

The following information is in response to the Swindon Borough Council part funded initiative to supply Free WiFi to the Borough of Swindon. See link Below:

http://www.swindonadvertiser.co.uk/news/archive/2009/11/17/Wiltshire+News+%28gazette_wiltshire_news%29/4742872.Swindon_to_give_free_internet_access_to_all_residents/

Although we fundamentally agree with the social inclusion aspect of providing Internet access to all, we have reservations in the way this project has been funded and its impact on local business. We also question the need for such a solution in an area that is well serviced with Internet access being available very cheaply through a considerable number of providers. To this end we have been in contact with Councillors and our local MP in search of answers. Below is a list of questions and concerns that were put to Cllr R Bluh and his press release response.

Email To Cllr R Bluh (con): 13/12/2009

cc: Cllr D Moffatt (Lab), Cllr S Pajak (Lib)

Dear Mr Bluh

I have been reading about the Wi-Fi hotspot proposal for Swindon. As an owner of an IT support company in the area I have many questions and concerns. On the face of it, when it was announced free Wi-Fi was being introduced into the borough I welcomed it, but reading further on the proposal I now have many reservations.

How is it funded?

I have asked my local councillor about the funding especially as we are cutting essential services such as dial-a-ride. He has intimated that this is not coming out of the Council tax pot as is in effect a loan. I do not understand how you can obtain 35% of a company with a loan. It would have to be an investment, which in effect is a loan on different terms as you still expect a return and the original stake back.

How much has it cost the local government to date?

In the Swindon News it states that 'this project has been three years in the making'. What has been the cost of this? Have third party technical consultants been used? I am sure that an independent body must have been involved in this project, but at what cost?

Within the terms of the loan/investment if the company is not reaching targets and requires a further cash injection, will this dilute the share owned by the council or will the council have to proportionally match the further investment to maintain its share?

I ask this because as you are entering a crowded market place with little margin for profit.

Have you looked at the competition?

There is a multitude of ways to receive broadband access extremely cheaply. The most common supplier is BT, with Sky and Virgin Media offering extremely good deals with their telephone, mobile and television bundles. For £25 a month you can obtain wireless

broadband from many retail outlets with a laptop computer included in the deal. In a town with an approximate population of 180,000 that can be broken down to approximately 70,000 households you have a very limited market place. If you did extremely well and captured 10% of the market and managed to convert half of these to the 'promised cheaper' subscription service that should be no more than £10 then you could expect to generate a cash flow of £35,000 a month. This is a meagre amount, especially after VAT and taxes to feed the organisation that you would need in order to support, maintain, sell and market the end product. Let alone give a return into the council coffers.

Who is going to switch?

If people have their broadband included, sometimes free, in a bundle with other services they are not going to drop their current provider. You state in your piece in the Swindon News that customers will get free line rental. As it is Wi-Fi there is no line to rent and the customer will still be paying line rental for their telephone. Line rental is irrelevant. When you have broadband on your home line this does not increase the line rental charge. Likewise, most mobile phone companies include a data package that will work internationally without increasing the cost of the phone rental. You state that revenue can be generated from visitors to the town. Again this will be limited as, especially among business people who have iPhone's, Blackberry's and mobile USB sticks, there will be no need.

What is the USP (Unique Selling Proposition?)

This is the one I am struggling with. There are many broadband suppliers with cheap solutions that meet the needs of a majority of people. You state that this broadband will be faster. Maybe this will be the case within the local mesh. But the Mesh needs to connect to the internet globally and there download speeds are generally out of your control. My supplier could promise me 1000Mbps to my house, but that is not going to speed up my downloads as the infrastructure beyond that would not cope. CCTV and environmental control as stated in the Swindon News is not a new concept. It's been around for years and is not broadband supplier specific. There is going to be many local security companies that local government will be directly competing with, not to mention it companies like my own.

Is there the need?

