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WEST  
REGION



# Towards a Better Britain?

Broadband in the Regions  
and Nations of the UK

*A New Statesman roundtable*

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## Introduction

The south west region is right to be pleased at its progress in extending broadband throughout the region. But, as our 20 speakers grappled with the underlying question, 'Why do so few people choose to take up Broadband?', they ably demonstrated the scale of the task still ahead. What stood out was the consensus that the south west, from Sennon to Swindon, will benefit, socially, culturally and economically from increased take up and use of broadband.

But more needs to be done. Central government has a role, not only in terms of funding. However, real progress needs the willing involvement of the men and women of the region. As the following discussion indicates, further progress will require relentless effort on all fronts. As one of the speakers, quoting Thomas Jefferson, said: 'The work you are doing now is done in trust for posterity in such a way that others need not repeat it.'

## Participants



**RICHARD BALL**

Head of economy and tourism, Exeter City Council



**ROBIN BARKER**

Deputy chief executive, South-West Tourism



**LIZZIE BEESLEY**

Regional director for the south west, BT



**NICK BUCKLAND**

Deputy chairman, South West Regional Development Agency



**ANDY BUTTON**

Divisional technology banking manager, HSBC (England and Wales)



**NICK CAPALDI**

Executive director, Arts Council of England, south west



**MR DAVID CORNISH**

Manager, Somerset Broadband Programme, Somerset County Council



**JAMES CRABTREE (in the Chair)**

Citizens Inquiry



**JIM FRENCH**

Managing director, FlyBE



**MARK HASKELL**

Managing director, ITV Westcountry



**CHRIS HINES**

Sustainability director, Eden Project



**MR PETER HOLLANDS**

Chief information officer, Eden Project



**JOHN MILLS**

Director of rural policy, Department for Environment, Food and Rural Affairs



**STEVE MOLYNEUX**

Member, Broadband Stakeholder Group Executive



**EDMUND PROBERT**

Partner, Foot Anstey Sargent Solicitors



**HUMPHREY RICHARDS**

Senior agriculture manager for the south-west Lloyds TSB



**STEPHEN SCHLEMMER**

Director of business services, University of Plymouth Enterprise



**BRIAN THORNTON**

Chairman, Exeter Chamber of Commerce



**CHARLES TROTMAN**

Rural economy adviser, Country Land and Business Association



**MR DAVID WHITELY**

Chairman, Broadband4Devon



**MARK WILLIAMS**

Chief Executive, East Devon District Council

# Towards a better Britain?

## Broadband in the regions and nations of the UK



**James Crabtree** Welcome to the Met Office, to this New Statesman seminar. This is the first of 12 seminars in every nation and region so you get to set the tone for the rest of the series.

The minister, Alun Michael, is not able to join us today. He is currently in hospital with a snapped ligament in his knee. John Mills, director of rural affairs at Defra, has kindly agreed to step in and will be our first speaker who will give the review that the minister would have given.

In a taxi last night, the driver started talking to me about Isambard Kingdom Brunel and his importance to Exeter and the railway line, and the south west region. I thought this an interesting point. Who or what will do what Isambard Kingdom Brunel did for the south west infrastructure 100 years ago in the 21st century?

Many of you are involved in raising broadband availability in the south west. But take a step back and think, where have we got to some four years after we all began thinking about this in earnest, and where would we like to get to by 2010? What would the south west consider to be success?

At the moment the south west has the lowest coverage of any region in England. It also has the least competition. That puts it in a position where there is progress to be made.

I think we will split the debate into: issues of technology for regional development; the supply side of the market; cov-

erage and competitiveness within the region; the demand side of the equation; the role of the public sector in all of this. How can the current plans for regional aggregation bodies be used to best effect? How do the recent announcements about ASDL exchanges affect those moves? How can the public sector help areas like the south west become more competitive and develop better broadband infrastructure?

With that I will hand over to John.

**John Mills** I will be saying more or less what the minister might have said. He was upset at having to miss this. The broadband issue, and especially the broadband issue as it relates to rural areas, is something that he has put a very large amount of effort into over the last couple of years; he sends his best wishes.

The prime minister, a while ago, set the target that by 2005 the UK should have the most extensive and competitive broadband network among the G7 countries. That kind of target is pretty important in government; it provides a focus for a whole range of business and activities.

With regard to rural broadband and the extension of coverage, Defra and the DTI have a joint unit, based in the DTI. Alun Michael and Steven Timms, the telecoms minister over there look after it. We have established effective joint working between the two departments in this. ▶



The first task is to exhort the country to achieve great things. Second, I think the government must allow market forces to work where they can, ensuring the telecoms market is allowed to function as a commercial market with the lightest possible regulatory touch. It is important to emphasise that market forces have responded and are still responding.

That said, it is often government's role to step in where market forces are not working or perhaps there are other inhibitions. In the rural position that is the case. So the government has thought about the kind of interventions that might be necessary to stimulate the roll out of broadband in regions like the south west. Some of these interventions are economic. There is a UK broadband fund which runs at about £30m a year. This money emanates from DTI and mostly goes to the RDAs.

This funding enables RDAs to support various projects. In the south west, the RABIT (Remote Area Broadband Inclusion Trial) has 700 users or more in the region, about 40 per cent of those in the UK. There are various demand stimulation projects: Act Now is the best known but there is also Broadband4Devon in the Objective 2 areas of Devon, and the SmartPlace project in Wiltshire and Swindon. These enable public and business opinion to develop.

I should also mention an important wireless pilot at Buckfastleigh, on the fringe of Dartmoor, launched just a few months ago. It is worth watching carefully when thinking about the final mile for broadband coverage.

