at least 512kbps.⁶ However, broadband speeds vary: for example, British Telecom offers broadband speeds of 500kbps, 1000kbps and 2000kbps.

Another characteristic of broadband connections is that they are ‘always on’: computers are connected to the internet continuously and users pay a flat rate for usage. Thus e-mail, for example, can be received in ‘real time’.

Broadband connections can be delivered via a number of media, including ADSL (Asymmetric Digital Subscriber Line – so named because the rates of data transfer ‘downstream’ to the user are higher than rates ‘upstream’) using existing copper telephone lines, cable, wireless and satellite. In future optical fibre connections direct to homes and businesses may offer a practical alternative to ADSL or cable. Moreover, so-called 4G mobile telephony will provide rapid rates of data transfer.

3. The Government has set a range of objectives with regard to access to broadband. Its main target is that the United Kingdom should have the most extensive and competitive broadband market in the G7 by 2005.⁷ Implicit, it says, in its target for extensiveness is that broadband be made available in rural areas.⁸ It has also said that by 2006 every primary and

¹ Office of the e-Envoy (2002), *UK Online: Annual Report 2002*, p.3

² *op cit*, p.3

³ *op cit*, p.16

⁴ *op cit*, p.9

⁵ *op cit*, p.16

⁶ Parliamentary Office of Science and Technology (2002), *Broadband Internet Access*, postnote no.181.

⁷ Ev 98, p.1

⁸ Office of the e-Envoy (2002) *UK Online Annual Report 2002*, p.17

secondary school in the country will have broadband internet access,⁹ and has committed itself to make connections available to every GP surgery, hospital, primary care trust and health authority in the country. The Government has invested over £1 billion in providing key public services with broadband connectivity. In addition it has provided a £30 million fund to the Regional Development Agencies to enable them to undertake studies and pilot projects relating to the extension of availability and take-up.¹⁰

Regional Development Agencies and broadband

The Government told us that Regional Development Agencies (RDAs) would have £1.8 billion to spend in 2003-04 on regional economic development. It said that where the lack of availability of broadband is a "significant barrier to economic development" it would be appropriate for RDAs to spend some of their funds on its provision.¹¹ A number of the RDAs reported to us work they had undertaken in relation to the provision of broadband.

The Government has specifically given the RDAs and devolved administrations £30 million in the UK Broadband Fund for "pilot projects to help them learn what will work in extending availability and take-up". The Fund has supported projects such as

East of England Development Agency 'Demand Broadband' project

The project (see <http://www.demandbroadband.com>) aims to convince residents and owners of businesses of the importance of broadband, and thus persuade telecommunications providers to consider supplying markets where demand can be demonstrated. It has set up a *Broadband Brokerage* website which gives information about broadband, and allows companies, public sector organisations, communities and individuals to register their interest in using broadband. Once demand reaches a critical mass providers can be approached. A *Connecting Communities Competition* provides funding for community broadband projects which can test the market for broadband services and develop models for deployment.

Remote Areas Broadband Inclusion Trial (RABBIT)

The trial brings together several Regional Development Agencies and the devolved administrations in promoting broadband access for small businesses and organisations in remote areas that cannot receive ADSL or cable modem solutions, with the aim of evaluating the available solutions. The project team have gathered information on a range of 'ADSL equivalent' solutions from different suppliers. More details about the trial can be found at <http://www.rabbit-broadband.org.uk/>.

Cornwall ActNow project

The £12.5 million ActNow project (<http://www.actnowcornwall.co.uk>) has benefited from £5.25 million of European Objective One structural funds. The project involves the South West Regional Development Agency, Cornwall County Council, Cornwall Enterprise, Business Links, Cornwall College and BT. BT were appointed through an open tender to offer ADSL packages to 3,300 small and medium sized enterprises: the other partners undertook to promote the scheme. As a result thirteen exchanges have been enabled.

Broadband today

4. The Government's policies relating to broadband appear to have been a success. In May 2003 the Government announced that there were now two million broadband connections, and that 35,000 new connections were being made each week.¹² By October 2002 around 24 per cent of all schools had broadband connections.¹³ As the table below

⁹ 10 Downing Street (2002) *Prime Minister pledges broadband for all schools*, 19 November 2002.

¹⁰ Ev 98, Executive Summary

¹¹ Ev 98, Executive Summary

¹² 10 Downing Street (2003) *Two million sign up for broadband*, 22 May 2003.

¹³ Office of the e-Envoy (2002) *UK Online Annual Report 2002*, p.21

6. The dangers of a lack of access to broadband in rural areas are twofold.

- First, rural businesses may suffer by comparison to urban-based competitors. Only 3 per cent of rural businesses currently connect to the internet using a DSL (broadband) connection, compared to 11 per cent of all urban businesses.¹⁵ The Countryside Agency says that this is “an expensive obstacle to new rural businesses, including farm businesses that need access to new technology and markets”.¹⁶ The consequence may be that businesses may choose to invest elsewhere, reducing the vitality and viability of rural communities.
- Of equal concern is that people in rural areas may not be able to receive commercial and public services via broadband, thus reinforcing the social exclusion already experienced by many as a result of their geographical position.