I am all for social inclusion and believe that internet access should be available for all. To this end I applaud the current status quo of having computers with internet access freely available to all in our libraries. Free internet access to all homes is not an inalienable right. It is a service and commodity, such as electricity and gas that needs to be paid for in an open and competitive market place. If every council in the land jumped on this bandwagon, an industry would be severely damaged in such a way that the lack of inward investment in our national data infrastructure would be compromised, putting us further behind our European neighbours. This shortfall would have to be covered by central government and our taxes. I am not trying to sound flippant but it's akin to using local government funding to rebuild Morden power station and supply free electricity to the people of Swindon 2 hours a day. It's not local government business!

Who will oversee planning permission?

With local government having a vested interest in this private company surely planning is going to be an issue. It is in the interest of the company, and therefore its shareholders that the sites for the transmitters are agreed and installed as quickly as possible. Which independent body will oversee this?

Who will really benefit? Who is the real winner?

I feel that you have taken us into a highly competitive, saturated market place with no real unique selling point. The benefits to a minority of Swindon people are negligible. Free internet for all is a great sound bite coming into election year but the real cost does not justify the end product. As stated earlier, free internet is available to all at the local libraries, although I feel this should be expanded to leisure centres and community centres.

There is only one real winner in this proposal: aQovia. They will have a ready made borough wide network mesh, partially funded by the tax payer and marketed by local government that will allow them to have an unfair market place advantage in order to sell their technical / security services into our local businesses. There is little or no profit in supplying broadband services. The profit is in the added value and the additional services. In the event of the holding company 'Digital City' not obtaining the market share and being wound up, (a little bit like our ill placed park and ride scheme), aQovia will have exclusive access to this excellent infrastructure to host its services with a ready made customer list.

I am not a local government basher. I am personally very happy with the services provided. The roads are in good order, refuse is collected like clockwork, recycling is very encouraging, street light are maintained and sports and leisure facilities are excellent. But these areas are your remit. With this proposal you are competing with local businesses and threatening the livelihoods of many people in the borough. I am going to be in the unenviable position of paying council to a local government that is going to be directly competing against my company.

I await with great interest your reply.

Best Regards
Chris Watts

In response to this email I received replies from Cllr Pajak and Cllr Moffatt informing me that there would be a scrutiny meeting regarding the Swindon WiFi project. I attended this meeting on the 14/12/2009 at the Civic Offices. I lodged the following questions in which a motion was passed that Cllr R Bluh would respond in writing to all questions. I will post these responses as soon as I receive them.

1. Can the council clarify as to how this project has been funded?
2. How much has it cost the local government to date?
3. As this project has been three years in the making, who was the original business partner as aQovia have only been registered as a company since March 09?
4. Does the council think that it is wise to enter into a partnership with a company that has not even filed its first year accounts with Companies House?
5. When was this project put out to tender? Are there European law implications?
6. Does the council believe that aQovia will have an unfair advantage in the market place?

From the aQovia web site:

In partnership with our joint venture, Signal, aQovia is seeking to launch a myriad of products and services under the following verticals:

- MySelf
- MyHome
- MyBusiness
- MyCommunity

7. As Digital City are entering into an already saturated market place that offers excellent cost effective products to the consumer and business, what share of the market place do Digital City expect to achieve? Although aQovia state that Swindon has a population in excess of 180, 000 this only equates to 70,000 household.
8. What is the unique sales proposition? As I have seen none in the current literature
9. Has Digital City looked into the quantity of households' that already receive broadband as part of a Sky, Virgin Media or BT package? These households that are receiving broadband in such a way very cheaply are unlikely to drop the additional services in favour of the Swindon WiFi
10. In the event of Digital City not reaching the market share, will the council further invest tax payers money in order to maintain the 35% share or will further investment from aQovia dilute this share and jeopardize any potential meaningful return into the council coffers?
11. What powers do the Council have on the Digital City board? Does the Council have the powers to veto board room decisions?
12. What liability do the council have in respect to Digital City becoming insolvent?
13. In the event of Digital City becoming insolvent, what rights do aQovia have to the installed network mesh?
14. How can we put the brakes on this project?
15. Have third party independent consultants been used in this process?
16. With regards to planning permission, as the council has a vested interest in this project, which independent body ratified the planning permission for the siting of the transmitters?
17. Is it not the case that the Council already supplies free internet to all via its libraries and it would have been cheaper too extend this service to leisure centers and community centres?