The UK aggregation project is especially important for the rural dimension. The public sector is a big user of telecommunication. If we can ensure government is pulling all that together and seeking to utilise the infrastructure capacity

being driven by the education service or the health service, then we are confident of significant spin-off.

The largest government stakeholder in the aggregation project is the National Health Service. This is driving significant increases in bandwidth capability. A typical general practice, both urban and rural, is to increase from 256KB per second under the current contract to between 512KB and 1MB, a typical acute hospital to increase from 2MB to 100MB and a typical community hospital primary care trust to increase from 2MB to 10MB. If you plot where some of these institutions are physically, you can see the potential. The same could be said of schools, including rural primary schools.

There has been a very constructive dialogue between government and the providers in the marketplace, notably BT but not only BT. The government welcomes the response BT has made to the pressure for this enhanced roll-out in rural areas. We especially welcome the announcement on 27th April about BT's target for 2005 to have enabled exchanges serving over 99 per cent of people and businesses.

BT has been very ready to acknowledge the impact local pressure for broadband enabling has had on its own response. BT, in its recent news release, praised the efforts of the campaigners for registration in some of the exchange areas; take-up in the trigger exchanges was actually running at a higher rate than take-up in those exchange areas that were enabled from the start. That sends some interesting signals about the power and efficacy of community action.

By 2005 we might hope to get coverage to exchanges covering 99 per cent or so of people and businesses but that last 1 per cent is important in rural England, and in Scotland and Wales too. It is really important that we focus on how different technologies, especially wireless technology, will get us that extra mile.

In what one might regard as virtually urban exchange areas, for various reasons to do with distance and so forth broadband will not reach. Those are the issues we have really to home in on.

The next issue I think is higher band width. Many people think that 512 is terrific but there is plenty of punditry now about ordinary domestic broadband running at much higher speeds than 512. We have to be thoughtful about reaching the 100 per cent target only to find that there is another hurdle because the current broadband speed becomes too slow.

The take-up issue itself I am sure will be debated at length today. We do not have sufficient datasets at the moment to be able to say with confidence in pushing the broadband concept around the business community: 'This will change your life. This will change your business.' There will be many who will take a lot of persuading that these investments should be made. It was the same with telephones and motor cars.

Defra does a lot for farms and farmers. Farming is interesting for this subject because many farmers are among those businesses deemed to be a little bit backward sometimes and yet there are some strong structural pressures in the farming industry for reform and for development.

We think in Defra that electronic technology has quite an important part to play in this. Things like remote monitoring of livestock, for example. Defra will be having a demonstration of all this at a range of county shows during the summer. This is another way of driving the capability into rural areas.

As everyone will know, from 1st January, payments to farmers under the Common Agricultural Policy will be decoupled from production and linked to the provision of environmental outputs. This will lead to significant structural changes in the farming industry, but the price of the continuing subsidy payments to farmers will be the need to provide assurance to the public, as well as to the European Commission, that the outputs in question are being delivered. These outputs will be related to the way farms adhere to a whole range environmental directives and rules.

There is going to be quite a lot of public pressure for this to be monitored very well. The answer to this lies in self-assessment mechanisms which will have to be dealt with electronically. There is no other way to do it. At Defra we are turning our attention to what equipment and technology needs to be in place at the farmers' end to enable up- and downloading of data, maps, spreadsheets and so forth. Then no farmer in the land will be able to get their money without broadband.

We are sponsoring a national award for the best rural e-business as part of this year's e-commerce awards and hope that will put more publicity around this as we will work at the shows. I shall be extremely interested to hear what others have to say about the work in progress that they know about.

To conclude, broadband is a tool, it is not an end in itself. The end in itself is the service you deliver over the wire and one must never forget that. Thank you.

**Nick Buckland James.** Those of you who know me know that I am not only deputy chairman of the RDA but I am also an organic farmer. I live in one of the 21 exchange areas in the UK not on the list for being linked up, so I am intrigued to see how I can actually get onto broadband.

Down here in the far south west we tend to think of the region as being Devon and Cornwall. Of course, the region covers Wiltshire, Gloucestershire, Dorset, Somerset, Devon, Cornwall, and the urban areas within that. It actually covers 10 per cent of the UK population but 18 per cent of the English land mass. It is a very rural area, as John was saying.

From the RDA's perspective, we only get 6 per cent of the English RDA's budget. Perhaps we can get some help there

with that. We have the widest GDP gap of any of the regions: in the tail-end of Thames Valley round Swindon we see 140 per cent, yet down in Cornwall we are looking at 70 per cent.

We also have Objective 1 in Cornwall and we have Objective 2 in parts of Devon and parts of Bristol. Of the Objective 1 areas, Cornwall is probably the only region in the UK which will be eligible for Objective 1 in the next round. The region is fairly diverse.

The north and the east of the region would align themselves, perhaps, with the Midlands and the south east; urban with a lot of heavy industry. The further you come down the peninsula the more rural and the more dispersed it gets.

There are some big issues around transportation. Manchester is closer to Bristol than Truro is, so you understand some of the difficulties that we have.

In terms of sectors and industries, we have a very strong advanced engineering sector in aerospace and some level of automotive. The ICT sector is very strong, it contributes about just under £3bn a year to the region economy. Tourism is key, with three of the UK's world heritage sites in the

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## Is broadband availability the real question here? Or is it more the way that we use broadband?

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region. Food and drink is also extremely important to us in the region. With the coastline we have, marine is important. We have a strong biotech industry which is growing, a very strong creative media industry, and we have a developing environmental technologies industry.

There are a number of ways of measuring success in the region. We can look at GVA (gross value added), we can look at GDP, we can look at unemployment, and we can also look at quality of life. In terms of those standard factors we are actually doing quite well.

But we have to remember we are also part of Europe and we are in a global economy. So we have to work hard on how we develop thereon. I would like to look at where broadband fits into this and the development plans across the region.