Our inquiry

7. The aim of our inquiry was to investigate the steps taken by Defra to ensure that broadband is provided in rural areas. It forms part of our on-going suite of inquiries into Defra’s claimed role as a Department for Rural Affairs. Our aim is described in the introduction to our inquiry into education in rural areas: that is, to examine the way Defra represents rural areas within government and facilitates effective policy-making.¹⁷

8. In January 2003 we established a Sub-committee to undertake the inquiry on our behalf. The terms of reference given to the Sub-committee were:

“Taking account of the needs of private businesses, public services such as schools, and individuals, the Committee will examine the provision of broadband in rural areas. In particular it will consider:

- what demand there is for broadband in rural communities;
- what provision already exists, and what is planned;
- what obstacles there are to the provision of broadband in rural areas;
- what roles are played by Defra and the Countryside Agency in relation to broadband, and what their relationship is with the UK Broadband Taskforce and those in Regional Development Agencies dealing with broadband; and
- what alternatives to broadband exist or are being developed that might be of particular relevance to rural areas.”

9. We invited written submissions and received 55 in all, including many from individuals and businesses based in rural communities without access to broadband. We took oral evidence on four occasions, including from Ministers from Defra and the Department of Trade and Industry. We were assisted throughout our inquiry by Dr Sarah Pearce of the

¹⁵ Countryside Agency (2003) *The State of the Countryside 2003*, p.143

¹⁶ Countryside Agency (2003) *The State of the Countryside 2003*, p.2

¹⁷ *The Delivery of Education in Rural Areas*, HC (2002-03) 467, para.2

Parliamentary Office of Science and Technology, who provided expert advice and briefing throughout our inquiry. We are most grateful to all who helped our work. We were also conscious throughout our inquiry of the report by the Welsh Affairs Committee into Broadband in Wales, which made a number of pertinent comments about rural broadband.¹⁸

10. Our evidence ranged quite widely. However, our report is tightly focused. There is plenty of analysis of the state of the broadband market in the United Kingdom, of the technology, and of broadband content in reports produced by bodies such as the Office of the e-Envoy, Ofcom and the Broadband Stakeholder Group, amongst others. Our focus is simply what can be done to address the fact that access to broadband in rural areas currently lags behind that available in urban and suburban areas: in other words, what can be done to eliminate the ‘digital divide’.

2 Means of delivering broadband

Cable

11. More than half of all current broadband connections are provided by the cable companies (principally NTL and Telewest).¹⁹ NTL told us that it alone was connecting 40 to 50 thousand new subscribers each month.²⁰ Between them the two companies have cable passing nearly half of United Kingdom homes.²¹ However, their networks tend to be in urban and suburban areas, rather than in small towns and villages. The cost of cable broadband offerings is competitive with that of ADSL. NTL offers three products: an ‘entry level’ speed of 128kbps at £14.99 per month; a ‘standard’ broadband package at 600kbps at £24.99 a month; and a 1mbps product at £34.99 a month.²² Telewest offers its blueyonder broadband packages at £25.00 a month for 512kbps and £35.00 a month for 1mbps.²³

ADSL

12. Much of the discussion about broadband centres on the ADSL technology offered by BT. It uses the existing copper wire telephone network, with data travelling to exchanges which have been ‘enabled’ to deal with high speed data transfer. Of 5,595 exchanges BT has enabled more than 1,100, covering 71 per cent of all homes: by the end of 2003 the company expects that figure to have risen to more than 80 per cent.²⁴ By June 2003 BT was able to announce that there were 1 million ADSL broadband connections.

13. BT has said that its aim is to offer ADSL to 90 per cent of United Kingdom homes and small businesses.²⁵ It is worth noting that ADSL is only available to users within 6

¹⁸ Welsh Affairs Committee (2002) *Broadband in Wales*, HC (2002-03) 95

¹⁹ Ev 47, para.6

²⁰ Q.122

²¹ See Q.123

²² Q.125; see <http://www.ntlhome.com>

²³ Figures taken from <http://www.telewest.co.uk> on 17 June 2003; the prices are £29.99 and £39.99 when broadband is not ordered with a Telewest telephone connection.

²⁴ Ev 103; Ev 48, para.13; BT (2003) *BT hits major broadband milestone*, NR0324, 9 June 2003

²⁵ BT (2003) *BT in broadband breakthrough*, NR0313, 3 April 2003

kilometres of an enabled exchange. That means that 2 per cent of those connected even to an ADSL-enabled exchange will not be able to access broadband.²⁶ This is a particular issue in rural areas, where the distances from the exchange to the home or business may often be longer than in urban areas. BT has made some progress in extending the distance from the exchange that ADSL is available: further progress would be welcome.