Best Regards
Chris Watts

The scrutiny meeting raised several more points that I emailed to Cllr R Bluh on the 15/12/2009. Again I will publish these answers when received.

Dear Mr Bluh

I would like to clarify a few points raised in yesterday's scrutiny meeting.

I believe you stated that due to commercial sensitivity and time constraints, you were unable to instruct independent advice on this business venture before entering into a contract with aQovia. I find this perplexing. I have been involved in several companies that have sought investment and the investors would, as part of their due diligence, seek expert advice. These experts would be bound by a non-disclosure agreement that would protect both parties. Trying to rush an investor would invariably, and for good reason, lead to the investor walking away, unless you were allowed to complete adequate due diligence. In summary, if you have been rushed into a deal, in a market place that you do not fully understand, without independent expert advice or suitable third party scrutiny of the business plan, without the knowledge of the council and with no accountability, it could be said this would be unwise. It's a brave investor in the private sector that would adopt this high risk strategy, but this investor would be using his own money.

I am not a business analyst, but you do not need to be an expert in the field to see that you are entering into a crowded market place. BT, Sky and Virgin Media all supply extremely competitive and cost effective broadband bundled into a package that includes television, call minutes and mobile phones contracts. It would not be cost effective to cancel the broadband service within the bundle for a Digital City account, unless the cost is considerably cheaper. If the cost is considerably cheaper, then you have to question the viability of the business. Like most people, I do not carry a laptop into the centre of town, but I am able to keep connected via my mobile phone that has unlimited wireless access included in the contract. If I desperately needed access to the internet via a PC whilst in town, I would use the free service supplied by all our libraries.

At the scrutiny meeting, Councillor Greenhalgh tried to argue the position that there is no line rental with the Digital City wireless, therefore a major cost saving. I would ask Councillor Greenhalgh if he is going to cancel his phone line after connection to the Digital City Network as you pay line rental regardless of broadband services supplied. There would be no cost saving otherwise.

It was stated in the meeting that the Digital City solution would give fast download speeds to the consumer. This is a brave statement as this will be out of Digital City's control. The connection speed on the Mesh may be high but you are only as fast as the weakest point. This will be the umbilical cord that connects the mesh to the rest of the world's internet. You have no control of download speeds past this point.

Regarding the possible revenue generated from travelling businessmen. There has been an explosion on the market place of Iphones, Blackberry's and Windows based mobile phones with unlimited access to the internet included in contracts. Hotels in Swindon will offer Internet access. As part of my work, I travel extensively and on most occasions, my customer will allow me to connect to their network. Interestingly, there is a guest WiFi network in the Civic Offices. Unfortunately, although I was able to connect to the WiFi, I was unable to retrieve data. I had to revert to my providers' WiFi to collect email. This begs the question, if you are unable to supply a simple public WiFi network within the Civic Offices, how can you expect to run a commercial system across the borough?

This is a volume based cut throat business sector that you have brought us into. If you do not reach a significant market share the project will either fail or consume additional public funds in order to survive. The competition does not need to achieve the same share of the market in Swindon, as this constitutes only a tiny proportion of their customer base.

It was stated in the meeting that another revenue generator in this project would be to sell this solution to other councils and indeed several other local authorities have expressed an interest in the Digital City solution including one in Ireland. Surely these local authorities will contact aQovia directly, offering the same incentives as Swindon Borough Council; such as free office space and free siting of the transmitters whilst fast tracking planning procedure, negating any possible revenue share to Digital City and therefore Swindon Borough Council.

I fail to see how the data from the Glastonbury implementation of WiFi has no bearing in this project. I understand that it is different in its magnitude but to a majority of the consumers, WiFi connectivity is a universal standard and the additional services that may be supplied will be lost on most. Surely the data can be extrapolated to give a good indication of public acceptance and competitive standing. For Cllr Greenhalgh to dismiss this as irrelevant because the figures are not encouraging is to me unacceptable and naive. This is something due diligence would have taken into consideration.

