SUPERFAST BROADBAND EXTENSION PROGRAMME

JUNE 2014

OPEN MARKET REVIEW:
REQUEST FOR INFORMATION

1 Introduction

The Coventry Solihull Warwickshire (CSW) Superfast Broadband Project aims to deliver the Government’s 2017 targets, as set out in Britain’s Superfast Broadband Future¹ (December 2010) and Investing in Britain’s Future² (June 2013), that every premise should be able to access broadband at speeds of at least 2Mbps and that superfast broadband (defined as providing more than 24Mbps) should be available to 95% of premises in each local authority area. The intention is to procure network services that:

- are available to any Internet service provider so that it can be used to deliver retail superfast broadband services to residential and business customers;

- can assist businesses by helping to connect premises and mobile workers to the services they require;

- can assist any public sector organisation in building Public Services Network (PSN) compliant infrastructure;

- any community network can use for backhaul.

¹ https://www.gov.uk/government/publications/britains-superfast-broadband-future
Our aspirations beyond 2015 are in keeping with the European Commission’s 2020 targets that fast broadband coverage at 30Mbps should be available to all EU citizens, with at least half European households subscribing to broadband access at 100Mbps\(^3\). The project will endeavour to deliver infrastructure and services that can scale appropriately to keep pace with the increasing bandwidth demands of new applications and services.

The project aims to subsidise a private company to deploy network infrastructure to provide a wholesale service, to many different ISPs, into areas where it is not financially viable. Hence it is imperative that areas that are selected for this intervention, which is classified as State Aid by the EU, do not cover an area where any private company or community enterprise plans to build an equivalent facility. This would clearly be a waste of public money and would undermine the viability of the other network. We aim to make every effort to minimise the risk of this happening and this is the first step in that process.

Warwickshire County Council is acting as lead authority for the initiative. Coventry City Council and Solihull Metropolitan Borough Council are supporting partners. The project is formally supported by Coventry and Warwickshire Local Enterprise Partnership. The Greater Birmingham and Solihull Local Enterprise Partnership also support Solihull Metropolitan Borough Council’s inclusion in this Coventry, Solihull and Warwickshire Partnership.

Other partners we are working with:

- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-on-Avon District Council
- Warwick District Council
- Community Groups via Community Forums and Parish Councils
- Coventry and Warwickshire Chamber of Commerce
- Coventry, Solihull and Warwickshire Federation of Small Businesses

2 The case for investment in CSW

Despite restricted availability and late roll-out of current generation broadband, take-up within Warwickshire is above average with Coventry and Solihull being average. This is indicative of a strong case for investment in superfast broadband across the sub-region which our demand registration and stimulation activities are promoting further.

Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council are committed to transforming the delivery of public services and online access via superfast broadband

is instrumental to this. Effective online public services will help to drive demand for and take-up of superfast broadband.

All three upper tier local authorities have a strong track record of successfully procuring and implementing wide area network infrastructure. Demand for and usage of broadband by public sector sites (for example, schools, local government and health) continues to increase year on year. This expected future demand for broadband will provide a guaranteed return for investors, above and beyond the take-up of superfast services by new domestic and business customers.

The decline of traditional manufacturing means the knowledge economy is increasingly important to the sub-region’s economic growth. The knowledge sector has experienced phenomenal growth in the last five years, which has contributed significantly to local economy and is also leading to increased employment in the region. There are 1,300 ICT and software companies in the CSW sub-region, concentrated in six major science parks located in and around the CSW Software Triangle. These companies represent a vibrant base of high growth indigenous companies underwritten by many of the world’s leading global ICT and software companies. The importance of a world-class communications infrastructure to this sector’s continued growth is clearly apparent.

In November 2013, the Government published its UK Broadband Impact Study – Impact Report. Key evidence in relation to the benefits of broadband included:

- for every £1 the government is investing in broadband, the UK economy will benefit by £20;
- a significant short-term boost to the UK economy as the network construction adds around £1.5 billion to the economy; adding £0.5 billion and about 11,000 jobs in 2014 alone;
- long-term growth to the UK economy with public investment increasing annual GVA by £6.3 billion and causing a net increase of 20,000 jobs in the UK by 2024.

