

Go Digital Newcastle

Superfast Broadband Public Consultation

Issue date: 28 March 2013

Final Version: 1.0

Consultation period: 28 March 2013 to 29 April 2013

Content

Executive Summary	4
1 Project Background	5
2 Project Aims and Objectives	5
3 Project Outcomes	6
4 Project Specification	6
4.1 Geographical Scope	7
4.2 Technology Scope	7
4.3 Procurement Approach	7
4.4 Demand Stimulation	8
4.5 Market Engagement	9
5 Alignment with Strategic Policies and Context	9
5.1 European Strategies	9
5.2 Digital Agenda	9
5.3 Europe 2020 Strategy	10
5.4 EU Sustainable Development Strategy	10
5.5 National Strategy	11
5.6 Newcastle 2016 – Towards a Fairer Future	11
5.7 Newcastle’s Four Key Priorities	12
5.8 Budget Consultation Proposals 2013 – 2016	12
5.9 Other useful information	13
6 Existing and Future Broadband Provision	13
6.1 Basic Broadband Coverage	13
6.2 Next Generation Access (NGA) Coverage	13
6.3 Mobile Broadband Coverage	13
6.4 Public Sector Networks and Existing Infrastructure	14
7 Alignment to EU State Aid Guidance on Intervention Area	14
7.1 Proposed Next Generation Access (NGA) Intervention Area	14
7.2 Proposed Basic Broadband Intervention Area	14
8 Consultation Process	15
8.1 How to Respond to this Consultation	15
8.2 Comments from other Businesses, Community Groups and Residents	15
8.3 Confidentiality	16

Annex A - Glossary of Terms	17
Annex B - Responding on behalf of an Infrastructure Provider	19
Annex C - Maps	20

Executive Summary

Newcastle City Council is embarking on a Superfast broadband project to deliver access to improved broadband connectivity to areas where it is acknowledged that the market is unlikely to deliver Superfast broadband. The project aims to influence and, where permitted, intervene in the market to provide by 2015 access for at least 90% of all premises in Newcastle to Superfast Broadband, and to provide better broadband connectivity of at least 2Mbits/s to the remaining premises.

Funding from Broadband Delivery UK (BDUK) of £970,000 will be matched by the City and together with private sector investment will see the project investing up to £3million to bring Superfast broadband to the city.

This document seeks feedback from broadband operators on whether there will be any changes to Superfast broadband and basic broadband provision information detailed in Section 2 of this document to help determine the target intervention area. It is important that any operator already delivering or planning to deliver broadband services make their plans known, if not already detailed in this consultation document. Comments from other interested parties are also welcomed.

The responses received from this consultation will form an input to Newcastle City Council's State Aid notification. For these reasons, the information provided by respondents needs to be **robust and supported by detailed evidence**.

Any broadband operators that did not respond to the Open Market Review (OMR) but have comments or information that they would like to add should do so by 5pm on 29th April 2013 via <mailto:godigital@newcastle.gov.uk> with Public Consultation in the title or by post to:

Lisa Clark

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Major Projects Team

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1 Project Background

In December 2010, the UK Government launched a strategy entitled “Britain’s Superfast Broadband Future”. A key objective of the strategy is to put in place a framework capable of better supporting the roll-out of Superfast Broadband (SFBB) and improved basic broadband. The strategy’s vision is a Britain in 2015 where

(a) the majority of residential and business premises are able to receive broadband services with speeds of more than 24Mbits/s, targeting as many premises as possible to have Next Generation Access (NGA) capable of delivering access line speeds in excess of 30Mbits/s, and;

(b) there is a Universal Service Commitment (USC) to provide access line speeds of at least 2Mbits/s to every premise.

The Government has committed £530 million of funding, to be administered and allocated by the Government’s broadband delivery arm, Broadband Delivery UK (BDUK), towards delivering the broadband vision in the UK and encouraging further investment by the public sector and industries. See Section 4.2 for further details.