14. BT told us that the average cost of enabling an exchange is £200,000.²⁷ In July 2002 the company established a scheme to enable demand for broadband at each exchange to be assessed prior to investment decisions being made. The scheme enables customers in non-enabled areas to pre-register their interest in broadband. BT has set ‘trigger’ levels for 1300 exchanges: once the number of pre-registrations reaches the trigger the company begins work on enablement of the exchange.²⁸ Thus far 220 exchanges have been enabled under the scheme, and work has begun on a further 300 exchanges.²⁹

15. The cost of receiving broadband via ADSL varies. More than 100 different internet service providers supply broadband using BT telephone lines.³⁰ BT’s own broadband package costs around £27.00 per month.³¹ Prices offered by other suppliers tend to be similar: both AOL Broadband and Freeserve cost £27.99 a month.³²

Private circuits

16. Large and medium-sized businesses are generally already able to access broadband wherever they are in the United Kingdom via private communication circuits. BT told us that prices for such circuits are “world-beating” in this country, and that “together with the United States [the United Kingdom] leads the world on take-up, implying significant competitive advantage to the UK versus other countries with lower take-up and no specific disadvantage to rural businesses of medium size and above”.³³ It is worth noting that the problems of rural broadband dealt with in this report primarily affect individuals and small and medium-sized enterprises, not larger firms which can afford the investment required to install and use private circuits.

Satellite broadband

17. Satellite broadband is already available across the United Kingdom: even in the most remote rural areas. It is relatively expensive when compared to ADSL and cable offerings. BT told us that satellite broadband prices started at £59.99 a month plus initial equipment costs of £899.³⁴ However, Avanti Communications told us that it intended to “bring high quality symmetrical broadband service to rural communities at a quality level which

²⁶ BT (2003) *BT in broadband breakthrough*, NR0313, 3 April 2003

²⁷ Ev 48, para.14

²⁸ Ev 48, paras.14 ff; Q.94; BT (2003) *BT in broadband breakthrough*, NR0313, 3 April 2003

²⁹ BT (2003) *BT hits major broadband milestone*, NR0324, 9 June 2003.

³⁰ BT (2003) *BT hits major broadband milestone*, NR0324, 9 June 2003

³¹ Prices from <http://www.bt.com> on 11 June 2003

³² Prices taken from <http://www.aol.co.uk/broadband> and <http://www.freeserve.com> on 17 June 2003.

³³ Ev 47, para.6

³⁴ Ev 49, para.19

supersedes DSL and a price which is competitive”,³⁵ and that “satellite, from a price perspective, is really the only technology that can deliver high-powered broadband services in very rural areas at the lowest price”.³⁶ There are concerns about the impact of weather on satellite systems, although Avanti told us that it had a reliability rate of 99.75 per cent.³⁷ Another concern is that although downloading speeds can be very high, the speed of uploading may be slower.³⁸

Wireless

18. Another means of delivering broadband is via fixed wireless access. There are a number of companies which offer the service. An example is that offered by Firstnet Services Limited, which has 4,500 customers, mainly small and medium-sized enterprises, across the United Kingdom.³⁹ It operates using radio spectrum licensed by the Government Radiocommunications Agency, although some other operators operate on unlicensed frequencies.⁴⁰ Generally users are clustered around a ‘point of presence’, or central antenna, which is itself connected to the wider worldwide web via a dedicated fixed line. Firstnet told us that service coverage from a ‘point of presence’ could extend for 11 to 15 kilometres, compared to 6 kilometres from an enabled exchange using ADSL.⁴¹ However, many wireless systems require direct ‘line-of-sight’ between antennae, which may restrict their range in certain topographies.⁴²

19. Our witnesses suggested that wireless was particularly suited to the provision of broadband in rural areas. We heard about a number of examples in which groups based in rural communities had set up wireless networks in areas where the prospect of ADSL services was remote. In particular, the Blewbury Broadband Campaign Group told us about its plan, in conjunction with Invisible Networks, to lease a line into the local area which would then link to users via wireless.⁴³ Wireless services are also being investigated by NTL, amongst others.⁴⁴

³⁵ Ev 65

³⁶ Q.136

³⁷ Q.137

³⁸ See Financial Times (2003) *Blewbury wins fight to join global village*, 10 June 2003

³⁹ Ev 68; Q.134

⁴⁰ Ev 67

⁴¹ Q.135

⁴² Ev 72; Ev 30, para.3.2.3

⁴³ Ev33; QQ.43 ff

⁴⁴ Ev 60

Bringing broadband to Blewbury

The Blewbury Broadband Campaign Group was established by villagers in the Oxfordshire villages of Blewbury, Upton, Aston Upthorpe and Aston Tirrold in July 2002. Its aim was to gain access to broadband for users of the Blewbury exchange.

Initially the Group sought enablement of the Blewbury exchange to allow ADSL. Although no official trigger level was set by BT, the Group was advised in November 2002 that 700 (later 550) users would have to register. Given that the populations of the four villages is about 2,500, and the exchange had only 1400 lines, this figure seemed unattainable. The Group sought other solutions.

Another option considered involved the ADSL supplier Easynet, which would have involved connection via the BT local loop, and connection via a leased line to the Easynet carrier network in Newbury. This option floundered on the cost of ‘unbundling’ the local loop.

