Broadband in remote, rural or sparsely populated areas of the European Union
Public consultation questionnaire

Introduction to the Broadband Stakeholder Group

The UK's Broadband Stakeholder Group (BSG) has acted as a key advisory group on promoting the roll out and take up of broadband services since 2001 and its membership has increasingly become representative of the complete broadband value chain, such that it now covers network and service providers, equipment suppliers, broadcasters, members of the content industry, central and local government, regional development agencies, consumer representatives, trade unions and trade associations.

The BSG was established originally to advise the UK Government on the development and implementation of a strategy to achieve its target of an extensive and competitive broadband market by 2005. The widespread availability of broadband in rural areas was a key part of this strategy.

The BSG's reactions

In 2003, the BSG published a report on this subject, 'The Impact of Public Sector Interventions on Broadband in Rural Areas 2003', which pointed to a number of lessons that could be drawn from UK experiences up to that time. Many of these are still valid as illustrated by the following extract from the report.

> *It is recognized that significant barriers exist to the extension of mass-market broadband coverage to rural areas. In some of the most remote parts of the country, the economics are so challenging that it is reasonable to assume that the market will probably not deliver to 100% of the population in the foreseeable future without some form of public sector intervention or support. To that end, in some areas of the UK, public sector funding/support may be required to ensure coverage. However, determining the appropriate level and mechanism to intervene will need to be considered in the context of the long-term impact on competition.*
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> *A range of models now exists for extending broadband coverage and achieving the goal of reaching 100% of communities by the end of 2005. A number of lessons can be drawn from the UK experience so far:*
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> - *Extending broadband coverage is not simply a supply side issue. Demand stimulation must be a core component of any broadband initiative or strategy.*
> - *As a matter of principle, public sector intervention should be kept to the minimum level necessary to stimulate the provision of services.*
> - *Although defining the minimum level of intervention is quite difficult in practice, particularly as market conditions evolve, excessive intervention should be avoided*

- *The public sector should not intervene where a competitive market is already operating.*
- *The role of government should be to create the conditions for competition rather than act as a direct competitor to suppliers/operators themselves.*
- *The public sector initiatives must be clear about the objectives they are seeking to achieve. Particular care is required where subsidies (which should be used as a last resort) are being provided.*
- *Further innovation by community networks should be encouraged; however this model should not be regarded as a panacea for the last 10% of any coverage gap.*
- *All government interventions should remain technology neutral.*

The BSG recognises the importance of closing the digital divide that exists between various parts of the European Union, both between and within Member States and is sensitive to the concern that the market will not always keep pace with consumer or service demands, and that this can become politically sensitive.

However, it is aware also that the market in the UK has responded very positively in recent times, such that the need for public sector intervention seems to have reduced considerably. In essence, a competitive market has led to increased coverage, lower prices and an ever increasing range of broadband products.

Throughout its existence, the BSG has argued for an improvement in the investment climate for new infrastructure, such that communications networks continue to meet consumer demands for next generation services, in terms of both capabilities and coverage. A key component of this is a regulatory environment where the significant levels of investment risk involved in the provision of infrastructure, particularly next generation networks, will be rewarded with appropriate financial return over an extended period; i.e. the regulatory environment should offer as much certainty as possible.

Such a regulatory environment has to be part of a national broadband strategy, which takes account of both present day networks as well as next generation networks with improved speed and reliability. The strategy should also include guidelines for determining where it is appropriate for national or local government to launch the necessary initiatives and create the necessary incentives if the commercial players in the market cannot make a case for build-out.

Alongside an appropriate regulatory environment, the BSG recognises that existing Regional Aid/Structural Funding can be appropriate where a commercial case cannot be made for rural and remote areas. However, this should not be applied in such a way that public funds are used to create overlapping/competing broadband infrastructure. Such intervention, which could lead to duplication of privately funded existing and planned infrastructure, will discourage innovation and distort competition at both network and service levels, and may not be the best use of public money.

An alternative to direct intervention in the provision of the infrastructure is the provision of support directly to the users, either by subsidy or by tax relief, so that the local market can justify a commercial installation, e.g. using wireless or satellite communication.

Summary

In summary, the BSG's response to the questionnaire is as follows:

1. It believes that existing policies and regulatory instruments should be adequate to address the different aspects of the digital divide, and respond to prevailing conditions in any Member State. However, although it does not see a need for new public policy actions involving public subsidy at the European level to stimulate the provision of broadband in remote, rural or sparsely populated areas of the EU, there may well be a number of new initiatives and actions, developed as part of a national strategy, which could bring benefits. Typically, these should be targeted at increasing awareness of the value of broadband and of the potential roles of governments, local authorities and industry.

2. It agrees that national strategies are important and, in addition to the types of initiatives referred to in point 1 above, it believes that these should include the creation of an appropriate regulatory environment, exchange of best/good practice and guidelines for the provision of financial support to communities to ensure that competition is not distorted.

3. It agrees 'coverage' is a key metric, although this can be achieved in a number of ways, using different technologies and service models. It agrees also that 'quality of service' and 'affordability' can be used as general measurements for broadband availability although it must be recognised that both quality of service and affordability can be subjective, depending on citizens' needs, attitudes and preferences for spending disposable income, which can differ by area/region. At the same time, it recognises that 'affordability' is important if broadband access is essential for public service delivery.

4. It believes that other bottlenecks that inhibit broadband deployment in rural areas are created by lack of awareness amongst consumers of the value of broadband services and other regulations that are not directly related to the communications sector. National strategies should take account of the range of inhibitors to more widespread investment in broadband networks and services.

Further information about the BSG, its reports and its membership can be found at www.broadbanduk.org.

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