Newcastle City Council recognises the need for socio-economic benefits that broadband access brings to the region. It also acknowledges that the market, under normal conditions, is unlikely to deliver SFBB to 100% of premises in the region as in some areas it may not be commercially attractive for service providers. Accordingly, the Council have agreed to commit internal funding of £970,000 towards a Superfast broadband project to deliver Superfast broadband to at least 90% of premises in the area and basic broadband to all premises. BDUK awarded £970,000 towards the Superfast broadband project in Newcastle. The project anticipates leveraging further investment from the private sector.

2 Project Aims and Objectives

The plan to deliver the broadband project has been approved by BDUK to deliver the following objectives, namely:

- To influence and, where permitted, intervene in the market to provide by 2015 access to between 90 – 100% of all premises in Newcastle to Superfast broadband
- Provide better broadband connectivity of at least 2Mbits/s to the remaining premises

- Deliver solutions that are future proofed i.e. have the potential for future speed uplifts.
- Be affordable to customers and continue to offer value for money over time.

3 Project Outcomes

The outcomes of the project are:

- Support the economic growth of Newcastle businesses by:
 - Helping to attract new businesses to the area by consolidating, enhancing and spreading the reputation of Newcastle for technology innovation and enterprise by ensuring a connected area with 21st Century digital infrastructure services
 - Ensuring that businesses have access to Superfast broadband services to help them compete and succeed in a globally competitive economy
 - Facilitating remote and home working through improved broadband coverage across Newcastle with consequent reduction in traffic congestion and other inhibitors to growth
 - Targeted support to businesses to help them exploit the potential of Superfast broadband
- Support the health and well-being of Newcastle residents by:
 - Enabling streamlined and innovative public service delivery, including support for an ageing population, via telehealth and other initiatives
 - Helping to improve the life chances of all residents by maximising digital inclusion and ensuring that all communities, including the most deprived, have access to digital services
 - Improving access to on-line and home based training, education and life-long learning opportunities

4 Project Specification

4.1 Geographical Scope

The broadband project will cover the entire geographical area of Newcastle upon Tyne, covering 151.1 sq.km¹.

The population of Newcastle is 279,100 people² of which 192,300 are aged 16 – 64 years and of working age. Unemployment is higher than the national average and for the year to September 2012 the rate of unemployment in Newcastle was 10.8% compared to a UK average of 7.9%³.

We have 9,130 VAT/PAYE registered local businesses in the city, 75% of which employ less than 10 people⁴ and there are 13,400 self-employed people in the city⁵.

4.2 Technology Scope

This will be an open access infrastructure, and will be technology-neutral, though we expect fibre-optic infrastructure to be a significant component of any solution. We will consider alternative technologies, particularly for the remaining premises not receiving a Superfast broadband solution. We will actively seek innovative and future-proofed solutions from our chosen private sector provider.

4.3 Procurement Approach

A detailed infrastructure delivery plan will be developed by the private sector provider during the procurement exercise. The Council is bound by EU procurement rules and the Public Contracts Regulations 2006 as to how it delivers this project. As a result, the Council intends to procure the broadband network using the BDUK Broadband Delivery Framework procured by the Department of Culture, Media and Sport (DCMS) under Official Journal of the European Union (OJEU) Reference 2011/S122-202671. It is intended that the Council will commence its call-off exercise to select a supplier from the Framework in May 2013. Following the completion of the call-off, the Council will have selected a supplier from either BT or Fujitsu.

The BDUK Framework is based on a gap funded subsidy approach, where the private sector invests alongside a public subsidy to provide broadband to areas where there is not otherwise a viable commercial market. Under the Framework, the supplier takes the risk of implementing and operating the network and the risk of ensuring its commercial success. EU State Aid rules place specific limitations on what types of cost public sector funding can subsidise. Once the network is up and

¹ Ordnance Survey MasterMap

² Office for National Statistics (2011)

³ ONS Annual Population Survey (2012)

⁴ ONS UK business size and location (2010)

⁵ ONS Annual Population Survey (2012)

running and has attracted sufficient customers, the supplier should receive customer revenues (through retail service providers) that covers its maintenance and operating costs - as well as generating the anticipated return on investment. Key elements of the procurement include:

- The procurement of the Framework and subsequent call-off will ensure that the most economically advantageous offer is received from a supplier for the Go Digital Newcastle project.
- The Framework recognises that the market is best placed to determine the appropriate mix of different technologies available (i.e. technically neutral), which will then be evaluated in accordance with the cost and quality of the solution they offer.
- The selected supplier will be obliged to allow effective wholesale access to the subsidised infrastructure installed. Contractual conditions will ensure that such access is offered on fair, reasonable and non-discriminatory terms.
- A mechanism will be established to benchmark pricing for wholesale access for retail service providers to use the subsidised infrastructure.
- A claw back arrangement will operate to prevent over-compensation to the supplier from public subsidy where the supplier makes excess profits, with a mechanism for reinvestment of over-subsidy.