Eventually the Group settled on Invisible Networks, which uses a leased line to deliver broadband to a central point in the village. A network of local antenna is then established to transmit and receive signals.

Support from the South East England Development Agency has reduced the installation costs for the service to £99.00 for the basic package to £199.00 for more intensive users.⁴⁵

3 Delivering rural broadband

20. The Government told us that “in the main part we believe that the competitive market which has brought about the current level of availability should be allowed and encouraged to roll out services where it believes this to be economically viable and to develop innovative approaches to doing so”.⁴⁶ In other countries different approaches have been taken: in Korea the government has intervened heavily in the market having set a target of universal access to broadband by 2002;⁴⁷ and we were told that in countries such as Germany the incumbent telecommunications operator has been given a virtual monopoly in more commercially attractive areas to encourage it to develop broadband in less attractive areas. BT quoted research which showed that the United Kingdom Government had spent less than \$5 per head on broadband, compared to \$25 per head in France and \$95 per head in Japan.⁴⁸ As BT says, although it does not advocate Government intervention in the marketplace, “it has to be recognised that this different public policy context means the United Kingdom’s path to broadband will inevitably take a different route from those of countries such as Korea and Germany”.⁴⁹

21. Although the Government’s general policy is to leave the development of broadband to the market, it acknowledges that rural areas face specific difficulties. It has said that “there are still many people – in rural and remote parts of the country – who cannot access an

⁴⁵ Ev 32; Financial Times (2003) *Blewbury wins fight to join global village*, 10 June 2003

⁴⁶ Ev 98

⁴⁷ Parliamentary Office of Science and Technology (2002), *Broadband Internet Access*, postnote no.181.

⁴⁸ Ev 48, para.7

⁴⁹ Ev 48, para.8

affordable and reliable broadband service”.⁵⁰ The Minister for Rural Affairs confirmed that it was the Government’s aim “that every community in the United Kingdom, irrespective of location, should be able to access broadband at affordable rates within a reasonable time”.⁵¹ We set out below the main steps which we think should be taken to achieve that aim.

Market-led solutions

Encouraging BT

22. Several of our witnesses pointed out that the ADSL solution offered by BT is not the only solution to providing broadband. Nevertheless, BT has committed itself to extending ADSL coverage to 90 per cent of United Kingdom homes in a foreseeable period, taking it into market towns and rural communities. We are keen that the extension takes place as quickly as possible and as widely as possible.

23. The Country Land and Business Association (CLA) told us that it is “unhelpful for infrastructure providers to raise the hopes of rural businesses in areas where there is never any intention of enabling telephone exchanges to provide ADSL”.⁵² For that reason it said that BT should set trigger levels “for all rural exchanges, even if those trigger levels are as high as, let us say, 2,000. It will actually say to the community there that their chances of getting broadband are extremely slim, if not zero; at least you know you have the information there”.⁵³ BT told us that in certain places it would be “nonsensical” to set a trigger level, since the number of customers needed to reach the trigger might actually exceed the number connected to the exchange.⁵⁴ Nevertheless, **we agree with the Country Land and Business Association that setting trigger levels for all exchanges, no matter how high they might be, would help rural communities to gauge their prospects of accessing broadband via ADSL. We therefore strongly urge BT to set trigger levels for all exchanges.**

24. We found that there seemed to be confusion about the degree to which BT could cross-subsidise the enablement of more marginal exchanges from the profits made in more commercially-viable areas. BT told us that “there are Competition Act rules and regulatory rules under which we operate where we have to demonstrate we are not cross-subsidising”.⁵⁵ However, the Director-General of Telecommunications told us that there is “no substantive or substantial, both words, regulatory inhibition”.⁵⁶ **We recommend that Oftel and BT meet to clarify whatever confusion persists about the degree to which BT is able to cross-subsidise the enablement of exchanges with money made in profitable areas.**

⁵⁰ Office of the e-Envoy (2002) *UK Online Annual Report 2002*, p.23

⁵¹ Q.230. Mr Michael was agreeing to an assertion (quoted here) made by David Curry MP.

⁵² Ev 39, para 20

⁵³ Q.69

⁵⁴ Q.99

⁵⁵ Q.119

⁵⁶ Q.198

Encouraging demand

25. BT pointed out that the Government could be of “enormous help” by ensuring that it made full use of broadband itself. By improving the quality and quantity of Government services accessible online it can encourage demand for them and, by extension, demand for rapid and reliable access to them via broadband. UK Online reports that 54 per cent of services are now available electronically.⁵⁷ **By offering good quality services online the Government can make a vital contribution to stimulating demand for broadband services, which will in turn encourage investment in such services. We recommend that the Government move quickly to offering all of its own services online, including those services particularly directed at rural communities. We also recommend that the Government encourage other public sector bodies to make services available online as quickly as possible. Encouraging demand should not stop once broadband has been made accessible: take-up of the service is also important.**

Encouraging campaign groups

26. We were impressed by the evidence we received from groups which had been formed to campaign for broadband provision in rural areas, such as in Blewbury. The Government, through the UK Broadband Fund, has taken steps to encourage such groups, but we urge it to do more. **We recommend that the Government, in conjunction with regional and local authorities and local Business Link services, work to encourage and support local groups and businesses campaigning for broadband provision in rural communities. Such support should include advice and small grants to facilitate their activities.**