3 Geographical scope

Coventry is at the heart of the sub-region, and is surrounded by Solihull to the west, and the five districts of Warwickshire – North Warwickshire, Nuneaton & Bedworth, Stratford-Upon-Avon, Warwick and Rugby.

Solihull is one of the seven West Midlands Metropolitan Boroughs, located between Birmingham (to the west) and Coventry and Warwickshire (to the east). It covers an area of almost 18,000 hectares, two-thirds of which is rural farmland. Much of the rural area is designated green belt. Solihull has two main built-up areas, in the north around Chelmsley Wood and in the south-west around Solihull town.

Warwickshire is generally more rural in nature, interspersed with a variety of market towns and major centres, such as Stratford-on-Avon and Rugby. Around one third of the population live in rural areas.
The project encompasses all of the areas of Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council. We are working closely with neighbouring authorities to co-ordinate with their broadband procurement activities. Our seven neighbouring local authorities are:

- Staffordshire
- Leicestershire
- Northamptonshire
- Oxfordshire
- Gloucestershire
- Worcestershire
- Birmingham

In addition, the northern tip of Warwickshire is only 3 miles (5 km) from the Derbyshire border.

We have provided coverage maps and a list of postcodes for the sub-region which you can access at http://www.cswbroadband.org.uk/procurement2014

Our data is derived from a number of sources identified over the course of the project to date, including operators’ roll-out plans, crowd-sourced information⁵ and data from Broadband Delivery UK (BDUK). Whilst we believe we have built up a good overall understanding of coverage across our region, we recognise that this is a complex and fast-changing area so any further input is most welcome.

4 Progress to date

The Coventry Solihull Warwickshire Local Broadband Plan⁶ was approved in March 2012 and the partnership was allocated £4.45 million by Broadband Delivery UK (BDUK), a team within the Department for Culture, Media and Sport (DCMS). This was matched with funding from Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council, together with all districts and boroughs within Warwickshire.

Following procurement via BDUK’s Framework, a £15.47m contract was awarded to BT in June 2013 to deliver superfast fibre broadband to around 91% of CSW premises by Spring 2016⁷. BT is contributing £5.67m whilst the CSW Broadband Project is contributing £4.45m – of which £3m is from Warwickshire with the balance coming from other local authorities, with a further £4.45m from BDUK funds. Approximately 40,000 additional premises should have access to broadband speeds of 24Mbps and above by the end of this phase of the project.

⁵ http://4sfb.crowdmap.com
⁶ http://www.cswbroadband.org.uk/local-broadband-plan-redacted/
The first rural communities to benefit from the £15.47m superfast fibre broadband partnership for Coventry, Solihull and Warwickshire were announced in February 2014\(^8\): from Spring 2014, superfast fibre-based broadband became available for the first time in parts of Alderminster, Fillongley, Henley-in-Arden, Kinerton, Quinton, Long Marston, Snitterfield and Welford-on-Avon. In addition, fibre will also ‘go live’ in areas of Stratford-upon-Avon and Wellesbourne not already enabled by any commercial rollout.

Also in February 2014, it was announced that the CSW Broadband Project will receive £3.68m from the total of £250m being made available to local authorities in England and the devolved administrations to extend the reach of superfast broadband\(^9\). These additional monies, to be locally match-funded, will extend superfast broadband provision from current coverage plans (based on achieving 90% availability) to enable 95% of UK premises for superfast broadband by 2017. In June 2014 BDUK offered the CSW Broadband Project an additional £6m subject to local match-funding being available.

Coventry is one of the UK cities participating in the Super Connected Cities initiative\(^10\). This scheme supports faster broadband connectivity for SMEs via grants of up to £3,000 each to cover the costs of installing faster and better broadband.

5 Purpose of this Open Market Review

*Please note: this section provides a brief introduction to the State Aid Framework for the purpose of informing responses to this Open Market Review. Parties may wish to obtain their own professional/legal advice on the application of the State Aid Framework when submitting a response.*

The European Union State Aid rules are designed to ensure that any use of public funding (‘State Aid’) is targeted at market failures and ensuring positive market outcomes (e.g. more/faster broadband coverage, reducing the ‘digital divide’), while minimising any distortions of competition.