4.4 Demand Stimulation

Newcastle City Council has been actively seeking to stimulate demand and raise awareness of Superfast broadband in our area through the following activities:

- Promoting an online tool to register demand for Superfast broadband in Newcastle.
- Holding meetings with key business representatives and offering taster sessions for residents to raise awareness, understand issues and stimulate demand.
- A dedicated website and online demand registration tool, supplemented by publicity in our publically owned libraries, customer service centres and widely available hard copy demand registration leaflets.

A complementary communications and demand stimulation strategy will accompany our investment in Superfast broadband. This will include sector and community specific engagement to:

- Promote the benefits of broadband to residents;
- Promote the benefits of broadband to SMEs;

- Influence the behaviour of local businesses and residents and stimulate and secure take up.

4.5 Market Engagement

The Council recently undertook an Open Market Review (OMR) with operators. The result of the OMR has been used to inform the coverage information in this consultation document.

The OMR exercise was undertaken between 11 February 2013 and 11 March 2013 in line with European Commission (EC) guidelines for State Aid approval. In total, 36 suppliers were contacted and were formally requested to provide information to help us understand where there has already been private-sector investment in broadband in the area, where private-sector investment is currently being made and where it is being planned, without public-sector intervention, for the next three years, as a minimum (and preferably up to 2020). Of the 7 suppliers who completed the questionnaire, 2 provided data that has been used to determine the intervention area.

5 Alignment with Strategic Policies and Context

There is widespread consensus on the social and economic impact of broadband connectivity, which supports business efficiencies and growth, preserves and ensures that economies can remain competitive and enables our citizens to enhance their skills and benefit from online services, including key public services.

Below, we outline the policy context at a European level, at a national level for the UK, and at a local level in Newcastle, as well as demonstrating how the broadband project aligns with these objectives.

5.1 European Strategies

The Europe 2020 Strategy, Digital Agenda for Europe and EU Sustainable Development Strategy highlight the importance of smart, sustainable and inclusive growth, and of maximising the potential of ICT to secure the future of the EU economy and society.

5.2 Digital Agenda

The Digital Agenda for Europe outlines a number of key priority areas to which our broadband project will contribute, including:

- bringing basic broadband Internet to all of Europe's citizens (including those living in rural, remote and isolated areas) by 2013
- increasing access to fast and ultrafast Internet, with minimum Internet speeds of 30Mbit/s for all citizens and 100Mbit/s for half of all households by 2020
- unleashing the potential of ICT, for example, by reducing energy consumption, enabling businesses (particularly SMEs) to exploit the possibilities of cloud computing, empowering all Europeans with digital skills and connecting them to online services, including commerce, social, health and education services
- creating a single digital market and enabling citizens to enjoy commercial services and cultural entertainment across borders.

5.3 Europe 2020 Strategy

The Europe 2020 Strategy, put forward by the EC, sets out a vision of Europe's social market economy for the twenty-first century. It shows how the European Union can come out stronger from the economic crisis, and how it can be turned into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion. To deliver rapid and lasting results, stronger economic governance will be required. There are three priorities at the heart of Europe 2020, all of which can be partially addressed through Superfast broadband development:

- *smart* growth – developing an economy based on knowledge and innovation
- *sustainable* growth – promoting a more resource efficient, greener and more competitive economy
- *inclusive* growth – fostering a high-employment economy delivering economic, social and territorial cohesion.

5.4 EU Sustainable Development Strategy

The Renewed EU Sustainable Development Strategy⁶, was adopted by the European Council in June 2006. It is an overarching strategy for all EU policies which sets out how we can meet the needs of present generations without compromising the ability of future generations to meet their needs.