Radio spectrum

27. A number of our witnesses raised the issue of radio spectrum. Several commented that radio spectrum licences were too expensive. NTL told us that licence fees should be “set at a much more realistic level”,⁵⁸ and Firstnet said that the cost of its radio spectrum licence (£850,000 per year) was an ‘issue’ which is affecting deployment.⁵⁹ Witnesses also commented that insufficient spectrum was available for wireless broadband. The Broadband Stakeholder Group told us that the currently available radio spectrum “does not allow for commercially sustainable low cost [wireless broadband] products in areas of low population density”.⁶⁰ **We recommend that the Government continue to work to make more frequency bands available for use by providers of wireless broadband services. We further recommend that the Radiocommunications Agency be formally directed to set the price of radio spectrum licences at a level which actively encourages the development of wireless broadband.**

⁵⁷ Office of the e-Envoy (2002) *UK Online Annual Report 2002*, p.5

⁵⁸ Ev 61

⁵⁹ Ev 70

⁶⁰ Ev 80

Intervention

28. Despite its general policy of leaving broadband provision to the marketplace, the Government is in fact actively intervening in the market in several ways – for example by providing funds to Regional Development Agencies to undertake pilot projects and trials, and by investing considerable sums in the provision of broadband to schools and healthcare facilities. We explore in this section the ways in which Government intervention can be extended and exploited to widen access to broadband in rural areas.

Aggregation

29. BT has called for public sector demands for broadband to “be aligned to help accelerate the roll out of broadband”.⁶¹ It told us that the “purchasing power” of the public sector in relation to the provision of broadband to schools and healthcare facilities “could drive demand even faster”.⁶² The Government told us that it had concluded that the best way for it to realise the potential for public sector investment to facilitate broadband access for private sector customers was to “aggregate the key aspects of public sector demand”.⁶³ For example, BT envisaged that Government demand would “benefit the whole community if implemented in a way that helps reduce trigger levels in non-enabled exchanges”.⁶⁴ We assume that aggregated demand might also be used to obtain provision from suppliers other than BT. A broadband aggregation project team has been set up, based in the Department for Trade and Industry, to ensure that the benefits of aggregation are realised.⁶⁵ **Given the particular importance of demand aggregation in the provision of broadband in small towns and villages, we urge the Government to ensure that Defra is strongly represented on the aggregation project team.**

30. Public sector aggregation may not always be sufficient to allow the enablement of a BT exchange, or lead to investment by a cable company. In such cases provision may only be possible via dedicated lines to individual schools or healthcare facilities. Opportunities then exist for communities to ‘piggy-back’ on such lines, using them to access broadband. For example, a wireless system may be built at the end of the line to permit local broadband access: we were told about a school in Cheshire where precisely such a solution had been developed.⁶⁶ A number of witnesses to the Committee advocated such solutions in other areas but more work needs to be done to clarify the circumstances under which, and the mechanisms by which, private sector consumers can ‘piggy-back’ on public sector infrastructure. **We recommend that the Government work closely with regional and local authorities and broadband suppliers, as well as consumers, to develop imaginative means by which private sector consumers can ‘piggy-back’ on public sector infrastructure.**

31. The Government is naturally concerned that ensuring aggregation of public sector demand, or allowing ‘piggy-backing’, may delay the provision of broadband to schools and

⁶¹ BT (2003) *BT in broadband breakthrough*, NR0313, 3 April 2003

⁶² BT (2003) *BT in broadband breakthrough*, NR0313, 3 April 2003

⁶³ Q.234

⁶⁴ BT (2003) *BT in broadband breakthrough*, NR0313, 3 April 2003

⁶⁵ See Q.234

⁶⁶ See Q.235

hospitals.⁶⁷ Such a concern is understandable. Nevertheless we recommend that the Government strike a balance between ensuring that educational and healthcare facilities are connected rapidly to broadband and allowing individuals and small and medium-sized businesses to benefit from aggregation and ‘piggy-backing’. In principle we believe that public sector investment should have a secondary aim of making broadband more accessible to the wider community as well as to schools and hospitals.

The most remote areas

32. All of our witnesses agreed that there was a small proportion of the country in which the provision of broadband could not be left to the market, even after Government intervention. BT said that “the last 10 per cent ... will be the most challenging to provide”.⁶⁸ **There is a proportion of the countryside – generally the most rural and remote areas – where the provision of broadband cannot reasonably be left to the marketplace. In order not to disadvantage such areas intervention is essential. We therefore recommend that the Government rapidly identify those areas in which its intervention is needed; develop policies, in conjunction with Regional Development Agencies and local authorities which ensure that broadband is made accessible in remote areas; and back those policies with adequate funds. It should, for example, make specific funds available under the England Rural Development Programme to subsidise the cost of broadband in the most remote areas.**

