

## ESOA RESPONSE TO DCMS CONSULTATION ON CONNECTION VOUCHERS JULY 2013

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The European Satellite Operators' Association (ESOA) was formed in March 2002 to represent the interests of the industry with key European organisations, including the European Commission, Parliament, Council and the European Space Agency as well as other international organisations. ESOA's goals include ensuring that satellites benefit from the appropriate political, industrial and regulatory environment to fulfil their vital role in the delivery of communications. ESOA is governed by a Board of Directors, made up of the CEO's of its 11 Member Companies.

ESOA is often consulted as reference point for the industry by policy-makers, national and international regulators, other industrial groups, associations and academics for information concerning facts and views of the industry or with requests to cooperate on specific issues. It often participates in conferences representing the space or satellite operator's industry.

### **Introduction and General Points:**

ESOA believes that the BDUK **should NOT** introduce a voucher scheme in the “super connected cities”. Instead, any support should be offered to those enterprises and citizens that are in rural and under connected areas, where the access to and the uptake of broadband services will have a far greater impact on growth and bridging the digital divide.

We believe that the proposed scheme should only be used to promote broadband take up in rural areas where the current BDUK schemes has completely failed to deliver especially in regard to the last 10% of rural homes and SMEs.

The Urban Broadband Fund has in effect enabled the ‘quasi-dominant’ incumbent to essentially leverage off huge public subsidy from BDUK to roll-out fibre that has enabled that entity to gain a huge competitive and market advantage in delivery of video based services to detriment of other fixed and wireless network suppliers. There is no need for HMG/DCMS to compound that policy error through this voucher scheme focussed exclusively on cities.

The National Audit Office's recently published report “The Rural Broadband Programme”<sup>1</sup> notes that: “*All of the assets and infrastructure created using the £1.2 billion public sector investment in the programme are likely to be owned by BT*” further that: “*BT's asset base will benefit from the significant public sector investment. Whether the additional access conditions secured by the Programme will have any significant impact in encouraging competition is as yet unknown*”.

In the interests for competition, ensuring the effective widespread uptake of broadband services and generating growth we recommend that the Connection Voucher scheme not be applied to cities but to rural areas.

Further, we strongly disagree with the notion of increasing the voucher value from £3,000 to £5,000 as suggested by some. If anything we would like to see the maximum voucher value reduced to below £400 – so that the maximum number of businesses and consumers can benefit from the scheme. ESOA members have recently collectively offered to the European

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<sup>1</sup> Report by the Comptroller and Auditor General (HC 535 - Session 2013-14) Dated 5 July 2013 (ISBN 978-0-10-298377-7)

Commission the concept of a “European Connection Voucher” scheme that would offer European enterprises and consumers connection to their satellite delivered broadband services for Eur300.

**Question 1: What methods do you consider most useful and practical in the context of stimulating awareness and demand for a broadband connection scheme?**

General awareness-raising of the economic and wider digital inclusion aspects benefits of broadband adoption by SMEs and citizens would be helpful. This could take the form of wide promotional campaigns such as through local / national press, radio and TV to help promote the campaign and generate traffic for the proposed web portal.

Any scheme however, must reflect the breadth of the market and the availability of different solutions on a strictly technology neutral basis, no one solution could or should be favoured in the promotional campaign. Wireless and Satellite delivered solutions must be fairly presented in the overall mix.

If the scheme is redirected to rural areas demand will be stimulated by offering enterprises and residents service provisions, such as high speed broadband access through satellite services, that were not previously encouraged under previous BDUK schemes or made available to customers by the incumbent sole supplier.

**Question 2: If you are an SME, ISP or network operator:**

**(a) Would you be keen to participate in the voucher scheme on the basis that we have set out in this consultation?**

Our Members have indicated that they would wish to participate in the scheme, especially if opened to rural locations.