The detrimental effects of motor traffic growth include pollution and congestion. Pollution from cars is now causing very serious concern among environmental and health experts. There are also high economic, environmental and social costs

⁶ <http://ec.europa.eu/environment/eussd/>

associated with congestion: as more people use their cars, traffic increases, congestion worsens, journey conditions become less pleasant and take longer, and the environment worsens. Our broadband project delivers on the objectives of the EU Sustainable Development Strategy in the area of climate change and clean energy. The Councils, in line with EC policy, are determined to tackle the negative effects of growth in motor traffic using the benefits of the broadband project.

5.5 National Strategy

Increasing access to broadband for households, business and communities in poorly served areas across the UK is a key policy focus for the current UK government. In recognition of the importance of broadband connectivity, and to support the EU agenda and targets, the UK government has outlined its vision of providing the UK with the best Superfast broadband in Europe, and confirmed the following policy objectives (to be delivered within the lifetime of the current parliament):

- providing universal minimum Internet speeds of 2Mbit/s
- increasing and expediting the roll-out of next-generation or Superfast broadband in the so-called final third (i.e. those parts of the country which fall outside of market plans).

The UK government's ambitious plan for the country is part of a £530 million strategy⁷ to make sure the UK has the best broadband network in Europe by 2015. Published by BIS, *Britain's Superfast Broadband Future* sets out the government's vision for Superfast broadband in the UK. The UK government recognises that a reliable and secure Superfast broadband network is vital to the country's economic growth, the development of the high-tech and creative industries, and the reform of public services. Superfast broadband, the government states, can help improve the quality and delivery of public services to people in more rural and remote areas, helping them become more skilled, productive and earn a higher wages.

5.6 Newcastle 2016 – Towards a Fairer Future

This document sets out Newcastle City Council's programme for the next three years and the action the council will take to work towards its four key priorities.

A copy of the document can be downloaded from here:-

[Newcastle 2016 – Towards a Fairer Future](#) (pdf, 3.1MB)

⁷ The publication is accessible at <http://www.culture.gov.uk/images/publications/10-1320-britains-superfast-broadband-future.pdf>

5.7 How broadband aligns with Newcastle's Four Key Priorities

- **Making Newcastle a Working City**

Newcastle's City Deal and Accelerated Development Zones (ADZ) seek to maximise opportunities to stimulate growth, create and sustain jobs, and improve the physical infrastructure of the city.

- **Creating Decent Neighbourhoods**

Broadband is an integral feature of attractive and sustainable housing developments. Our overall portfolio of investment will enable residents to go online at home or access a wireless hotspot within their local community. We will utilise our planning policy provision and relationships with developers to encourage them to provide for broadband connectivity in new developments to future-proof investment.

- **Tackling Inequalities that prevent people from achieving their potential**

We know that digital inclusion helps us to address social inclusion and financial inclusion. Improved broadband access across the city will help everyone to enjoy the same opportunities and will help us to address the challenges of an ageing population (including cost pressures on social care budgets) through telehealthcare and transforming service delivery. Newcastle is in a unique position to do this as a centre for research on ageing and as an age friendly city.

- **Becoming a Council Fit for Purpose**

The NewcastleGateshead One Core Strategy and Infrastructure Delivery Plan identified the underlying infrastructure needed to deliver our vision for growth. We have clear plans in place to ensure the Council saves money and capitalises on broadband infrastructure investment by offering services that are 'digital by default.'

5.8 Budget Consultation Proposals 2013 – 2016

Despite significant public sector budget cuts across the country, the council recognises that capital investment plays an important role in improving economic opportunities across all parts of the city. Whilst some investments directly contribute to the working city priority, all have an important indirect economic impact, by providing a much needed stimulus to the economy, employment opportunities, supporting skills development and contributing to confidence. The socio-economic advantages available to those who can access and use on-line services are widely recognised by the council and they range from straightforward financial benefits to social connectivity and access to information and knowledge. The city's economic well-being will also be significantly improved if the digital skills of its workforce are seen as attractive to inward investors.