State aid rules

33. There was confusion amongst our witnesses about the degree to which public investment in broadband was inhibited by European state aid rules.⁶⁹ The Regional Development Agencies told us that they were “constrained by torturous ... state aid rules”, and called for “the designation of broadband as a Service Of General Economic Interest, under European Union treaty provisions, in order to increase their powers of intervention”.⁷⁰ The Director-General of Telecommunications told us that “provided the Government develops a competitive procurement model ... this should not have state aid implications”.⁷¹ **We recommend that the Government clarify in its response to this report its understanding of European state aid rules as they relate to public sector support for broadband. We are keen to ensure that such rules, or current misunderstanding of them, do not affect public support for broadband provision in the most remote communities.**

Co-operation

34. There are a range of agencies involved in the delivery of broadband, including the Department of Trade and Industry, Defra, the Department for Education and Skills, the Department of Health, the UK Broadband Taskforce, the Regional Development Agencies, local authorities, the Countryside Agency and the other members of the Broadband

⁶⁷ See Q.234

⁶⁸ Q.98

⁶⁹ Q.130

⁷⁰ Ev 2

⁷¹ Q.219

Stakeholders' Group. A number of our witnesses agreed with NTL, which said that "the mosaic of agencies are currently in danger of getting in each others' way".⁷² The Rural Affairs Minister has recently said that he wants to simplify the 'alphabet soup' of organisations offering advice to farmers and other rural entrepreneurs.⁷³ that proposal is particularly apposite in the case of rural broadband.

35. In our report into the Delivery of Education in Rural Areas we called for Defra to maintain a presence in rural areas, to monitor developments, offer advice and co-ordinate the actions of different agencies.⁷⁴ **We believe that Defra can play a vital role locally in providing advice to rural businesses and other members of rural communities, as well as to infrastructure providers and others, about broadband. The Department should also take on greater responsibility for co-ordinating those agencies charged with delivering broadband in rural areas. We strongly recommend that it make arrangements to do so.**

4 A new objective

36. The progress made in providing broadband access across the United Kingdom is welcome. However, there is a risk that rural communities will be left behind. Yet the Government is committed by the Rural White Paper to the maintenance of thriving and vibrant rural communities. It is also committed to providing access to high quality public services, and "a working countryside, with a prosperous and diverse economy".⁷⁵ Moreover, as we learnt from an earlier inquiry, the Rural Payments Agency is actively encouraging farmers to submit documentation electronically, a process which would be made infinitely less time-consuming using broadband.⁷⁶ **At a time when the Government is attempting to encourage diversification in the rural economy, to persuade farmers and others in the rural economy to access Government services electronically and to facilitate social inclusion for rural areas it is counter-productive that it has allowed a 'digital divide' to open up between urban and rural areas in terms of access to broadband. It is precisely to stand up for the interests of rural communities in such policy areas that the Department for Environment, Food and Rural Affairs was created. Although we heard evidence that it has begun to act for rural areas in relation to broadband we strongly urge it to do more.**

37. The Government argues that broadband is essential to ensure competitiveness and efficiency. It is therefore hugely unfair that many rural communities may not be able to gain from broadband – at least not for some time. Recent statements by Ministers about the need for rural areas to have access to broadband,⁷⁷ including in evidence to us, are welcome, but the Government's formal policy objective remains unchanged. **We recommend that the Government now reformulate its objectives in respect of broadband to reflect the need for broadband to be accessible in all areas of the country.**

⁷² Ev 61

⁷³ *Advisers must provide more backing for entrepreneurs*, Farmers Weekly, 12-19 June 2003, p.12

⁷⁴ Ninth Report, *The Delivery of Education in Rural Areas*, HC (2002-03) 467, para.57

⁷⁵ Department of the Environment, Transport and the Regions (2000) *Our countryside – The future*, Summary

⁷⁶ Sixth Report, *Rural Payments Agency*, HC (2002-03) 382

⁷⁷ See *Broadband for all – minister*, Farmers Weekly, 13-19 June 2003, p.12

We further recommend that the Government back its new objectives with practical policies which will ensure that broadband is accessible to all at affordable rates as soon as practicable.

38. Annexed to this report is a draft resolution for consideration by the House of Commons. **We hope that time will be found to debate the resolution, and we invite the House to support it.**

Annex

Draft resolution for consideration by the House

“That this House believes that affordable and reliable broadband access should be made available to rural communities as soon as possible; and calls on the Government to develop a strategy which sets out the funding to be made available and the steps to be taken, according to a clear timetable, to make broadband accessible to all.”