I would also ask the question, is broadband availability the real question here? Or is it more the way that we use broadband and actually stimulate demand? In the Broadband Stakeholders Group annual report, it talks about how we progress things and it really comes down to absorption and the benefits.

If we relate this back to history, post-18th century we were looking at cart tracks, just putting very simple trucks or very simple carts around the country. With the development of ►

the mail coaches the roads had to be improved. Mid-19th century we were looking at improving the standards of roads, allowing ordinary people to get out and about.

Then, at the start of the last century, the motor car improved again the quality of roads. In the early 1960s and 1970s we started introducing motorways and getting high bandwidth in terms of our road system. Now we are seeing contention with regard to those because of the volume of cars coming onto the road.

Electricity took 30 years to be adapted and used on a regular basis. What drove usage was what you could do with it. So the availability of vacuum cleaners, radios, refrigerators, and electric cookers is what took electricity forward.

Broadband is along those lines. You need a reason to use it. We have to think about broadband as a utility and we have to move away from the technology arguments to show where the benefits are both to individuals and to businesses.

I know that we have FlyBE here today; the internet has changed the way they do business. They have gone from, I think, 6 per cent of their bookings being on-line to over 80 per cent in just under nine months.

Dixons are closing down a number of city-centre stores because those stores have become demonstration units for people to go and look at a product and then go home and buy it on the internet. Supermarkets are another example of on-line shopping.

How does broadband figure on the regional agenda? It is a very strong point on the regional agenda. John has already mentioned a number of the broadband initiatives in the region. There are also similar activities going on in the other counties, Gloucestershire, Dorset and Somerset.

I am also chairman of the regional aggregation body, based in the region. I'm working hard to look at ways we can get that aggregation benefit into the region. We have a very strong team there. The RDAs help that. It really all leads on to stimulating demand and really does help us in the RDA with our objectives against the regional economic strategy.

We have already had mentioned the e-cost report which talks about the economic and social benefits of broadband but there is a second research project which has just reported on business uptake and understanding awareness of ICT and broadband in the south west. Researchers talked to 2,500 businesses across the south west and it is interesting to note that there are 35 per cent of businesses out there who are not using ICT let alone broadband.

The ICT sector has had a very strong downturn in the last three or four years and it really has to get its act together to see how it can regain trust with the buying public and the business community.

I see some major changes in the whole of the ICT paradigm



with regard to broadband and increased needs. As we start getting up to ethernet speeds of 10MB on broadband and even up to 100MB per second, we are going to see a shift in the way that ICT operates.

In 10 years' time I can actually see that we will own just the screen, the keyboard, and the mouse of our computer, if that is the mechanisms we use in terms of trying to access computers, but the data and the software will actually be out there in the ether somewhere, it will be stored out there and then the whole of the ASP model will come into play. In my wallet I probably have £30 but most of my money is held electronically somewhere. I think that is what we will start to do with data, we will have that out there. It will be interesting to see the players that come in at that stage because they will be trusted partners that we will use and we will be using microcharging for both our software and our data.

If we are to stay competitive, the region has to develop its broadband agenda on a global basis.

James Crabtree I think I would like to keep on the issue of the priorities for the region and where broadband fits in.

Prof Steve Molyneux I am a member of the Broadband Stakeholders Group Executive with responsibility for education and training. Defra have been doing an awful lot in terms of broadband; even as the BSG we realise that one of the most badly serviced areas is the rural area; certainly the agenda from the prime minister is very laudable. I think sometimes we move ahead of the PM's objectives.

The problem with this technology is in terms of the speed of uptake. If we look at other technologies that we use to

distribute information, for example, radio took 37 years to reach 50 million subscribers, TV took 17 years but the internet took 4 years and it is going up at the rate of something in the range of 140 people per second.

I think at the moment (and it might be on the supply or the demand side), where local government and Westminster is probably failing is they are actually providing services that can be delivered on narrow band. Therefore, some people are saying: 'Why do I need broadband? All I am getting is my brochures from Defra on a website. I can get that on paper.' So it is true that broadband should be seen as the next utility: water, gas, electricity, broadband. Which is why BSG's definition is not based on the size of the pipe, it is based on always-on access to information.

It is going to be about the devices that are plugged into it, and that is where I think the RDAs will take things forward, the businesses will take things forward, and those that think outside of the box. Think outside the box and start innovating those services that we need actually to generate. At the end of the day the measurement is in terms of: is the region doing well? Is it attracting people into the region? But better than that, are they retaining the young people within the region actually to maintain those businesses?

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## We are still behind France and Spain. We are light years behind Japan and South Korea

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**Brian Thornton** My comment is regarding the government's commitment to broadband. The prime minister's comment about making England one of the highest broadband available countries in the G7 within a short timescale is not exactly supported by the amount of money being thrown into the equation. £30m per annum, or less than 50 pence per capita of the population, does not exactly endorse or support the view that they are serious about taking us to the head of the G7. We are still behind France and Spain. We are light years behind Japan and South Korea.

**John Mills** The point is, this is a market is driven by private investment. One of government's key roles is to facilitate the successful operation and the successful facilitation of that private investment. The 30m fund is specifically aimed at developing networks where there is a demand problem and running some of these pilot projects. It is not designed to be the sum total of what is required for investment in UK infrastructure. I am not saying that £30m is right, it might be wrong, but it is where we are. What I think is more

important is to see the impact of spending often quite small sums of money.

The Act Now project does not consume much money, but sometimes government money needs a bit of other money from Europe and so forth, to see what impact that has. I am quite impressed to see that it has not only had an impact upon the roll-out of some pilots and demonstrations, it has actually energised communities, and it has energised people like the RDA to do things. I think it is a sequel approach rather than throwing vast amounts at it.

