



**Broadband Fixed Wireless Access (BFWA) at
28 GHz:
proposals to amend new and existing licences
and for the next stage of the award process.**

Response from a consortium of SW Local Authorities and existing private partners (Version 1.1)

Current Members: *Bristol City Council, Cornwall County Council, Devon County Council, Dorset County Council, Gloucestershire County Council, Somerset County Council (lead authority), *South-West Grid for Learning (16 LEAs throughout the SW including Counties & Unitaries), *South-West Regional Assembly, Wiltshire County Council.

Private partners: BT, Cable & Wireless, Crown Castle, Intel, Radiant, UpMyStreet/BSkyB.

*Indicated strong desire to join consortium and under negotiation.

District Councils will have an involvement through e-Government and Strategic Partnerships.

Background to SW Local Authorities Consortium

The SW region is poorly served by broadband infrastructure relative to many areas in England and Wales. Large parts of the SW are unlikely to receive a provision through normal market forces via the commercial telecommunications sector, which has been severely affected by the stock market downturn and dot-com decline. We have coined the term broadband “market failure”, to describe areas that are unlikely to produce a commercial return that is attractive to a private company, as they would need to justify the significant telecomms infrastructure investment required.

Lack of broadband in the SW region, affects many nationally set local authority policy objectives: equitable economic development, high quality e-services/local service delivery, modernisation, efficient ways of working, equality of opportunity, fair access to services, social inclusion, community access, rural economy/development, e-democracy, e-consultation, home working, sustainable travel policies.

Public aggregation of bandwidth is national Government policy:

Cabinet Office Paper entitled “UKOnLine – The Broadband Future” Dec’2001:

“aggregate broadband procurement by the public sector in order to provide guaranteed levels of demand in rural areas”.

Countryside Agency paper entitled “Rural Proofing – policy makers checklist” Oct’2002:

“7. Does the policy rely on infrastructure (eg. broadband ICT, main roads, utilities) for delivery?”

How will the policy work in rural areas, where the existing infrastructure is typically weaker, some infrastructure doesn’t exist and upgrading of infrastructure may be difficult or expensive?

*Rural solutions: consider using regulation or licences to encourage the development of improved infrastructure; encourage or co-ordinate demand to make supply viable; **use the public sector’s collective demand to stimulate supply**; provide alternative means of accessing the service”.*

Our Vision

We believe that local authorities have a legitimate role to play in areas of broadband “market failure”, where aggregation of public sites, services and infrastructure is necessary. broadband “market failure” areas are those areas where there is unlikely to ever be an economic case for private sector broadband provision. This will particularly apply in sparsely populated rural areas.

The consortium is funding a six month joint study (reporting April 2003) to map regional broadband assets in the SW and to study the governance and legal issues around operating public networks for SME business and local community access, in areas of broadband “market failure”.

We will also develop an operating policy and an exit strategy to satisfy the Government through the DTI, that our participation with the private partners in broadband “market failure” provision is not anti-competitive or unfair. Once we have met our public service policy objectives, majority control will automatically pass to the private partners in the consortium, with a minority stake remaining with the public partners.

1.Point by point response.

1.1.Agree.

The removal of the “purpose of use” condition will enable a greater number of potential users to access the bandwidth. This will enable the license holder to access multiple revenue streams, making any business model more robust and more likely to survive.

Additionally, by removing this condition, social inclusion, economic development and other social/economic development objectives can be included. This will support local authorities aggregating bandwidth in areas of broadband “market failure” to support equitable SME access in our region and promote economic development through the nationally prescribed Strategic Partnerships in each authority.

The removal of the “use it or lose it” condition will enable a more flexible deployment, better suited to the regional conditions and changing environmental and economic conditions.

1.2.No comment.

1.3. There is an opportunity to unite the twin tracks of:

- public broadband provision via the Local Government On-Line (LGOL) funding through the ODPM and
- private broadband provision being stimulated with “pump-priming” through funding via the DTI/RDAs.