The State Aid rules\(^11\) require public interventions to be targeted so as to limit the risk of crowding-out or dis-incentivising existing and/or credible planned private sector investments that would otherwise meet the desired policy objectives. In the context of broadband, State Aid rules require using public funding only to enhance broadband coverage in geographic areas where there is clearly market failure, often a result of a lack of economic incentive for commercial operators to invest.

Planned public interventions can seek clearance under the State Aid rules directly from the European Commission (EC), or (as is the case with this proposal) seek clearance under a national scheme pre-approved by the EC\(^12\).

State Aid compliance with the National Broadband Scheme for the UK is the responsibility of the National Competence Centre (NCC), part of BDUK.

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\(^10\) [https://www.connectionvouchers.co.uk/coventry/](https://www.connectionvouchers.co.uk/coventry/)

\(^11\) Guidelines for State Aid can be found at [https://www.gov.uk/state-aid](https://www.gov.uk/state-aid)

\(^12\) The EC’s State Aid decision on the ‘National Broadband Scheme for the UK C(2012) 8223’ can be found at [http://ec.europa.eu/competition/state_aid/cases/243212/243212_1387832_172_1.pdf](http://ec.europa.eu/competition/state_aid/cases/243212/243212_1387832_172_1.pdf)
This Open Market Review is intended as a precursor to a formal public consultation. The OMR, in contrast to that public consultation, is not a specific requirement under the European Commission’s Guidelines for the application of state aid rules in relation to the rapid deployment of broadband networks. However, we consider that early market engagement at this stage is an essential and extremely important part of our early market research. The results of the OMR will assist us with understanding the broadband infrastructure (basic broadband and Next Generation Access (NGA)) already in place and where there are plans for investment in such infrastructure in the coming three years and a significant step in the design of our intervention area.

This Open Market Review is being conducted in relation to all additional funding, announced and unannounced, to extend superfast broadband availability up to 100% of premises which is estimated at £26m.

Open Market Review and Public Consultation exercises have previously been completed in relation to the current project, which will deliver NGA to 91% of CSW premises by Spring 2016 via the current £15.47m contract with BT. The Open Market Review for this first tranche of investment was conducted in October-November 2012, with the Public Consultation running from November 2012 to January 2013.

6 Basic Broadband networks and Next Generation Access (NGA) networks

The EC State Aid Guidelines distinguish between two types of broadband networks: Basic Broadband networks, and Next Generation Access (NGA) networks.

Basic Broadband networks are generally those based on currently widely-deployed technologies such as fixed wired telephony networks (using ADSL/ADSL2+ technologies), non-enhanced cable TV networks (e.g. DOCSIS 2.0), mobile networks (2G/3G (UMTS)), fixed wireless access (FWA) networks, and satellite networks.

NGA networks rely wholly or partly on optical elements (optical fibre) and are capable of delivering an enhanced broadband capability compared to existing Basic Broadband networks.

The EC Guidelines do recognise and allow for the possibility that advanced wireless technologies (e.g. LTE-Advanced) could be a viable alternative to wired NGA, but only if certain conditions are met.

The EC decision on the National Broadband Scheme for the UK requires that public funding granted under the scheme shall ensure a ‘step change’ in broadband capability (typically providing at least a doubling of average access speeds). The EC Guidelines also distinguish between geographic areas on the basis of current or planned (next 3 years) broadband infrastructures thus:
• ‘White’ areas are those in which there is no broadband infrastructure and none is likely to be developed in the near future;

• ‘Grey’ areas are those where one network operator is present and another network is unlikely to be developed in the near future; and

• ‘Black’ areas are those where there are, or there will be in the near future, at least two network operators.

This geographic mapping of White/Grey/Black areas is to be carried-out separately in relation to Basic Broadband networks and NGA networks.