**Charles Trotman** I represent the Country Land and Business Association. We represent farmers and rural businesses in England and Wales. About three-quarters of the south west is actually owned by our members, so we have a particular interest in this.

I think both the government and BT should be congratulated on how far they have got. And BT should be congratulated on the risks they have taken.

John made a point about the supply of broadband to rural areas. We calculate 13 per cent of our 40,000 members live outside an exchange, outside the 6km exchange range. That is a lot of people who will simply not be able to get affordable broadband because they live outside the 6km distance.

John talked about how farmers will be required to use broadband. I would hope that the government will be using more the carrot approach than the stick. Obviously, we will more than willingly work to ensure that a single farm payments administration monitoring system works well.

Steve said broadband is always on. Broadband, yes, is always on at a set price, BT Basic Broadband £27 a month. However, it appears that that cost will in fact in the future be metered. If that were to happen, it will significantly drive down take-up of broadband in rural areas because farmers, rural businesses, will simply not see the benefits, and broadband in rural areas is a question of education. Remember, not all farmers have computers.

**James Crabtree** Lizzie, you have two questions, really: one, is Britain and the south west doing better now or perhaps as Brian suggested it still has quite a long way to go? Second, is there any truth that in the future broadband might move from an unmetered to a metered product?

**Lizzie Beesley** We have 2.7 per cent of businesses and consumers in the south west living outside of the 6km distance from the exchange so not able to get the product. Trials start on 1st June in Milton Keynes to see how far we can develop technology, develop the product, develop the commercials of all this to push the reach further out. ►

If we were able to take it to 10km rather than 6km, we would be able to get that 2.7 per cent down to just 0.2 per cent. That equates, I think, to about 2,500/3,000 customers. It is easy to say, only 3,000 customers, but if they are all banging on your door, it is a lot of people outside your door. I am very aware of the individual issues there. We will have to find other technologies to help them. It absolutely cannot be left.

The other point was about metered as against unmetered. We have two mass broadband products at the moment, BT Broadband, and the BT Basic. There are limits on BT Basic but that is reflected in the price. The standard product, £27, is absolutely unmetered, always on, and we have no plans to change that. What may happen is a product where you pay for additional bursts of extra bandwidth. So you would pay your £27 for your 512KB but say you wanted to do video conferencing from home, something that demanded the higher bandwidth, you would pay for just the period over which you consumed the higher bandwidth.

**James Crabtree** Richard, you were involved in the campaigns about the trigger levels.

**Richard Ball** My involvement was part of a partnership working with Brian and others, phoning people up and saying: 'This won't happen unless you get off your whatever to move it on.' and doing other kinds of lobbying.

There was also an issue reminding those concerned that we were talking about a system where a company in the city would tick the box in the same way, a person who lived somewhere in the city would also give a tick and be regarded in the same way, which seems an odd way to judge demand.

The sort of figures we are using are largely based on not quite pre-broadband-enabled activity but on early broadband activity, so information on take-up and usage and so on is still going to be a bit suspect.

Picking up on Steve's point, is the issue not really about new ways of working? What does broadband enable, liberate us to do? Other countries, regions, aspects, areas, sectors, are doing these things, why can we not bring them here?

**Jim French** If I can just correct one tiny point Nick mentioned. We moved from 6 per cent to 20 per cent in six months and then 20 per cent to 80 per cent in nine months thereafter. It has transformed our industry. Charles and Steve mentioned broadband as a utility and it occurs to me that if something is going to be a utility in this country it depends upon availability, cost, quality and education.

We are talking about availability today. The cost, I am sorry, I think that £300-£500 for a utility is expensive for people across the whole country. I have no problem with



what you are suggesting, a use for a charge as long as accessibility is instantaneous as opposed to dialling up.

I think the biggest threat to this facility becoming a utility is security. In the last few weeks, viruses have destroyed many people's lives in terms of PC accessibility, myself and many others have been shattered by that. There has to be a mammoth movement by government to prioritise security on the internet, broadband, because it will devastate it becoming a utility. Another great exposure is credit card fraud.

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## Businesses that use ICT and internet connectivity grow at a faster rate and are more profitable

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**John Mills** I just wanted to correct an impression that was raised by Charles Trotman about farmers. Farmers will get their money. The issue is that the cross-compliance regime which will be the justification for the payments to farmers will become dependent upon electronic communication. To make this work in a way that commands confidence and is cost effective, I think is what will drive this development.

**James Crabtree** If broadband is going to prosper, it needs to continue over the next five years as well to try to get as many people to upgrade from narrow band, or even possibly go straight from nothing to broadband. Brian?

**Brian Thornton** It is worth reminding ourselves of the current situation within the south west in terms of



availability and adoption of both ICT and broadband as they are inextricably linked. Devon and Cornwall have a higher proportion of micro- and SME businesses than any other region, the majority with less than 50 staff. And 38 per cent of those businesses have no ICT whatsoever, so there is no likelihood of broadband connectivity in the near future for those businesses. Also, in the country, 94 per cent of businesses fall within the micro- and SME business sector and they employ 58 per cent of the workforce.

At the advent of the internet we were told that the internet was going to enable the small business down in Cornwall to compete in the global marketplace with the corporates. But the opposite is happening. The corporates have the major ICT budget, invest in ICT strategies and lead the way with broadband connectivity and usage, and the gap is widening.

Businesses that use ICT and internet connectivity tend to grow at a faster rate and are more profitable. Managers in SMEs are beginning to accept that but their lack of understanding of the benefits is making them reticent to actually adopt ICT strategies and therefore broadband. We must address this if the south west economy is to grow.

Factors that drive this tend to fall into five categories: costs, speed, customers, competitors and, surprisingly, staff.