Conclusions and recommendations

1. We agree with the Country Land and Business Association that setting trigger levels for all exchanges, no matter how high they might be, would help rural communities to gauge their prospects of accessing broadband via ADSL. We therefore strongly urge BT to set trigger levels for all exchanges. (Paragraph 23)
2. We recommend that Oftel and BT meet to clarify whatever confusion persists about the degree to which BT is able to cross-subsidise the enablement of exchanges with money made in profitable areas. (Paragraph 24)
3. By offering good quality services online the Government can make a vital contribution to stimulating demand for broadband services, which will in turn encourage investment in such services. We recommend that the Government move quickly to offering all of its own services online, including those services particularly directed at rural communities. We also recommend that the Government encourage other public sector bodies to make services available online as quickly as possible. Encouraging demand should not stop once broadband has been made accessible: take-up of the service is also important. (Paragraph 25)
4. We recommend that the Government, in conjunction with regional and local authorities and local Business Link services, work to encourage and support local groups and businesses campaigning for broadband provision in rural communities. Such support should include advice and small grants to facilitate their activities. (Paragraph 26)
5. We recommend that the Government continue to work to make more frequency bands available for use by providers of wireless broadband services. We further recommend that the Radiocommunications Agency be formally directed to set the price of radio spectrum licences at a level which actively encourages the development of wireless broadband. (Paragraph 27)
6. Given the particular importance of demand aggregation in the provision of broadband in small towns and villages, we urge the Government to ensure that Defra is strongly represented on the aggregation project team. (Paragraph 29)
7. We recommend that the Government work closely with regional and local authorities and broadband suppliers, as well as consumers, to develop imaginative means by which private sector consumers can 'piggy-back' on public sector infrastructure. (Paragraph 30)
8. Nevertheless we recommend that the Government strike a balance between ensuring that educational and healthcare facilities are connected rapidly to broadband and allowing individuals and small and medium-sized businesses to benefit from aggregation and 'piggy-backing'. In principle we believe that public sector investment should have a secondary aim of making broadband more accessible to the wider community as well as to schools and hospitals. (Paragraph 31)

9. There is a proportion of the countryside – generally the most rural and remote areas – where the provision of broadband cannot reasonably be left to the marketplace. In order not to disadvantage such areas intervention is essential. We therefore recommend that the Government rapidly identify those areas in which its intervention is needed; develop policies, in conjunction with Regional Development Agencies and local authorities which ensure that broadband is made accessible in remote areas; and back those policies with adequate funds. It should, for example, make specific funds available under the England Rural Development Programme to subsidise the cost of broadband in the most remote areas. (Paragraph 32)
10. We recommend that the Government clarify in its response to this report its understanding of European state aid rules as they relate to public sector support for broadband. We are keen to ensure that such rules, or current misunderstanding of them, do not affect public support for broadband provision in the most remote communities. (Paragraph 33)
11. We believe that Defra can play a vital role locally in providing advice to rural businesses and other members of rural communities, as well as to infrastructure providers and others, about broadband. The Department should also take on greater responsibility for co-ordinating those agencies charged with delivering broadband in rural areas. We strongly recommend that it make arrangements to do so. (Paragraph 35)
12. At a time when the Government is attempting to encourage diversification in the rural economy, to persuade farmers and others in the rural economy to access Government services electronically and to facilitate social inclusion for rural areas it is counter-productive that it has allowed a ‘digital divide’ to open up between urban and rural areas in terms of access to broadband. It is precisely to stand up for the interests of rural communities in such policy areas that the Department for Environment, Food and Rural Affairs was created. Although we heard evidence that it has begun to act for rural areas in relation to broadband we strongly urge it to do more. (Paragraph 36)
13. We recommend that the Government now reformulate its objectives in respect of broadband to reflect the need for broadband to be accessible in all areas of the country. We further recommend that the Government back its new objectives with practical policies which will ensure that broadband is accessible to all at affordable rates as soon as practicable. (Paragraph 37)
14. We hope that time will be found to debate the resolution [in the Annex to the Report], and we invite the House to support it. (Paragraph 38)

Formal minutes

Wednesday 2 July

Members present:

Mr David Curry, in the Chair

Ms Candy Atherton
Mr David Borrow
Mr David Drew
Mr Michael Jack
Mr David Lepper
Mr Austin Mitchell

Diana Organ
Mrs Gillian Shephard
Alan Simpson
Paddy Tipping
Mr Bill Wiggin

The Committee deliberated.

Draft Report [*Rural Broadband*], proposed by Mr Borrow, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 38 read and agreed to.

Summary read and agreed to.

Annex read and agreed to.

Resolved, That the Report be the Eleventh Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Broadband in Rural Areas Sub-committee be reported to the House.-(*The Chairman*).

Several memoranda were ordered to be reported to the House.

The Committee further deliberated.

[Adjourned till Wednesday 16 July at a quarter to Four o'clock.]

Witnesses

Monday 31 March 2003

Dr Peter Radley and **Ms Valerie Carter**, South East England
Development Agency (SEEDA) Ev 18

Mr Christopher Whatmore, Blewbury Broadband Campaign Group
(BBCG) Ev 33

Dr Charles Trotman, **Mr Sean Johnson**, and **Mrs Penelope Bossom**,
Country Land and Business Association (CLA) Ev 41

Tuesday 8 April 2003

Mr Paul Reynolds, **Mr Bruce Stanford** and **Ms Trish Jones**, BT Group
plc Ev 52

Mr Bill Goodland, **Mr Alex Blowers**, and **Mr Derek Cobb**, NTL Group
Ltd Ev 62