The consortium believes that providing one 28GHz license per region should be seen as a national project and therefore could be a candidate for cross-funding from the existing and announced LGOL funding streams. This would provide a capability to support a national policy on broadband aggregation in the public sector and to ensure greater equity of access in broadband “market failure” areas (see Background and Our Vision at the beginning of this response).

We would also seek to utilize other broadband technologies like ADSL in an existing exchange. We would create competition with the incumbent supplier through tendering, by making maximum use of the Oftel provision for competition, so that other providers can compete to ADSL-enable the exchange. Use of the 28GHz license in conjunction with our existing fabric and the ADSL-enabled exchanges, is key to having a mix of technologies and tactics to connect over the last 1-3 miles in our communities via our existing backhaul to the Internet.

The SW Consortium have already shown a strong commitment to the aggregation policy in areas of broadband “market failure”, by jointly funding a regional study. We would be very interested in National Pathfinder status to develop a national policy and model for delivery of our public policy objectives, in partnership with private telecomms providers. We believe that this new policy would complement the existing DTI/RDA role with the private sector. The policy would significantly contribute to the Government aim to make broadband pervasive throughout England and Wales and to make the UK top of the G8 countries for a competitive market in broadband.

1.4. Agree. We believe that we need time to develop a rollout based on a mesh topology via a “pay-as-you-grow” funding concept.

1.5. Agree.

On the issue of non-discrimination, the requirement for a significant up front payment for a license (£1m) can be construed as discriminatory against regions who will be seeking to use this facility as a tool for regional development and improved community access to public e-services, without the certainty of an already existing, high population density, customer base to underpin a business model.

It is felt that the pricing is discriminatory against the rural regions, by expecting them to bear the same cost of a license as more urban areas with a higher business and population density. Additionally, the more rural regions have to fund significantly larger fabric deployment for equitable and equivalent population coverage.

From this perspective it would be valuable if there was flexibility in the price of licenses to enable those regions, which are not as commercially attractive, due to business and population densities (as demonstrated by the lack of uptake over the past 2 years in the SW) to more readily acquire one. A possible way forward is to grant the license on the condition that within 4 -5 years 45% of the population could access BFWA and at the 5 year point, the license fee would be payable. This would be in keeping with the spirit of non-discrimination. The public license could be granted initially to the SW Regional Assembly to hold pending the formation of a Special Purpose Vehicle.

1.6. Input.

The “use it or lose it” and “purpose of use” elements have been addressed earlier.

Application of a “minimum path length policy”, regarding provision of Point-to-Point links to other operators. The term ‘policy’ is too rigid to cover the varying situations across the UK. In this instance, it would be preferable to have the term ‘guidelines’ used. It is unlikely that that proposal would be breached, but in some circumstances, namely extreme geographical conditions and existing infrastructure positions, it would be valuable to have the freedom to do so.

Maintain the framework of the second 28GHz award process. Agreed in general, with the following caveats:

Payment of a deposit with application. Referring back to previous comments about costs associated with the license or cross-funding from LGOL funds, can these be waived when dealing with license applications from rural regions?

If any fee is to be required, can the amount to be stated explicitly.

Can the secondary stage process (after the twenty day period) be made explicit as far as maximum times are concerned? Please remove the terms such as “shortly”, “quickly”, and “soon” and replace with maximum number of working days.

1.7. No comment.

1.8. No comment.

1.9. No comment.

2. Background

2.1. Agree, with exception of:

Restricting target market to SMEs. This should be expanded to include other business categories, particularly in areas that have been economically disadvantaged or suffered major local business closure. Also to explicitly support the provision of e-services to the community by the public sector.

Comparison to other technologies. This can be misleading as the other technologies mentioned do not have the capability to carry higher value-add applications (Voice, Video Conferencing, Distance Learning, Video streaming etc), being limited to faster download of data by their bandwidth and asymmetric characteristics. The services that can be delivered by BFWA are not (necessarily) similarly restricted.

2.2. No comment.

3.”Purpose of Use” and “Use it or lose it” license conditions.