The RDA study confirms the main driver is cost: significant savings that are to be had by changing from ISDN to ADSL. One of our small business clients, saves £9,000 annually by changing three ISDN connections to one broadband.

The next driver appears to be speed and the reliability that goes with it. Those businesses who adopt ISDN for the simple reason of speed are the ones who are going to adopt broadband to gain speed while reducing costs.

The larger customers of companies are forcing companies actually to adopt better use of ICT and connectivity, trying to drive down supply chain costs. Large supermarkets are key in that area, forcing their suppliers to adopt broadband and ICT to improve their connectivity with them.

Companies that have developed a website now realise they have to adopt broadband to keep ahead.

Staff who have adopted or experienced the benefits of broadband at home often voice their dissatisfaction with their office connectivity and this can act as a trigger to push companies forward.

I was critical of BT, and I will make just this point: at the outset of the launch of broadband they seemed to be going for larger conurbations outside of the business areas. The main business area in Exeter, which has some 450 businesses on it was not enabled, whereas a town of 32,000 and 18,000 retired population down the road was enabled. Perhaps with hindsight that was not such a bad policy because a vast number of employees in Exeter actually come from this satellite town, and could now be acting as a driver to encourage businesses to adopt broadband.

There is ignorance of the business benefits at senior management level. This can be addressed through business organisations and trade associations. Peers are better placed than advisers. I think there is inherent scepticism of those giving advice as to whether they have a vested interest.

There is a crying need for the government to make available some funding to allow businesses to deploy and adopt ICT and adopt broadband strategies. The small firms loan guarantee scheme is a useful vehicle that should be targeted to companies who want to adopt ICT, or upgrade their systems, and perhaps making adoption of broadband as a qualifier to this could be a way to move the whole thing forward quicker. Banks should be encouraged to promote this along with accountancy practices. The size of loan could be a percentage of the turnover of the business or it could have a maximum limit, with repayment again over a typical three-year period, the typical life of most ICT equipment.

The government has introduced tax breaks towards ICT and ICT deployment but, here in the south west, for SMEs that struggle to make a profit, tax breaks really are of no benefit. They need a strategy.

Nick touched on the fact that tourism is the most significant business of the south west. Actually of all the sectors, the tourist industry, hoteliers and so forth, have adopted ICT at a higher level than most other industries. Unfortunately, they have yet to progress into broadband. That could be to do with the peripherality of exchanges and maybe, as Richard touched on, that will change as more up-to-date evidence starts to come through. ►

A major hotelier in our city asked a couple of us: 'Why do I need WiFi?' We pointed out that there was a benefit in encouraging people to come into the bar and spend money whilst working in the lounge rather than in their rooms, not spending any money behind the bar; he adopted our suggestion and has now implemented WiFi in his hotel.

As Nick said, we have to sell the business benefits; they are there but they need fully explaining.

**Chris Hines** Thank you for finally getting to the point of the benefits. It must be all three aspects: social, environmental, and economics as well. Peter and I were saying on the way up, if you are sitting in the city and you are stressed out, what better thing than to be able to go and look at what the surf is like and watch a real time surf cam movie from one of our beaches, or to see actually what it does look like walking up the hills on to the edge of Dartmoor. We need to make sure the tourist industry understands and can actually download those things so that people want to come here .

We should look at democracy as well in our area. How do we get people, young people, back into voting? I think that is an important thing to put to government. People could have on-line debates and understand what it means to them.

Why, for example, is Greenpeace based in Islington in London? Why can it not be based in the south west region? They need a lobbying office, to be able to go and challenge government and do those kind of things but it is possible, with remote technology, to be able to lobby central government and yet live in a quality-of-life area where you can attract good intellectual capital.

**Robin Barker** From the tourism perspective, if one were to compare the make-up of a business in the UK versus the US. In the US, the accommodation sector is roughly 80 per cent large chains and 20 per cent independents. In this country, the accommodation sector is the other way round, 80 per cent independents, 20 per cent chains.

These independents, aren't just SMEs. There was a reference to 50 employees. Fifty employees in tourism is huge. Most tourism businesses in the south west are down to five or 10; very much the realms of the microbusiness.

Strategically we would like to keep it this way because the diversity and distinctiveness of the south west is supported by the presence of a large number of very small businesses, hopefully working together. Of course, they find it very hard to compete against the big chains. With tourism being generally recognised as the greatest usage of the web, we need to find a way to enable those independents to compete with the big chains and gain equal or better access to customers.

There are three requirements for that. First, there are the



systems to enable access to information before, during and after a holiday, and access to bookings. There is a major national initiative called England.net, which is not yet in place but should be implemented towards the end of the year.

Second, there are roads, pipes, infrastructure to support that and broadband is key to those microbusinesses, including many of the farms at the end of the long drives and so on.

Third is business animation. Latest figures show south west business use of internet and email within the tourism sector is actually higher than in other parts of the country, which I think is a reflection of some of the work that we have all put in over the last few years. It still has a long way to go before we can do the next drive to increase that take-up.

One of the other latest bits of research concerns access to information whilst on holiday. People do not necessarily want to go to physical information centres, they want to have ready access to information to maximise their experience. Mobile phone technology needs to be part of that.

**Nick Capaldi** Brian and Nick spoke about understanding better the business opportunities, that this should be more about the application than the technology itself. In the creative industry, RDA statistics reveal it is one of the fastest growing sectors in the south west. Most of this is SMEs and microbusinesses. They rely on the ability to transfer images and digitally created material that is very heavy in terms of digital content, so broadband access is essential.

