Date: 29 May 2002

COMMITTEE'S REPORT ON RURAL ICT

1. Between July 2001 and the beginning of 2002, the Committee took evidence on the development of ICT in rural Wales. The Committee is invited to comment on the attached draft report. Once approved, the final report will be published and is due for debate in plenary on 18 June.

Committee Secretariat May 2002

Introduction

1. There is real potential for the use of technology to make a significant difference to many of the services and employment opportunities available to our rural communities. In particular, the development of Information and Communications Technology (ICT) has the potential to overcome the traditional disadvantages of peripherality and distance faced by rural communities and businesses. But benefits will not flow automatically as the market provision of high quality infrastructure and services is naturally attracted to the more concentrated demand centres of urban Wales. Without a co-ordinated and tailored strategy, there is a danger that ICT developments will serve only to widen the economic divide between urban and rural Wales. Individuals, communities and businesses in urban areas will have cheaper and easier access to the latest technology whilst those in rural areas will lag behind. The pace of technological advance is such that the consequential divide will widen rapidly. For this reason, the Agriculture and Rural Development Committee decided to undertake a inquiry into ICT provision in rural Wales, to the nature of ICT services required in rural Wales and the steps necessary to stimulate their demand and supply.

Conduct of the review

2. In July 2001 we issued an invitation to submit written evidence based on the following terms of reference.

3. With reference to individual case studies and experience in Wales and elsewhere, to identify additional actions required to ensure that the economy and communities of rural Wales benefit fully from Information Age developments.

4. The study will pay particular attention to the nature of ICT services required in rural Wales and the steps necessary to stimulate their demand and supply by:

- *identifying the current and planned ICT activities that have an impact on economic, educational and community development in rural Wales;*
- *assessing the demand for ICT services and products in rural Wales, how their supply could best be stimulated and consequent resource implications;*

The output of the review will be a report specifying:

- *the ICT requirements of rural Wales and consequent economic development potential;*
- *the actions required to stimulate supply of the ICT services demanded in rural* Wales.

5. Thirteen written submissions were received and are included at annex 1. In addition, oral evidence was provided by the following:

OpportunitE Wales

Llwybr Pathway

Mid-Wales Partnership

WDA

ELWa

WTB

Powys County Council

Professor Mike Tedd

6. The Welsh Assembly Government's Research and Development Evaluation Unit was asked to conduct a literature review of 'what works' in ICT schemes in rural areas.

7. The report and recommendations that follow represent the Committee's conclusions drawn from this inquiry. Taken together, and set alongside existing measures, we believe they will help address many of the ICT issues currently facing rural Wales.

A strategic approach to rural ICT development

8. Low population density and dispersed demand are at the very root of the problems facing rural Wales in terms of ICT provision. Without evidence of sufficient demand to justify commercial returns, providers will not invest in providing infrastructure and services. Without modern, high quality infrastructure, rural communities and businesses cannot exploit the benefits of ICT and avoid lagging behind developments enjoyed in urban areas.

9. In our view, the Assembly and the rest of the public sector must seek to address both demand and supply – encouraging and assisting private sector suppliers to invest in rural Wales, demonstrating the value of ICT to rural communities and businesses to encourage demand, training people in the necessary skills and stepping in to overcome market failure where necessary.

10. The potential for rural Wales to benefit from ICT is undeniably there and some achievements, such as the Llwybr Pathway partnership and the MARAN project, substantiate this. But the scale of the difficulties faced by rural Wales are such that further proactive policies are necessary. Specifically, there is a need for integrated and partnership-based approaches that aggregate demand, share resources and expertise and avoid duplication. By and large these will need to be large-scale, strategic projects rather than multiple, uncoordinated, small-scale pilot schemes that are unlikely to achieve the necessary impacts. A strategic approach must not be confused, though, with centralisation and bureaucracy and so, whilst giving leadership and a coherent framework for significant progress in rural areas, policies should also be sufficiently flexible to stimulate and support examples of individual good practice.

11. The Welsh Assembly Government's strategic lead is given in the Cymru Arlein programme, which sets out its approach to ICT development across the whole of Wales. It is vital that this, and the programmes that flow from it, explicitly address the needs of rural Wales if the rural/urban digital divide is to be overcome.