A copy of the document can be downloaded from here:-

[Newcastle City Council Budget Proposals 2013-2016 – Fair choices for tough times](#)
(pdf, 1.3MB)

5.9 Other useful information

Additional information regarding the Council's plans can be downloaded from here:-

[Newcastle City Deal - July 2012](#) (pdf, 323KB)

[Newcastle A Working City - Dec 2012](#) (pdf, 2.5MB)

6 Existing and Future Broadband Provision

This section sets out what is currently known about existing provision and planned investment by the private sector in Newcastle based on the information provided by infrastructure suppliers during the Open Market Review. This is summarised below:

6.1 Basic Broadband Coverage

ADSL remains the most common technology used to provide broadband in our area. The analysis of OMR data shows that nearly 2% of premises in Newcastle fail to meet the Governments Universal Service Commitment (USC) target of at least 2Mbit/s. The actual situation may be worse than this due to the way in which access networks are routed, as the performance of ADSL depends on the length of the copper line ('the local loop') between the local serving exchange and the premises. See Map C1 of Annex C for a detailed map showing the basic broadband provision in our area.

6.2 Next Generation Access (NGA) Coverage

Our area is currently provided with NGA by the two main competing infrastructure operators in the UK, BT and Virgin Media. In map C2 of Annex C, we provide a map of NGA in our areas, which includes the future plans of these and other operators that responded to the market consultation, insofar as these are known. The black and grey areas shown on the Map indicates that almost 92% of residential and business premises in Newcastle will have access to NGA broadband in the next three years by way of commercial activity already undertaken or planned by operators.

6.3 Mobile Broadband Coverage

Mobile broadband is used to complement fixed broadband in our area and is currently offered by all four UK mobile network operators. There is a high level of competition between the mobile operators in the region, leading to a decline in the price of mobile services. Most recently EE (Everything Everywhere) rolled out its 4G

services across the city, becoming one of the first 10 cities nationally to be enabled with this new technology. We do not currently have information on operators' plans for increasing mobile broadband provision in our area, however our prediction is that mobile broadband take-up among our residents and businesses will continue to rise.

6.4 Public Sector Networks and Existing Infrastructure

There are public sector networks extending across the area. A potential opportunity is for the broadband Project to examine whether some of the demand from the public sector can be met by the broadband project solution. Opportunities to make future use of the existing public sector networks will be reviewed.

7 Alignment to EU State Aid Guidance on Intervention Area

The European Commission (EC) law requires that the public sector only invests in areas where they can demonstrate:

- There is no current, or planned (i.e. within the next three years) deployment of Next Generation Access (NGA) broadband. These areas without current or planned NGA broadband are termed 'NGA white' areas.
- There is no current or planned (i.e. within the next three years) deployment of 'basic' broadband at affordable prices. These areas without current or planned 'basic' broadband are termed 'Basic white' areas.

These 'white' areas indicate there is a market failure to provide NGA capable of delivering Superfast Broadband and also basic broadband and there is no credible evidence to suggest that this position will change for at least the next 3 years without any public sector intervention. The broadband project will address only these 'white' areas.

7.1 Proposed Next Generation Access (NGA) Intervention Area

The analysis of OMR data indicates that almost 8% of residential and business premises shown as white areas on Map C2 of Annex C form the proposed NGA broadband intervention area of the project.

7.2 Proposed Basic Broadband Intervention Area

The analysis of OMR data indicates that almost 2% of residential and business premises shown as white areas shown on Map C1 of Annex C form the proposed basic broadband intervention area of the project.

8 Consultation Process

The intervention areas will be revised and finalised based on any additional market analysis undertaken and feedback received from this consultation. As a result it is imperative that any operators already delivering or planning to deliver broadband services, or which have infrastructure in the City that is not represented in this document, or which have not previously provided detailed information to the authority, make their plans known. Suppliers who have not already completed returns as part of the OMR should respond to the questions set out in Appendix C.

This information will be a key input into the formal procurement stage to allow bidders to propose plans and cost for the target areas and also to agree public funding via State Aid. It is not our intention to duplicate the provision of NGA or basic broadband infrastructure by existing providers, nor is it our intention to provide subsidy where it is not needed.