However, when these businesses come to engage with other sectors they are not so aware of what the opportunities are. As an example, an organisation we worked with in Bristol was planning a large project with groups of schools in Cornwall. In planning they asked if the schools have broadband, and were assured, yes. Only much later did they dis-

cover that just the secretary's computer was broadband enabled. The rest of the school was not networked so the project broke down.

**Nick Buckland** I think the ICT sector needs to do more in stimulating demand. The sector is in the doldrums and needs to engage and demonstrate the benefits. These benefits can be on a business- to-business and a business-to-consumer basis. Leisure industries come into their own because they can produce content, such as on-demand films. Broadband can be developed by that sector.

I know a lot of activity and investment is going on to put central- and local-government services on the internet. But it is not just a question of putting up a web page which describes what the organisation does. It is enabling people to interact with the government department. A lot of work to be done there. That will stimulate demand.

Remote working is a cultural and management issue rather than one of the technology. The larger companies are very keen to develop this. Hewlett Packard, for example, has a 6:1 ratio of people to desks and they encourage remote working. But in an SME or smaller company, it is very difficult for them to think about the control mechanisms of their staff.

**Brian Thornton** We all know central government is pushing to have full e-enablement by 2005. I compliment the local authorities, and our own which is a long way down the road to achieving that, but my criticism of it is that it is very reactive, there is no proactivity. They are making services available but are doing nothing to encourage people to use them. Payment on-line and so on need to be encouraged. Local government can actually start to act as a driver, as opposed to just meeting government guidelines and deadlines and then making it available because that does not make it usable.

**Mark Haskell** I would like to endorse a couple of comments. From the demand perspective, I think applications must be right. We are not explaining what the advantages are of broadband, not just at 512KB but what comes after, what you get at various different levels of supply.

The discussion has hopped around so far between business and residential but they are two very distinct markets. When we are talking about education and marketing, perhaps very different approaches or considerations need to be taken into account when we are considering those two distinct areas.

One example of bandwidth availability which is key to my business is video streaming. Here there is pretty disappointing performance even at enhanced data rates of 512KB or even 1MB. If you are going to spend any time on your PC

looking at video with sound, you really need to be looking at 2MB or 4MB per second. So getting a large proportion of residential customers up to 512KB is just a stepping stone.

**James Crabtree** Brian talked about how there ought to be more public investment and certain intermediaries, banks, accountants, and so forth, should have a greater role in persuading people to take up broadband. Andrew Button is a banker and has indicated he wanted to come in.

**Andy Button** I work with a lot of technology clients, both in the south west and in Wales, and there are similarities between the geographical demographics there. I deal a lot with the SME community and I see the SME community as fundamental to the adoption of broadband as a culture.

The DTI 2003 report recognised almost a reverse trend. I do not really think coverage or availability is really the issue now, it is adoption. There is a trend for SMEs actually clicking off and not using ICT. I think it comes down to this fun-

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## The ICT sector is in the doldrums and needs to engage more and demonstrate the benefits

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damental process of appreciation of the benefits that broadband can deliver. It is crucial that we get the buyer on board.

We work very closely with the DTI in terms of the small firms loan guarantee scheme. In April last year the scheme was revised and opened up considerably to a greater proportion of the community. Previously it was focused on manufacturing or engineering, something with a physical output. Perversely for the south west area where there is a predominance of tourism as an important sector of the economy, a lot of companies, a lot of SMEs, would have been excluded from that scheme. It has changed but it takes a while for that to come through the system. It is available when appropriate and the banks are implementers of that scheme so we can make it available.

We have also entered into a dialogue with the DTI to see if we can actually further improve those parameters to make the scheme more open.

**Brian Thornton** I am delighted to hear your bank is being proactive but one of the criteria of the scheme is that there has to be no availability of assets for security. There has to be no security. The vast majority of tourist businesses are in freehold properties, therefore there is security so they are precluded from having the grant.

**Andy Button** It is a very good point, it was one of the main reasons that I went back to the DTI to increase inclusivity but there are other issues involved. In terms of our being custodians of the policy on behalf of the DTI, viability of the small business is an issue that we have to consider.

**Peter Hollands** I am an independent consultant in the charity sector and am currently acting chief information officer at the Eden Project. Before I got into independent consulting I was providing management consulting advice through the top 40 to 50 organisations in Europe during that dotcom boom. To the senior managers the board is usually about how they could most use this technology.

It is being able to look at the entire economy of a big company like Nokia or British Airways, and say, 'What are all the constituent elements that will add up to this enormous advantage for this institution?', or for the south west as we are talking about today, and take that forward.

If you look at the cost savings of a big company, if you look at the supply chain management and create a networked virtual organisation of suppliers, you will still end up with enormous cost savings and gain other benefits. You can also drive up customer and employee satisfaction.

Those are the sorts of things we talk about in big organisations. The challenge for me now working in the charity sector down here is how we apply all of that to the SME environment. The cost of the network is nothing, it is this whole piece above that we need to work on.

Government can help create a culture of web applications, so we don't stand in a queue to do something we can do on the web. But the big issue is something raised earlier, trust. Where I think this government can really help is in creating a high trust model so when people provide services over the web, over the internet, everybody knows they can trust it.

**Edmund Probert** I am a solicitor in Exeter. I have been working with the planning inspectorate on their 2005 portal application but I am also one of the founders and chair of Wired West, the new ICT networking forum for the region.

In Devon and Cornwall, there are a lot of small businesses that do not have enough resources to research the sorts of concepts, ideas, improvements and efficiencies and customer satisfaction they could achieve by using ICT, and probably by other methods, simply because they are too small.

Most of the ICT businesses in this area are relatively small. What they are looking for are new ways of selling the ICT they know how to provide, which is completely different from looking for new ways of improving clients' business.