Recommendation:

a) That the strategic approach to ICT development taken by the Welsh Assembly Government and other public bodies explicitly addresses the needs of rural Wales, emphasising the importance of a long-term, co-ordinated approach whilst stimulating and supporting local participation and initiative;

12. The Llwybr Pathway project was the single most significant attempt to develop ICT in rural Wales on a strategic level. The results achieved were impressive but the initiative has now ended and the central team that co-ordinated work broken up. Whilst we are confident that sufficient impetus exists for the major projects driven by Llwybr Pathway to continue, we are concerned that, without a dedicated team to identify, co-ordinate and drive forward other initiatives of benefit to rural Wales, opportunities will be lost in the future. The Welsh Assembly Government has a role to play in this but cannot act alone when so many partners also have a direct interest in rural development. The important thing is to

recognise the value of such a central team and for partners to contribute to its resourcing. We hope that opportunities will not be lost in the future for want of a relatively small level of support from interested parties.

Recommendation:

b) The development of successful partnership working in rural Wales is dependent on a central team to identify, co-ordinate and drive action, act as a focal point for negotiations to aggregate demand and so on. The Welsh Assembly Government, and its partners, should recognise the need for such a team in relation to rural ICT development and contribute accordingly to its support. The team should be physically located in rural Wales;

Demand for ICT services in rural Wales

13. At present, by comparison with more densely-populated urban areas, more advanced telecommunication provision in rural areas remains limited and, where available, tends to be expensive. Commercial telecommunications operators, seeking the best returns on investment, are naturally drawn to the larger towns and cities where the economies of scale of network development make them more profitable. To attract the private sector investment needed to address the supply of advanced ICT services in rural Wales, it is essential to demonstrate that sufficient demand exists to deliver commercial returns.

14. The Committee believes that a number of steps can be taken to stimulate the demand for ICT and so encourage providers to improve supply. The risks to individuals and communities of potential exclusion and unemployment, and for businesses of a growing reduction in their competitiveness, are apparent and real. Yet many in rural Wales have yet to embrace ICT.

15. Perhaps the most fundamental explanation for the low adoption of ICT by SMEs, particularly in rural sectors such as agriculture, forestry etc., is one of awareness about the potential benefits of these tools. For small firms, having long worked without computers or having used computers only for basic tasks, understanding the potential changes in business processes does not come readily.

16. Adopting ICTs and making best use of them will be dependent in many cases on access to independent business advice and on raising the level of awareness of potential benefits. For rural businesses, ICT can help to increase efficiency, develop their customer base and open up new markets. For rural communities, technology offers the potential to overcome the decline in rural services and to help keep rural communities vibrant by delivering education, information and other public goods in innovative ways.

17. During the course of our inquiry we heard many examples of the successful exploitation of ICT by businesses and communities in rural areas. Using these and others as exemplars of good practice is a tried and tested method of spreading knowledge of potential benefits. In addition, we would also like to see the provision of advanced services to schools and other educational establishments, increased availability of public access centres and widely available courses and advice centres. Taken together, steps such as these will help to inculcate an attitude towards and awareness of the benefits of ICT that can be translated into more tangible demand.

18. As well as awareness, access to the hardware necessary to exploit ICT opportunities is an important issue for rural Wales. Ownership of end-user equipment through which to gain access to telecommunications networks is relatively low in rural areas and, to a degree, this can be overcome through collective provision in the form of local access centres or electronic village halls.

19. The use of exemplars and mobile or easily accessible centres to demonstrate ICT are of particular importance in sparsely populated rural areas. There are various locally-run schemes operating at the moment delivering ICT access, training and advice to businesses and communities in rural Wales. These do excellent work but often survive on minimal support and rely heavily on the personal commitment of particular individuals. Their value would be increased still further by systematically identifying all of these networks, individuals and access points, offering tailored support and using them as a means of delivering a wider range of public sector services electronically.

20. To a degree, low levels of equipment ownership can be overcome though the sort of collective provision described above. In some cases, though, a more direct approach has been taken by giving direct public support to enable individuals to purchase or access ICT hardware. It is perhaps unrealistic for the public sector to subsidise hardware purchase and training across the whole of the country but the potential benefits of increased take-up are considerable. Even more limited projects could have a significant impact as nuclei for further development as awareness, skills and cultural attitudes ripple out to surrounding areas. Not every case will lead to productive economic activity but there is value still in instilling familiarity with ICT simply for leisure, private or community use.