The consultation takes the form of a limited number of requests for information in Annex B.

8.1 How to Respond to this Consultation

Responses are requested by 5pm on 29 April 2013 to Lisa Clark by email at godigital@newcastle.gov.uk with Public Consultation in the title or by post to:

Lisa Clark

Go Digital Newcastle Project Director

Newcastle City Council

Major Projects Team

Room 503, Civic Centre

Barras Bridge

Newcastle Upon Tyne

NE99 2BN

Please include your name and address and indicate that you are responding to the Newcastle Broadband Consultation.

8.2 Comments from other Businesses, Community Groups and Residents

The Council welcomes comments from residents and businesses, in particular whether there are any community plans to provide broadband at a local level. If you wish your responses to be treated as 'Confidential' please clearly mark your

responses as 'Confidential'. Confidential responses may be taken into account but will be redacted from any summary published by Newcastle of the consultation responses received. Please note that information which is relevant to the State Aid notification may be disclosed to a relevant authority or body dealing with State Aid matters.

8.3 Confidentiality

All information provided to the Council will remain confidential. It may be necessary to share information with the Council's advisers and with Ofcom, the UK government, and the EC, for the purposes of securing State Aid approval.

Annex A - Glossary of Terms

Term	Definition
Basic Broadband	Broadband which delivers download speeds of at least 2Mbits/s. Examples of basic broadband could include: ADSL, ADSL 2+, wireless, mobile (3G or 4G) and satellite.
Basic White area	An area is mapped as ‘basic white’ where basic broadband services are not available at affordable ⁸ prices and there are no private sector plans to deliver such services in the next three years; or where there is no basic broadband infrastructure, nor any investment plans by a private sector network operator to deliver such infrastructure within the next three years.
Basic Grey area	An area is mapped as ‘basic grey’ where one basic broadband network delivering affordable basic broadband services already exists or is planned and there are no private sector plans to roll out a second similar infrastructure in the coming three years.
Basic Black area	An area where two or more basic broadband networks already exist delivering affordable basic broadband.
BDUK	Broadband Delivery UK
BDUK State Aid Notification	The BDUK State Aid notification to the European Commission “National Broadband Scheme for the UK: Supporting the local and community roll-out of Superfast broadband”.
DCMS	Department of Culture, Media and Sport
EU	European Union
Mbits/s	Megabits per second
Next Generation Access (“NGA”) Broadband networks	Broadband access networks that consist wholly or in part of optical elements and that are capable of delivering broadband access services with enhanced characteristics

⁸ BDUK guidelines state that access to basic broadband infrastructure is not affordable if the installation cost is £100+ and/or the monthly rental price is £25

Term	Definition
	(such as higher throughput) as compared to those provided over existing copper networks ⁹ .
NGA White area	An area is mapped as NGA white when NGA when there is no NGA broadband infrastructure and there are no plans by a private sector network operator to deliver such infrastructure within the next three years.
NGA Grey area	An area is mapped as NGA grey where only one NGA broadband network already exists or is planned to be delivered within the next three years.
NGA Black area	An area is mapped as NGA black where two or more NGA broadband networks already exist or are planned to be delivered in the next three years.

⁹ “Community Guidelines for the application of State Aid rules in relation to rapid deployment of broadband networks”