Meeting adjourned for lunch



**James Crabtree** I want to use this final session to come to some broad degree of consensus about some of the issues, to look at what needs to be done. You have been brought together by the New Statesman and BT because you are in positions of power and you can do something about this, if you come to a broad consensus about what the problems are.

In this session we look at who the leaders are, what options are available to central government and those in the regional development agencies, and to those in business and the voluntary sector. David Whitely, from Broadband4Devon is going to give us an introduction.

**David Whitely** First of all, I feel that there is some confusion among us as to how broadband will be used, who is doing what, and where are they doing it. Certainly there is lack of coherence in how we deliver. I do not think everybody is yet convinced it is a good thing. We have to decide whether it is or is not a good thing because it is pretty dreadful, if we as leaders cannot make our minds up on that.

We have confusion and we have lack of coherence. I will give you a list of things as a focus of what we do this afternoon to find a way of making broadband more effective. They are all musts, okay?

We must have a broadband vision, a national broadband vision, as to where we want to be by 2005 or 2010. If you do not know where you want to be, you will never get there. Please do not be frightened of failing, but aim and try.

We must have a national coherent policy working, working together with partners who are signed up. So, first we know where we want to be and next we work out who's in the team.

The third thing is we must make aggregation work. Even as a layman I know that if we can make aggregation work in this broader sense so that we can improve access, quality access,

to the widest possible number of people, that is bound to help the broadband expansion. Given that we make aggregation work, let that do both as to access to the wires and the structure and also to the services you knock out at the end of it. Let us not have overlap and confusion everywhere in so far as competition rules allow us to do this.

We must encourage take-up to improve business efficiency. I think peer group pressure and business advisers are good for that. We must be able to sell the examples of how broadband makes you either richer or happier in your job.

We must embrace social and environmental sectors because as far as population is concerned, broadband is not just for business. Wearing my Broadband4Devon hat, though, we in Broadband4Devon only spend it on business. The whole debate is much broader. It must be affordable.

Finally, we must have light touch regulation so as to build up trust in our users, that was Peter's point.

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## We must sell the examples of how broadband makes you either richer or happier in your job

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**James Crabtree** Okay. What we are looking at in this final session is what needs to be done and who needs to do it.

**Steven Schlemmer** At the University of Plymouth, I am involved in transferring the university's knowledge out into businesses and I would like to say a bit about encouraging take-up among businesses, which is one of David's musts.

I think we agree that the slightly less slow bandwidth that we have at the moment needs to be applied to products and services and needs to show up as an economic result for businesses by some sort of transformation of how they work.

I think broadly speaking the way to encourage take-up amongst businesses is to break down our regional economic performance objectives by sector and by enterprise, and then allocate some level of that to the sorts of things that can be affected by broadband. Then find those positive enterprise leaders who can be the frontrunners in this area and work with them to understand their needs and develop demand by having them work in joint projects, getting their peers assisting them as has been suggested earlier; We also need non-competitive groups that can work together, that can find applications or good practice that they can share, and produce a structured project approach throughout a region or a county on this aspect of improvement.

**Lizzie Beesley** Broadband is geographical in how it is

delivered. The reasons you get it or in many cases have not up until now been able to get it are geographical. It is more important, I guess, that many of the benefits you get from broadband are also geographical, but by no means all. You may want to trade across the country as an SME but many of them are within local supply chains, local SMEs building their productivity, saving their money; they are geographical. I think this is where David's point about partnerships, a point that was made this morning, is so hugely important and it is one of the things that the south west has done incredibly well in and is ahead of the game compared with other regions. There are many individual things that we can all do to help broadband take-up but if we can do them within the context of a partnership we get more bands for our buck and we also create a vehicle that can attract and make most use of the very limited amounts of public money that are available.

**Prof Steve Molyneux** One of the things all of the regions are trying to do is predict the future. That is incredibly difficult when we have technology that moves so quickly.

The only way you can really predict that future accurately is to work with partners and invent it yourself.

Finally, it is not about providing money for small businesses in terms of subsidy for connectivity, it is dating right the way back to when this government first got in power and its first mantra was education, education, education. It is about educating the businesses into the benefits and it is not about cost; it is about investment.

**James Crabtree** If you were king of the south west for a day what would you do to develop some of that vision?

**Prof Steve Molyneux** I would work with the education establishment, higher education and further education and offer free training, either in- or out-of-house, to every SME.

**Charles Trotman** In terms of the actual take-up, our evidence is that, in rural areas, 30 per cent of those who live there would actually take up broadband when it becomes available. The average is 7 per cent or 9 per cent across the country, Manchester is as low as 3 per cent. The point is 30 per cent is still not very good. The only way to improve, to echo Steve's point, is education because a lot of people out there do not understand the computer let alone the internet. It is a completely different world out there.

Taking on board David's point about affordability, affordable broadband at, let us say, £27 a month, maybe £300 a year. For an SME, £300 a year is well worth it for the huge commercial benefits that you could get if you are educated.

The final point is: there has to be light-touch regulation but there still has to be some form of regulation. I would turn that to: education rather than regulation. Get people to understand what broadband is and then put forward the advantages of what broadband can do for a small business.

**David Cornish** I am from Somerset County Council and we are just starting a Somerset broadband project, so I am in the middle of just forming what we are going to do and what we are going to focus on. For me, that is the most difficult part.

**Chris Hines** Do we need a Max Clifford of broadband in the south west, who actually knows where those success stories are? Who helps put them together, and finds people who are able then to say: 'The most amazing thing about broadband was that it enabled me to do this.'

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## If we are going to make it work we need to have a coherent strategy and go for it

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**Nick Buckland** I just wanted to reassure David that I am absolutely 110 per cent behind broadband. If we do not have that we will become a Third World country in many respects. The future is in the knowledge economy and the quality knowledge economy. It will change the way we buy, the way we sell, the way we learn, the way we take up leisure. The one thing I would like to do is get everybody in the south west into one room, and show them those success stories.