**(b) In addition to the elements described in this consultation document, what further steps, if any, would BDUK need to take to ensure your participation in the scheme (e.g. broadening the categories of eligible end-users)?**

ESOA firmly believes that the scope of the scheme should be to encourage the uptake of broadband services rural areas that where the access to and uptake of broadband services will have an even greater impact on the growth in these areas compared to cities. As said before, we would like to see the maximum voucher value reduced (see Question 5)

**Question 3: Does BDUK need to place any conditions or criteria on the vouchers to ensure effective take-up by end-users?**

Since the primary driver of the scheme is to promote uptake. BDUK should ensure that the programme is truly technology neutral, benefit directly to the end-users and is open to the widest range of participants. Wireless and Satellites solutions must be included in the scheme.

**Question 4: Which costs do you consider should eligible for funding by the connection voucher?**

Whilst the scheme should be designed to address the cost barriers to service uptake and therefore should only meet the upfront installation cost required to enable the provision of broadband services which for the satellite case includes the antenna and receiver. This must be on a best value for money basis.

**Question 5: Do you think the current value range proposed for the connection vouchers (£250 to £3,000) is appropriate?**

Given that the objective is to encourage the widest possible uptake of services whilst delivering best value for money then we have no issues with the current range minima. Further, we strongly disagree with the notion of increasing the voucher value from £3,000 to £5,000 as suggested by some. If anything we would like to see the maximum voucher value reduced to

below £400 – so that the maximum number of businesses and consumers can benefit from the scheme. ESOA members have recently collectively offered to the European Commission the concept of a “European Connection Voucher” scheme that would offer European enterprises and consumers connection to satellite delivered broadband services for Eur300.

**Question 6: Should a contribution to the connectivity costs be required of end-users or should the scheme support the total costs of connectivity? If you consider a contribution to be appropriate please explain why and confirm which end-user should be required to contribute (e.g. SMEs, residents etc.), and what the minimum contribution should be.**

Given that public funding is being made available for demand-side superfast broadband connectivity, we do not think it would be appropriate to ask end users to make additional contributions for connectivity. Customers will have to pay subscription and other on-going costs once connected, so to ensure maximum take up of the scheme the voucher should pay for as much as possible.

**Question 7: Do you agree that a ‘portal’ (web based interface) providing is the best mechanism to enable end-user’s to meet potential suppliers? If so, what information do you consider should be provided on the ‘portal’?**

We agree that a web-based portal is the best mechanism available to enable end-users to ‘meet’ potential suppliers.

The portal will need to well designed and populated in such a way that it will be accessible, easy to use and jargon-free. It must ensure that all eligible providers are presented in a fair and consistent manner and that true like-for-like comparison on price, availability and level & quality of service provision is made.

**Question 8: Other than the use of a portal, what steps could be taken by BDUK to maximise the effectiveness and efficiency of the scheme for suppliers and end-users?**

Beyond the portal, ways to maximise the efficiency of the scheme include making the process less bureaucratic for smaller ISPs than is currently drafted. The billing and invoicing involves local authorities and the DCMS and has the potential to be very cumbersome. For smaller providers cash flow is very important. Payment should therefore be timely on completion or the voucher should be processed during installation and paid before final completion

**Question 9: The measures that BDUK is proposing are designed to stimulate the take-up of high-grade connectivity demanded by SMEs. These measures and the voucher scheme in particular have been formulated to work with the current regulatory framework and State aid rules. Please confirm:**

**(a) Whether and how you consider these measures might result in a distortion to competition and what, if any, adjustments to the scheme might serve to correct for such distortions;**

In order to be technology neutral, all technologies need to be evaluated equally and be compared like-for-like. The specificities of each technology should be carefully evaluated: for example satellite infrastructure has already been deployed and do not need to be supported financially. However the receiver end may. The support should also be proportional to the need for bandwidth and reflect the real demand of the end-users. A combination of technologies to achieve the objectives of full coverage should also be envisaged such as fibre and satellites, wireless and fixed.

**Question 10: What methods do you consider might be most useful and practical to monitor the Voucher Scheme and evaluate its outcomes?**

It is important that there exists a robust audit involved so that there is no scope for abuse within the process. Any public money spent should be audited against a supplier invoice. The importance of this is reinforced given the criticism of other aspects of the broadband programme by the National Audit Office.