I look forward to your response on these matters.

The following story appeared in the Evening Advertiser 17/12/2009

http://www.swindonadvertiser.co.uk/news/4804145.Anger_from_firms_over_wi-fi_decision/?ref=mc

Anger from firms over wi-fi decision

BUSINESS association is weighing up its legal options after accusing the council of giving a non-Swindon firm a 'wi-fi monopoly' in town.

The legal advice has been sought from the Federation for Small Business (FSB) on behalf of one of its Swindon members amid claims that at least five Swindon-based IT firms, with wi-fi capabilities, should have been given procurement opportunities.

Emma Faramarzi, chair of the FSB's Swindon Branch, has said this is the second time in seven months the council has spent public investment money – totalling almost £1m – outside the town.

"Swindon council has assured local businesses under the business charter that we would be consulted - especially after £500,000 was spent during the [Big Weekend](#) fiasco," she said. "That money should have been reserved to help businesses recover the recession, same as the £450,000 going towards wi-fi."

The scheme, which is to offer free internet for two hours a day to the entire borough in April, and went live in [Highworth](#) on Wednesday, has been delivered by [Rod Bluh](#), leader of the council – promising great benefit for residents and businesses in Swindon.

However, it was condemned by local IT companies.

Chris Watts, who owns Fourtiers, a Swindon based IT firm, has lambasted the council's moves, questioning what due diligence was taken in the lead-up to taxpayers' money being spent.

He said: "The council didn't seek advice from any business experts or independent consultants to see if this was a wise decision.

"It appears the only people involved in this are a few councillors, and the businessmen who could make a huge gains from this.

“They’re hiding behind a wall of commercial confidentiality, however it’s standard practice to sign non-disclosure agreements in order to find out if the investment it sound – especially if like the council they have no experience.”

The 42-year-old said he would expect experts to question whether investing the money in a company that hopes to compete with giants like Sky, Virgin and BT was wise.

He added that experts would have ensured a number of details would be looked into – including how many people in town are signed up to Sky, something Coun Bluh has failed to disclose whether he knows or not.

He added: “Why is the council investing Swindon taxpayers’ money into an out-of-town firm – which has yet to file its first year accounts?”

“From a legal aspect I would want to know whether the council has given a unfair advantage to Digital City UK, by gifting them free offices, permission to put up transmitters, nation and worldwide publicity, access into everyone’s homes, and half a million worth of investment to boot.

“I know many people who would love to put up boxes – but I clearly can’t without council permission – the market in Swindon is now skewed.”

Councillor [Junab Ali](#) (Lab, Central) has now officially referred the issue to the Audit Commission.

Councillor Rod Bluh's response

Rod Bluh, Swindon Borough Council leader, said: “I am disappointed and surprised that the Federation of Small Businesses has not embraced this scheme, especially as it will bring great benefits to residents and businesses alike.

“Digital City has its registered office in Swindon and has already used one Swindon firm to help install equipment. Digital City is in active discussions with another Swindon company to provide long term business support and is talking with other local firms about different services.

“Talks are also ongoing with a young local entrepreneur who is coming up with a fantastic application that can be used on the network and it is envisaged that many of the 50 to 100 applications provided by the project will be developed by local businesses.

"As I outlined in scrutiny, this is not business as usual. Local authorities are going to be forced to make commercial decisions to maintain their budgets.

"The money invested in Digital City cannot be used to plug a gap in our budget or operating services, it forms part of a sum we would normally invest in order to get a better return for the council. The money investment in Digital City is in the form of a loan repayable with commercial rates of interest.

"As for whether due diligence was followed, of course we looked at the risks and exposure of the investment. There is absolutely no requirement for us to seek third party independent advice. We have successfully concluded many multi-million deals and transactions and, as a result, have built up a high level of legal, commercial and technical expertise. In fact, many other local authorities and public bodies actually come to us for advice. So in light of these deals £450,000 is very small and we did not see the need to pay consultants to advise us on this. Our financial management of the council has put us as the third best unitary in the country.