**Jim French** I think the vision is essential. Last year the government produced a 30-year vision for the industry which we have never had before and it is essential. I was ignorant of what broadband offered until last week when I knew I was coming here. I would wager the vast majority of home users of the internet are ignorant of the benefits of broadband.

What we need is a broad-based campaign in the south west supported by a broad base of industry, of social groups, trying to identify to the broadest possible spectrum of benefits.

**Nick Capaldi** I want to highlight education, particularly as it relates within the school environment and the curriculum that young people are following. We need people with flexible creative skills for whom technology does not hold any fears; not only can they use it but they have the imagination and the creativity to use it profitably.

Let us really push and try and get a well-balanced

curriculum in the schools and teachers with the skills and abilities to be able to enthuse and excite our young people.

**David Whitely** We must have a whole policy. The things which have come out are things like communication, or education. It is not one thing. If we are going to make it work we have to have a coherent strategy and go for it.

**Andy Button** From a commercial point of view, ICT is not just a way of reducing cost, it is actually a mechanism for increasing revenues. If you do not maximise your advantage somebody else will. It is about a culture change and it is about education.

**Robin Barker** For tourism, broadband is a must.

In terms of those case studies, I think it is absolutely essential that some of them include how microbusinesses benefit. The south west has more visitors per year than Scotland. Scotland has an annual marketing budget of 17m, we have something like 5 per cent of that. If we had the same kind of funding that they had, then we could introduce broadband and bookable technologies, and information systems, and make tourism in the south west more competitive.

**John Mills** I will just make a few personal points.

I am very struck by the debate about costs. I have a sort of sense that some firms are probably a bit unnerved about the upfront cost of these things and probably do not know much about it. Perhaps people need a context to that.

The RDA website is not the place to put information. It is preaching to the converted. Where do SMEs especially actually get their information from? I just make a plug for Defra's broadband demonstration at the Royal Bath & West from 2nd to 5th June at Shepton Mallet. It is partly but not wholly aimed at farmers.

There is no magic formula. As David Whitely said, you need a policy and some strategies; I hope it is led by the RDA.

**Stephen Schlemmer** I think the context for the cost is the business result, or the change that it makes in your personal finances. As soon as people realise how much they can save by booking on-line earlier with FlyBE, or as soon as they realise in their business what a 10 per cent cost saving means relative to the paltry cost of actually getting on broadband, that is the context that make people sit up and take notice.

**Edmund Probert** Again, it's education. I think that there is a great margin here in training these companies to understand that they should be going into businesses and looking for

ways of providing a fantastic return on investment and not looking at 101 ways of getting somebody to spend a bit more on some website that they may or may not actually want.

**Prof Steve Molyneux** Coming back to one of David's points about necessity. In the information age the ability to drive and access to the internet is as important as the ability to drive a car and access to a car in the post industrial age. Thomas Jefferson on the preparation of the Declaration of Independence said: 'The work you are doing now is done in trust for posterity in such a way that others need not repeat it. Those who follow you will fill up the canvas that you begin.'

**Brian Thornton** As John said, there has been an awful lot of a very limited budget to promote broadband spent on websites, which is actually preaching to the converted. UK On-line is not proving to be a driver towards adoption because you have to be on-line to actually get on to UK On-line.

There is a sense of urgency here. Other countries are already adopting SDSL and much wider bandwidths, they are moving ahead of us. I applaud what David said, we need to have this action plan and we all need to get behind it.

**Mark Haskell** In the last two years we have run a dozen stories in our news programmes on broadband. At first I thought that was a lot but now I am not sure. I think approaches have been piecemeal and I think there is an opportunity for all of us to have a greater effect on co-ordinating the communication of this message, when we have decided what it is.

**Nick Buckland** I think what Lizzie was saying about partnerships is right; those are the ways we are stimulating demand. We really have to think about how we actually market broadband in a way that people can understand it and absorb it.

**Brian Thornton** When satellite TV first came in, BSkyB managed to suddenly acquire a massive audience, the free desktop box, I think, was their marketing tool. Maybe we need take ideas from other successful business models.

**James Crabtree** Peter, if you were chief information officer for the south west not to just Eden, how would you transform an organisation of 5 million people?

**Peter Hollands** It is not about broadband, from where I sit it is not about technology at all. What this is all about is creating a knowledge-based economy that is going to compete in the world, where lifelong learning is a given, where we are all going to have to live in a cultural change to be competitive.



**James Crabtree** From this morning I think that there was a consensus. I get the feeling that there are not too many sceptics in this room. Most are optimistic about the potential of broadband.

This afternoon most of you agreed the most important thing was to make sure everybody had the same idea about what the benefits and driver are, as outlined by Brian and to a certain extent by David. What then had to happen was that institutions within the region had to come together, building new partnerships, as Lizzie suggested, or deepen the existing ones.

It might be a selling job. Or we might need a Max Clifford figure, or for Mark to come up with some great south west TV programme to highlight regional success.

I was struck by Chris's idea of websites where you can look at surf as something that would be a success of the region.

People kept coming back to two issues: education of businesses and consumers, and also the education of people in schools because it is about what people use knowledge for.

I think we were in agreement that the RDA needs to go out and do a good selling job on broadband in the south west which will play to the region's strengths and understand its weaknesses. They need to try to find a way of spending such money as they have better and wiser, and explain to people why all of you here think broadband is a good thing.

This session that the New Statesman and BT have brought together gives us some ideas for what needs to happen next.

It remains for me to say is to thank British Telecom for making this series of seminars possible.

Thank you very much to our speakers and thank you very much to the rest of you for coming.



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