Public interventions to provide NGA networks are generally permitted in NGA White areas, only permitted in NGA Grey areas under limited special circumstances, and generally not permitted in NGA Black areas. Similarly, public interventions to provide Basic Broadband networks are generally permitted in Basic Broadband White areas, only permitted in Basic Broadband Grey areas under limited special circumstances, and generally not permitted in Basic Broadband Black areas.

We plan to define our Basic Broadband and NGA Intervention Areas to target Basic Broadband ‘White’ areas and NGA ‘White’ areas, respectively.

7 Your response required

We are sending this OMR to all recognised broadband infrastructure and internet providers in our area.

We require responses by Friday 4th July 2014 to the questions set out in the Annex. When responding, we would be grateful if you could confirm your organisation’s name and address, as well as the name, position and contact details of the person responding on behalf of the organisation.

Please send your responses to bduk-omr@warwickshire.gov.uk identifying them as CSW Broadband OMR Response in the subject, or send them via post to:

CSW Broadband Project
Warwickshire County Council
Wedgnock House
Wedgnock Lane
Warwickshire
CV34 5AP

Please note that the data you provide in your response will be treated as commercially confidential to Warwickshire County Council17, albeit that it may be necessary to share some/all of your response data with our professional advisors and/or DCMS/BDUK, Ofcom, BIS State Aid Branch and the European Commission in the course of seeking State aid approval for our local broadband project. It should also be noted that it is a state aid requirement to utilise this information to produce state aid maps to define white, grey and black areas for basic and NGA broadband. These maps will be

17 We are also subject to legal obligations to disclose information in certain limited circumstances.
published as part of the Public Consultation process and will be utilised to define the intervention area. However, please note that these published maps will be assimilated utilising data from all relevant operators and will not be directly attributed to a single source.

When an area is classified as eligible for intervention with State Aid (pink on the maps), it in no way guarantees that the private sector company winning the tender will cover the area as funding is limited – only 95% of premises are likely to be covered. However, when an area is classified as currently having a service available (shown on the maps as grey = one provider, or black = two or more providers) then it does mean that these areas are out of scope so that new broadband services are unable to be targeted to these areas by our publically funded intervention. Because of this we will need to see clear evidence of your financial provision, the necessary approval being recorded from an appropriate authority in the company or enterprise and an implementation plan. Clearly we don’t want anyone to miss out so due diligence is necessary here.

If you have any questions about the project or concerns about providing information then please contact the CSW Broadband Project at bduk-omr@warwickshire.gov.uk or call 01926 737703 to discuss your concerns as we do not want to build over your planned deployment.
ANNEXE

Please provide details and supporting evidence of any current or planned investment in broadband infrastructure (basic broadband and NGA broadband) in Coventry, Solihull and Warwickshire. In the case of planned investment, we are particularly interested in plans for the coming three years (by date). However, any plans for years beyond that would also be of interest. Any information provided should include but need not be limited to:

- Detailed maps for basic broadband and NGA broadband showing the existing coverage and separately maps detailing the planned investment in the basic broadband and NGA infrastructure networks for at least the next three years;
- Exact detail of premises passed or covered, i.e. postcodes including information on the number of premises passed (in the case of a fixed network) or covered and able to receive services (in the case of a wireless/satellite network);
- Full premise details are required. If you are unable to provide this at present, please provide full (7 digit) postcodes and please give a date that you will be able to provide premises address details by.
- Details of the technologies and where these claim to be NGA, demonstrate how they meet the minimum standards as set out in the BDUK Technology Guidelines;18
- Description of the services/products currently offered and separately those to be offered within the next 3 years;
- Installation and rental tariffs for those services/products clearly identifying whether they are inclusive or exclusive of VAT;
- Upload and download speeds typically experienced by end users;
- Appropriate indicators of quality of the service e.g. contention ratio or bandwidth allocation per end user;
- Details and timing of roll-out for future investment;
- Evidence to substantiate actual or planned coverage claims, including business cases and evidence of available funding to enable plans to be fulfilled; and
- Confirmation from an authorised signatory that all information provided is of suitable accuracy.

Please supplement with supporting evidence as you consider appropriate e.g. public websites.