3.1. Agree. It would be valuable if “any fixed service” was amplified to (for example) include voice and video conferencing.

3.2. Agree. Flexibility will accommodate technologies and applications that have not yet emerged.

3.3. Agree. To what degree are the restrictions on “purpose of use” and “coverage” likely to be relaxed, when, and how will interested parties be informed?

3.4. Agree, with the comment that these restrictions are not required.

When will the proposed changes be decided and interested parties be informed? If the next round of license allocations is to occur before the end of 2002, then these conditions must be decided before that date.

3.5. Agree.

The language of the report tends to restrict the deployment of networks to organisations and areas that can deliver an economic return. We would like to see positive support for the public sector and organisations whose aims include regional economic development and social inclusion. Not all areas are equal or starting from the same base of provision or even have the same legacy fabric infrastructure. We would argue that the incumbent fabric in the SW is aging and has suffered from a lack of investment for some considerable time, due the lack of commercial returns implicit in areas of low population density.

Relaxing restrictions on coverage will have the effect of enabling a license holder to deliver services to highly targeted areas, with no incentive to develop the network to deliver services to areas that are not immediately commercially attractive. This will have the effect of further concentrating populations and economic activity into areas that have access to BFWA delivered services and further accelerating rural depopulation. The public sector often targets services at the sector of the population that is least attractive for commercial providers e.g. poor, socially excluded, remotely located, aged, disabled, illiterate.

A possible solution would be the provision of incentives in the form of reduced license fee if the license holder undertakes (possibly in conjunction with the Regional Assembly) to provide cover to a given proportion of the population. An alternative might be to offer subsidies to the license holder to deliver services to target areas.

3.6. Agree.

3.7. Agree. See comments under section 1.6.

3.8. Agree.

3.9.

Q1: Agree.

Q2: Agree (see 3.5)

Q3: Agree with a caveat. As long as the license holder has the latitude to override the policy in specific (geographic and fixed infrastructure) situations. Possibly substitute “guidelines” for “policy”.

4. Further award process.

4.1. Maintain reserve prices. This is applicable to areas of high economic activity, but a more flexible approach needs to be taken for other areas, especially rural regions like the SW.

Perhaps in areas of lower economic activity where no licenses have been issued over the past 2 years, the license fees should be waived, conditional on the aims and plans of the organisation applying for the license, especially where e-Government and social exclusion objectives apply. Additionally, the poor stock market conditions could mean that commercial take-up in less attractive regions like the SW could be delayed substantially.

4.2.

Agree with 15-year licenses as a minimum, but the public sector would prefer 20 years for better investment planning.

Agree. Pleased that the license region corresponds to the administrative region.

Agree with the 2-channel proposal.

For the public sector viewpoint, please see points in 1.3. Also, there needs to be sufficient flexibility to reflect the capabilities and aspirations of different regions and communities within the region.

Further representation. Should the government consider making any other changes to the license and, if so, for what reasons? Again please see 1.3.

The only specific change that this response proposes is the reduction in the cost of a license for rural areas where there is not the purely commercial incentive for infrastructure deployment; this is confirmed by the lack of take-up of licenses in the SW over the past two years.

The reasons for this approach are:

1. To provide BFWA delivered services to all parts of the UK, not just the (currently) economically attractive areas.
2. To prevent the gravitational attraction of broadband-enabled areas further exacerbating rural de-population.
3. As a tool for targeted regional economic development.
4. These objectives can be delivered by the nature and objectives of the organisation, like the proposed SW Special Purpose Vehicle, holding the license.

4.3. The fast close date for the consultation process suits our aspirations. Thank you.

Finally, some additional points for your consideration:

If you decide to relax the purpose of use conditions, would you please consider the removal of any constraints imposed on the services delivered over this medium, specifically voice, digital TV, and video conferencing services and those we cannot yet foresee.

We await the outcome of the consultation with great interest and look forward to a greater role for the public sector to contribute to “Broadband Britain”.

On behalf of:

The SW Consortium of Local Authorities for broadband provision in areas of “market failure”.