"We have never had a previous Wi-Fi partner. We have been looking at providing free Wi-Fi for the last three years as part of 'Swindon's Digital Challenge Proposal' and it is only recently we have been approached by Digital City UK who had a technical partnership with aQovia. They came to us because they wanted to set up services to sell in Swindon and we invested in them, so we have not disadvantaged any other businesses in Swindon.

"Let us be clear on one thing, this is a huge opportunity for Swindon. Not only are there real benefits in terms of social inclusion, but our town has received global publicity because of this project. Swindon has been beamed out to Russia and China and we expect our economy to benefit from this exposure.

"Any companies that do feel they can support the project should send an email to info@getsignal.co.uk."

In response to Cllr Bluh we posted the following with the Evening Advertiser 18/12/2009

Cllr Bluh states that Digital City has a registered office in Swindon which is hardly surprising as SBC are gifting Digital City office space free of charge. Likewise, rent free siting of the 1,400 access points on lamp posts. As Digital City are going to be located in council property, I would not be surprised to find that they will have free gratis use the council networks to route the Digital City Mesh onto the World Wide Web. Again, this would constitute a considerable saving. How much more of a competitive advantage can the Swindon tax payer give Digital City to the detriment of local businesses? If an independent entity wished to install a similar network, the additional overheads that would have to be paid in the real world would very likely mean the business plan being untenable. The £450K loan is still a liability to SBC. With the current interest rates as they are, there is very little return on the council's loan as disclosed in the council scrutiny meeting. When SBC motioned to invest money into Icelandic banks, the agreed council processes deemed the investment to be of too high a risk and wisely decide against. It was evident from the Council Scrutiny meeting that this process was circumnavigated with, I believe, commercial confidentiality sited. Needless to say, this lack of transparency is of much concern.

In my opinion the £950,000 used for this speculative venture and the Radio 1 big weekend would have been better invested directly into local business, including the "young local entrepreneur" cited by Cllr Bluh allowing him to develop these applications for a much wider internet market and not just the Network City offering that allows Aqovia and SBC to take an unnecessary slice of the profit. I am sure his applications would run over all current broadband solutions. I understand that this money was not earmarked for plugging the gap in public service, but I suspect that it was also not set aside for the speculative machinations of a few investors and a good old knees-up in Lydiard Park.

With regards to the question of not using independent expertise to vet the WiFi proposition, I fail to understand why SBC would spend a vast amount of money for external consultants for the canal project, but nothing for this far more complex business proposition.

I am perplexed at the suggestion from Cllr Bluh that the SBC went with Digital City as they were the only company to come forward with the WiFi solution. I am not surprised there was no competition as there was no tendering process and this deal was conducted out of the public gaze. I only wish that when I approached customers with a network solution that they had the same relaxed attitude and did not seek additional quotations. Business would be easier, but that is not the way the real world works.

I was shocked to discover that the main partner for the much hyped technology that promises to "revolutionise home and business security with remote CCTV" is based in Northampton. If I was a local security company that supplies a similar service that had to compete with the heavily subsidised Digital City I would be very concerned. To get on an equal competitive standing the local security company would also have to sign up with Network City, paying its dues into the Aqovia / SBC pot. A cynical person would liken this to a business protection racket.

As a Director of a small business in Swindon, SBC must understand that I am concerned that in the near future I, and other local businesses, will have to compete with them on an un-even playing field. If it is confirmed that Digital City will be offering competitive services to my own, as suggested on the Aqovia web site, I will certainly seek legal advice.

I currently have many outstanding questions that were lodged with SBC at the Scrutiny Meeting. My concern is, are my answers coming from my council representatives or the major share

holders of a competitive company? The position the council finds itself in is untenable and I think that some tough choices will need to be made in the near future.

We would be very interested in your opinions.

Please email us on wifi@fourtiers.com