21. Provision of hardware alone, though, is not enough. It must be properly supported with training and support services. Developing ICT skills amongst the population of rural communities is essential if they are to exploit available opportunities. Moreover, the availability of a skilled workforce increases the attractiveness of an area since it is an increasingly important criterion for employers in their location decisions.

22. And finally, as well as addressing ICT awareness, the availability of equipment, training and support, the growth in the range of on-line applications and services plays an important role in developing a critical mass of users. For as long as services delivered through ICT remain limited, businesses and citizens have limited incentives to make the investments required in order to make use of them. The public sector should play a leading role in helping to develop a critical mass of services and in encouraging the development of local content. The production and maintenance of such local material

(reflecting the area's activities, services, heritage and culture etc.) can help to promote the area to a wider audience and, at the same time, become a source of local employment.

We therefore make the following recommendations:

c) The Welsh Assembly Government and other public bodies should promote the benefits of ICT to businesses and communities through measures tailored to the needs of rural Wales, such as, business clubs, mobile training centres, telecentres and individual exemplars.

d) The Welsh Assembly Government should identify and prioritise a list of ICT exemplars and benefits with relevance to rural areas and propagate this through a tailored programme of training and awareness raising. Within this initiative, public access points and available hardware and expertise should be identified and used as the basis for the expansion of public service delivery in rural areas;

e) That the Welsh Assembly Government should make public funding available to support the community provision of ICT services in rural areas in the form of small, flexible support for the establishment and upkeep of community access points and the local volunteers and exemplars on whom they depend;

f) That, as part of the e-communities initiative, the Welsh Assembly Government should seek to stimulate ICT usage in rural communities by assisting the provision of ICT hardware, support and training in rural areas;

g) The Welsh Assembly Government should seek to increase ICT take-up amongst rural businesses through imaginative and flexible programmes designed to demonstrate the costs and benefits of ICT, such as, 'try before your buy' and e-placements schemes;

h) The Welsh Assembly Government and other public bodies should play a leading role in developing e-content and stimulating take-up through the conversion of government services to electronic form.

Supply

23. The public sector clearly has a role to play in addressing the low level of demand in rural areas. It is, perhaps, more difficult for it to directly influence the provision of infrastructure and services when these are in the hands of commercial operators. Nonetheless, the Committee believes that steps can be taken in what remains a regulated industry.

24. In particular, the tendency of private telecommunications operators to concentrate development in more densely populated areas can be mitigated by a range of actions in which the public authorities will need to play a major role:

1. Political pressure to ensure a level playing field for rural areas;
2. Encouragement to commercial operators, where market failure can be demonstrated, to install or enhance higher bandwidth services in rural areas through subsidies or other financial means;
3. Using subsidies or other financial inducements to open up competition in telecommunications provision in areas where monopoly conditions currently prevail;
4. Engagement by public authorities as advanced telecommunications service providers in their own right as a means of stimulating competition or, on social grounds, to ensure provision where none is deemed commercially viable at present;
5. Aggregating fragmented, individual (and thus unviable) demand into collective viable demand and organising concerted negotiations with providers on behalf of a wide range of users.

Recommendations:

i) The Committee welcomes the recent steps taken to provide broadband points of presence in rural areas through development of the lifelong learning network. The Welsh Assembly Government should continue to pursue similar demand aggregation initiatives and assist the further development of the network in order to strengthen the ICT infrastructure available in rural Wales;

j) The Minister for Economic Development should press the Department of Trade and Industry and the Department for Culture, Media and Sport to ensure Welsh representation on relevant committees of OFCOM, the new industry regulatory body. We wish to see an OFCOM office in Wales and for the National Assembly to be involved in the appointment of Welsh representatives;

k) The Minister for Economic Development should press OFTEL, and OFCOM when established, to address the particular needs of rural areas, in particular, the need for ICT access costs to be no more expensive than in more densely populated areas.

l) The Welsh Assembly Government and other public bodies should support appropriate mechanisms for public intervention to support ICT infrastructure development in rural Wales where market failure can be clearly demonstrated