

Provision of Broadband in Rural Areas – Progress Report

1. INTRODUCTION

- 1.1. Members will recall previous Council and EPPG updates regarding the broadband projects operating across the Highlands and Islands of Scotland. The UK Government created a new body in 2010, Broadband Delivery UK (BDUK), with a broad national remit to improve connectivity and bandwidth availability across the UK. A principal objective is to deliver superfast broadband to 90% of UK homes and businesses by 2015 with the remainder accessing similar services by 2020.
- 1.2. To date BDUK have announced funding for several projects including 4 pilot superfast broadband projects, one of which covers the Highlands and Islands area, and several bidding rounds for English Local Authorities. The local project is managed by Highlands & Islands Enterprise (HIE) who are now in competitive dialogue with potential suppliers.
- 1.3. The Pathfinder North network contract expires in March 2014 and the project board has requested continued funding support from the Scottish Government for this essential network. The project board recently submitted an outline business case and options appraisal to the Scottish Government team in support of that funding bid.
- 1.4. It is looking more likely the Scottish Government will seek to bring both the HIE and Pathfinder North projects together but this will become clearer on receipt of a formal ministerial response to the OBC.
- 1.5. This paper provides an update on all of the above developments.

2. RECOMMENDATION

That members note the current status of the HIE BDUK Superfast Broadband Initiative and the re-procurement of the Pathfinder North project.

3. DETAIL

- 3.1. The Pathfinder re-procurement comes at a time when two high profile initiatives are being led by the Scottish Government: the creation of a Scottish Public Services Network (SPSN) which is informed by the McClelland Review of ICT infrastructure in Scotland; and the next-generation broadband (NGB) programme, which is being led by the Scottish Government's Digital Strategy, and informed by Broadband Delivery UK (BDUK).

- 3.2. Regarding the NGB, Highlands and Islands Enterprise (HIE) and the South of Scotland Alliance (SoSA) are at advanced stages of development. HIE is currently in competitive dialogue with bidders for the provision of NGB services. HIE has currently secured £20 million funding for a project that is estimated to cost between £200 million and £300 million, although detailed cost modelling is underway to confirm this.
- 3.3. Of specific interest to Pathfinder North, the HIE NGB project aims to align with the wider aims of the UK Government, the Scottish Government and the European Commission, and will seek to encourage private sector investment across the region in order to stimulate the provision of NGB services to all. This will be a highly significant project for the Highlands and Islands, with the potential to make a step change in connectivity across the region, which covers more than half the land area of Scotland. The primary objective is to ensure the delivery of NGB at 30Mbit/s or above to all by 2020. By 2015 significant progress will have been made to this goal, and a minimum of 2Mbit/s will be available to all. Pathfinder North and HIE have a reciprocal arrangement at respective Board meetings, and have a close working relationship. To achieve this target, HIE foresees that a number of stages will be required, with the first stage scoped out to target 50 key towns across the region, comprising 50% of the population.
- 3.4. The Pathfinder North project will have cost almost GBP70 million over the first 7 years. The next contract is expected to be more expensive than the previous contract. The Scottish Government has made GBP144 million available for the provision of superfast broadband across the whole of Scotland. It is possible (though details are unconfirmed) that additional funding from the Cabinet Office will be made available for the provision of such services across the UK as a whole. Funding provisions for re-procuring of PSN-compliant networks are unknown at the time of writing this document.
- 3.5. Both the NGB and PSN initiatives are currently being driven in parallel, although there is acknowledgement within the Scottish Government that they will need to converge to some extent in the near future. However, plans are at a preliminary stage; they are likely to evolve and therefore do not provide the Pathfinder North Partnership with the stable foundation from which to develop future procurement and technical options, particularly in the short term.
- 3.6. The Partnership is limited in how it may influence the use of the Pathfinder North network to provide community broadband. C&W has confirmed that the demand for community broadband in the Highlands and Islands is unproven, and as such will require State-Aid-compliant intervention funding from the Scottish Government to make investment economical; this is a matter being addressed directly by the HIE NGB programme and funded by the Scottish Government.
- 3.7. The Pathfinder North Partnership have been advised *not* seek to increase its operational remit to directly and comprehensively provide community broadband services. To do so would require a capital spend and organisational effort significantly greater than that considered in the OBC presented to the Scottish Government. The HIE NGB project has the operational remit for community broadband. The Pathfinder solution should not be considered as an alternative to HIE NGB, but one that may provide valuable infrastructure (including backhaul

capacity) that will serve HIE's efforts by making available 'open access' or providing wholesale services. The resulting network can be better utilised to stimulate competition and foster a wider service across the Highlands and Islands.

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