

## Digital Infrastructure in Wales

FSB Wales welcomes the opportunity to present its views to the Economy, Infrastructure and Skills Committee on its inquiry into Wales' digital infrastructure. FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level and undertakes regular online surveys of its members.

A recent FSB survey showed that 99 per cent of small businesses owners view the internet as highly important to their business. It is therefore clear that Wales' digital infrastructure is of vital importance to small businesses and the Welsh economy.

FSB Wales is working with Cardiff University to examine superfast broadband in Wales. The findings of the work are yet to be published however the Committee may want to consider including Cardiff University academics Dr Dylan Henderson, Professor Max Munday and Professor Calvin Jones in their inquiry.

FSB has published a number of reports in this area that will be of interest to the Committee's inquiry. Most recently, we published Reassured, Optimised, Transformed: Driving Digital Demand Among Small Businesses a copy of which is attached to this correspondence. The report explored a number of themes around how businesses use digital infrastructure and the barriers to greater uptake.

### How firms use digital infrastructure

Our UK-wide research suggests that small businesses fall into three categories in relation to their use of digital infrastructure:

- **Business Reassured** – Firms that tend to have less data heavy but frequent basic tasks. Issues around reliability of service rather than speeds are seen as important.
- **Business Optimised** – Firms that rely on broadband to carry out frequent, relatively data heavy tasks such as online sales. Download speeds are important here in securing productivity gains.
- **Business Transformation** – Firms that are the most digitally advanced. Being online provides a springboard for new and different products that helps the business expand.

Under this broad categorisation, the incentive to adopt and make best use of digital infrastructure will vary. This distinction also recognises the different needs and expectations firms have in relation to broadband and digital infrastructure. The Committee may want to consider how each of these categories relate to the support currently provided by Welsh Government.

More generally, our research found that:

- Almost all business owners (99 per cent) rate the internet as highly important to their business.
- Half of small businesses (51 per cent) offer goods and services online, with an additional 15 per cent planning to do so in the near future
- The take up of fibre products among small businesses closely tracks the residential market at 27 per cent.
- 46 per cent of all small businesses said they would like to upgrade to these services in future.
- Mobile phones are increasingly becoming a key element of connectivity for small business owners and further work needs to take place in integrating mobile technology into their existing business models.

### **Barriers**

Our report identifies a number of barriers for small businesses in making the most of digital infrastructure. Firstly, many businesses feel that their current speeds are sufficient for their business needs now and in the foreseeable future. These businesses are satisfied with the status quo and may require further information and challenge to make the most of digital opportunities.

The rollout of infrastructure is still a concern. Ofcom's latest figures for 2016 suggest 85 per cent of premises in Wales can access superfast or higher speed broadband. While this is an improvement on previous years, it masks significant geographical variations with many rural areas still being unable to benefit. In relation to mobile coverage, Wales currently has the lowest proportion of outdoor 2G coverage, with many areas only able to access one or two network providers, limiting competition. Wales also had the lowest proportion of premises with outdoor 4G coverage from one or more mobile networks in May 2016 at 90.1%.

Quality of service issues are also affecting small business as consumers. Many small businesses do not have dedicated IT or telecoms experts. This frequently results in a lack of confidence in dealing with the market. Quality of service issues can also lead to some small businesses disengaging from the digital agenda.

### **Recommendations**

- To increase the use of digital infrastructure among small businesses in Wales, the following recommendations should be considered:
- Encourage the wider business community through organisations such as Business Wales to support moving beyond the status quo in terms of digital usage. This should include the integration of mobile services.
- Improve access to broadband and mobile infrastructure in Wales.
- Consider introducing a broadband code of practice for small businesses. This would recognise broadband providers that produce clear information and transparent download speeds. This should link to work currently being undertaken by Ofcom around a more general Broadband Code of Practice.

- -Ensure Business Wales has sufficient support around improving the knowledge and skills to boost confidence when dealing with the broadband market.

Federation of Small Businesses report – Reassured, Optimised, Transformed:  
Driving digital demand among small businesses

[http://www.fsb.org.uk/docs/default-source/Publications/reports/fsb-telecoms-report---september-2015\(2\).pdf?sfvrsn=0](http://www.fsb.org.uk/docs/default-source/Publications/reports/fsb-telecoms-report---september-2015(2).pdf?sfvrsn=0)