Mr David Williams, **Mr Peter Jaggard** and **Mr Roger Walker**, Firstnet
Services Ltd Ev 70

Tuesday 6 May 2003

Mr Keith Todd, **Mr Antony Walker**, and **Mr Malcolm Taylor**,
Broadband Stakeholder Group Ev 82

Mr David Edmonds, **Mr Chris Kenny** and **Mr Peter Walker**, Office of
Telecommunications (Of tel) Ev 89

Wednesday 21 May 2003

Rt Hon Alun Michael MP, Department for Environment, Food and Rural
Affairs, **Mr Stephen Timms MP**, and **Dr Michael Duggan**, Department of
Trade and Industry Ev 110

List of written evidence

South East England Development Agency (SEEDA)	Ev 1
Advantage West Midlands	Ev 4
East of England Development Agency	Ev 5
One Northeast	Ev 8, 11
Yorkshire Forward	Ev 14
Blewbury Broadband Campaign Group	Ev 25
Country Land and Business Association	Ev 36
BT Group plc	Ev 47, 58
NTL Group Ltd	Ev 60
Avanti Communications	Ev 65
Firstnet Services Ltd	Ev 65
Broadband Stakeholder Group	Ev 77
Director General of Telecommunications	Ev 97
Department for Environment, Food and Rural Affairs and the Department of Trade and Industry	Ev 98
Proudfoot Properties	Ev 121
Mr J Pease	Ev 121
Mr S Walsh	Ev 122
Ms Susan Walker	Ev 123
Mr J Chatfeild-Roberts	Ev 123
Mr Wilson Boardman, Micromix Solutions Ltd	Ev 124
Mr VG Sheno	Ev 124
Dr RA Snowdon	Ev 124
The Forest of Dean and Wye Valley Review	Ev 125
Mr J Field	Ev 127
Anne and Peter Robinson	Ev 127
Ms Sally Osgerby	Ev 129
Balfours Chartered Surveyors	Ev 130
D-Tec	Ev 131
Orange UK	Ev 134
David Davis MP	Ev 137
Lincolnshire Country Council	Ev 137
Councillor Stephen McMillan, Royal Forest of Dean District Council	Ev 140
Kingston Communications (Hull) plc	Ev 141
British Chambers of Commerce (BCC)	Ev 144
Communications Management Association	Ev 145
Telewest Broadband	Ev 153
Federation of Small Businesses	Ev 153
Computing for the Environment	Ev 156
T-Mobile	Ev 157
Mr C Dibben, 2 nd Pillar Projects	Ev 159
National Trust	Ev 160

(Continued)

Vodafone	Ev 162
Mr Christopher Quinton	Ev 163
Dr John E Harris and Mr Laurie van Someren	Ev 164
Mr Brian Jenkins MP	Ev 170

List of unprinted written evidence

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons library where they may be inspected by members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1. (Tel 020 7219 3074) hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Terrie Bandey

Mr David Taylor

Mr Arthur Lindley

Mr Tom Mursell

Mr Len Schwaiger

Mr Kit Henson

Mr Andrew Green

Mr Brian Robinson

Mr Christopher Quinton

Mr Tony Frost

Reports from the Committee since 2001

Session 2002–03

Tenth Report	Horticulture Research International	HC 873
Ninth Report	The Delivery of Education in Rural Areas	HC 467
Eighth Report	The Future of Waste Management	HC 385
Seventh Report	Badgers and Bovine TB (<i>Reply HC 831</i>)	HC 432
Sixth Report	Rural Payments Agency (<i>Reply HC 830</i>)	HC 382
Fifth Report	The Countryside and Rights of Way Act 2000 (<i>Reply HC 748</i>)	HC 394
Fourth Report	Water Framework Directive (<i>Reply HC 749</i>)	HC 130
Third Report	The Mid-term Review of the Common Agricultural Policy (<i>Reply, HC 615</i>)	HC 151
Second Report	Annual Report of the Committee 2002	HC 269
First Report	Reform of the Common Fisheries Policy (<i>Reply, HC 478</i>)	HC 110

Session 2001–02

Tenth Report	The Role of Defra (<i>Reply, HC 340, Session 2002–03</i>)	HC 991
Ninth Report	The Future of UK Agriculture in a Changing World (<i>Reply, HC 384, Session 2002–03</i>)	HC 550
Eighth Report	Hazardous Waste (<i>Reply, HC 1225</i>)	HC 919
Seventh Report	Illegal Meat Imports (<i>Reply, HC 1224</i>)	HC 968
Sixth Report	Departmental Annual Report 2002 (<i>Reply, HC 1223</i>)	HC 969
Fifth Report	Genetically Modified Organisms (<i>Reply, HC 1222</i>)	HC 767
Fourth Report	Disposal of Refrigerators (<i>Reply, HC 1226</i>)	HC 673
Third Report	Radioactive Waste: The Government's Consultation Process (<i>Reply, HC 1221</i>)	HC 407
Second Report	The Countryside Agency (<i>Reply, HC 829</i>)	HC 386
First Report	The Impact of Food and Mouth Disease (<i>Reply, HC 856</i>)	HC 323