Annex B - Responding on behalf of an Infrastructure Provider

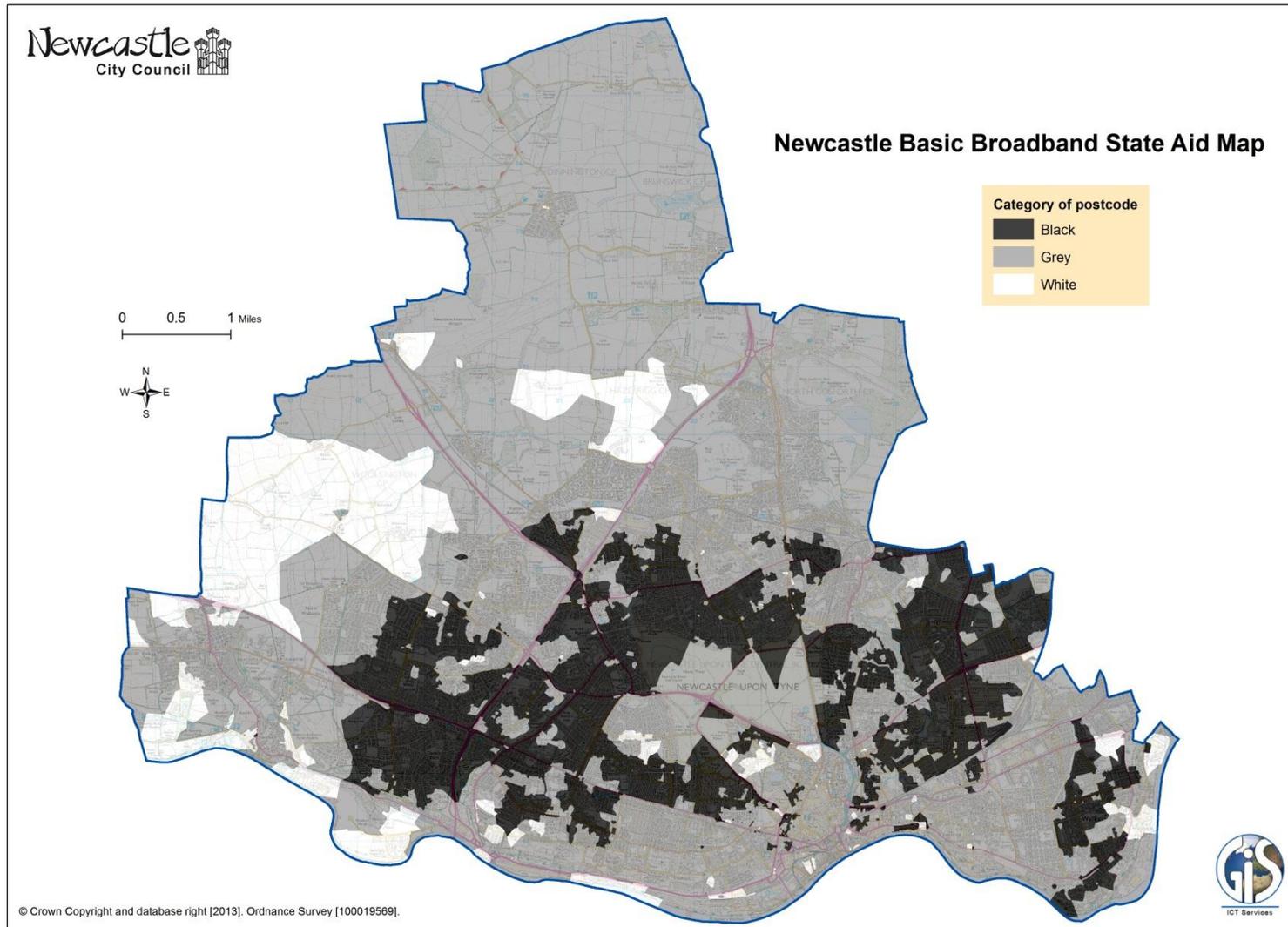
When responding, please confirm your organisation's name and address, as well as the name, position and contact details of the person responding on behalf of the organisation.

Please provide details and supporting evidence of any current broadband infrastructure that is owned, installed, managed and /or utilised by you in the Newcastle upon Tyne area (as defined within the maps in Annex C). Any information provided should include:

1. 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).
2. Detailed maps for showing the existing coverage of the network.
3. Details of the technology.
4. Description of the services/ products currently offered.
5. Installation and rental tariffs for those services/products clearly identifying whether they are inclusive or exclusive of VAT.
6. Upload and download speeds typically experienced by customers.
7. Appropriate indicators of quality of the service e.g. contention ratio or bandwidth allocation per customer.
8. Confirmation from an authorised signatory that all information provided is of suitable accuracy.
9. Please provide evidence that demonstrates the robustness of the information provided. This evidence might include public websites, advertising etc.

Annex C - Maps

C1 - Newcastle Basic Broadband State Aid Map



C2 - Newcastle NGA Broadband State Aid Map

