



**Federation of Small Businesses**  
*The UK's Leading Business Organisation*

James Bird  
Urban Broadband Fund Voucher Connection Scheme Consultation  
BDUK  
Department for Culture Media and Sport  
4<sup>th</sup> Floor  
100 Parliament Street  
London  
SW1A 2BQ

**Date 26<sup>th</sup> July 2013**

Dear James,

**RE: FSB response to Urban Broadband Fund Voucher Connection Scheme Consultation**

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 200,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51 per cent of the GDP and employ 58 per cent of the private sector workforce.

While the FSB supports the Government's desire to increase the take-up of ultrafast connectivity, it has some reservations about the Urban Broadband Fund Voucher Scheme.

We hope you will find our response helpful, please do not hesitate to get in touch if you wish to discuss further.

Yours sincerely,

Graeme Fisher  
Head of Policy  
Federation of Small Businesses



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**FSB**  
**response to**  
**consultation**  
**on Urban**  
**Broadband**  
**Fund**  
**Voucher**  
**Connection**  
**Scheme**

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**July 2013**

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## Overview

While the FSB welcomes the Government's desire to increase the take-up of ultrafast connectivity, it has reservations about the Urban Broadband Fund Voucher Scheme that it would like to see addressed to ensure that the scheme is successful. These largely relate to past experience with voucher based schemes. We would also make the general point that the funds allocated might be more beneficially spent in rural areas, where limited connectivity affects our members to a far greater extent.

Our reservations about vouchers centre on three central issues:

- 1) **Past experience with Government vouchers.** Past Government initiatives with vouchers, for example in the export field, have not enjoyed a high take-up despite the benefits on offer. Reasons behind that low take-up are largely poor publicity, the bureaucratic nature of the application process, and the limited time the vouchers were on offer – small and micro businesses are time poor, and therefore need longer to learn about new initiatives. The team designing the voucher would do well to discuss with those piloting 'Growth Vouchers' to see what insights they have before implementation.
- 2) **The importance of information.** Small and micro firms need to be provided with the information to make informed choices about whether to invest in these technologies, and a clear understanding of the potential benefits. Past experience in many policy areas shows this is often weak with a poor understanding of small and micro business needs, undermining the effectiveness of Government initiatives. Understanding what information small and micro businesses need and how they 'consume' it must be an area of special focus if the scheme is to be a success.
- 3) **The lack of clear criteria measuring what success looks like.** This consultation does not set this out at the outset and indeed asks for suggestions (question 10). That raises concerns there is not a clear view as to how funds should be allocated in the most economically effective manner.

At this point, the FSB does not have full answers from its members to all the questions asked. We have answered those where we do have a clear view.

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

The criteria set out in the consultation are standard company size definitions. We would suggest that generally speaking, companies at the larger end of the scale will have greater financial resources, and should be able to fund connections themselves. To focus efforts, the FSB would therefore argue the scheme should be targeted at smaller and micro companies (less than 50 employees) and start-ups. These are more likely to have lower financial capacity and might present the greater growth potential, giving the tax payer better value for money.

In terms of service providers, it seems sensible that a minimum service guarantee is put in place before a supplier can become eligible for the scheme. That would provide assurance to the firm the cost outlay will produce results. For example, reliability of their connection is the highest priority for the majority of small businesses rather than



ultrafast speed. For most small businesses whether they receive 10Mbps or 30Mbps is largely irrelevant so long as they can connect and can stay connected.

In the FSB's experience there is also a general mistrust among small businesses in regard to the speed and reliability claims that Internet Service Providers (ISPs) advertise. The connectivity vouchers must deliver what they promise to deliver. Small businesses will not see the benefit of paying for a higher speed connection if such a service could not be consistently delivered.

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

and

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

The value range seems within reason and should cover most situations we are aware of, especially if the business is funding part of the cost (see question 6). One of the major challenges for this scheme is that almost every voucher application has to be decided on its own merit. The number of different solutions and values can be as high as the number of small businesses applying for an ultrafast connectivity voucher. It will therefore be essential to test this scheme before going to market. The initial pilots in Cardiff and Belfast will give further indication whether the suggested bands are of appropriate value.

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

While a contribution by end-users to the connectivity costs might deter some from taking up the voucher, there are good arguments that some contribution - we suggest at an absolute maximum 50% of the cost for established businesses, with a much discounted rate for start-ups - would reduce deadweight costs of the scheme and importantly align incentives between the supplier and the firm. Contributions from business should also mean more businesses could benefit in some form.

Without a contribution, firms may not research the market in sufficient depth leading to sub-optimal outcomes where firms either choose the wrong supplier or wrong level of service. Furthermore, if the voucher covered 100% of the costs, there would be questions whether established firms not receiving the voucher and operating in the same market and locality would feel at a competitive disadvantage (question 9(a) in the consultation).

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

Clearly a major factor in the success of the scheme will be whether or not the recipients know it is available. A web based portal seems most practical to connect suppliers with end users though should compliment a range of other channels (see below). The portal will have to be plain English and easy to access. The portal should have information



about local training providers. It should have information about how to digitalise a small business. It could be useful to have video demonstrations and case studies of what difference getting on line has made for other small businesses in a variety of sectors.

Advertising through appropriate channels such as local business communities, LEPs, enterprise zones etc will be very important so that small businesses are aware of the Urban Broadband Fund Voucher Scheme. This will be more effective if these bodies are joined up, and efforts at the local level are matched by central Government efforts to promote the scheme. At whatever level, the scheme designers should also look to other low cost means of communicating with the business community, for example through Twitter feeds and Facebook postings, leveraging other organisations' channels where possible.

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

As well as awareness, the success of a voucher scheme will rest on its simplicity in terms of the application whilst meeting compliance needs. A short simple process, set out in plain English requiring only the minimum of time and information, needs to be designed and fully tested before coming to market. A complex design and a complex application process of the vouchers are factors likely to put off a small business that might otherwise be interested.

Though resource intensive, the FSB's experience is training is a key factor to increased take-up. The small businesses unsure about what digitalisation can do for them need bespoke training into how digitalisation can transform their business.

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

Monitoring of the scheme is essential to demonstrate value for money. A number of metrics could be used, including turnover and employees before installation and in subsequent years compared to a peer group who are not connected. The number of businesses benefiting and over what timescale would be important too, with clear targets set against which to assess performance.

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**For further information**

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