



[BSG news](#)



[Industry news](#)



[Statistics](#)



[Diary dates](#)

Welcome to The BSG, the monthly update of BSG activity and news from the Broadband Stakeholder Group. We are keen to provide BSG members with news and information relevant to them. If you have any comments about this edition, likes and dislikes, what you would like to see more or less of, please send them to Peter Shearman, T 020 7331 2163 E peter.shearman@intellectuk.org

BSG news

BSG responds to the Budget

Broadband featured in the Budget but not quite to the extent that some were hoping. The Chancellor re-iterated the government's intention to establish a universal service commitment for 2Mbps broadband and set out some funding options for its delivery. However, although Ministers have been [talking up the importance](#) of next generation broadband in recent weeks the Budget stopped short of including any major stimulus for its deployment. Instead the Chancellor announced the doubling of capital allowances to 40% and gave the go-ahead to the [South Yorkshire Digital Region project](#) (which will deliver FTTC to half a million homes).

With no significant money on the table for next generation broadband the government may be looking to adjust the balance of regulation in order to bring forward investment, as the Chancellor also announced a [review of Ofcom's powers and duties](#). This could turn out to be the most significant of the broadband announcements included in the budget. It would appear that the aim of the review is to examine whether Ofcom's duties need to be re-oriented to focus on promoting long-term investment rather than shorter-term consumer interests. We await the final Digital Britain Report to hear the government's views.

[BSG blog - Broadband in the Budget](#)

BSG submits response to Project Canvas consultation

The BSG recently submitted its response to the [BBC Trust's consultation on Project Canvas](#), the BBC's proposal for an IP-enabled set top box. Canvas has generated a huge amount of interest and comment across the industry and media. There is real interest in what it could do for increasing access to a wide array of content. However, this has been tempered by concern about its potential implications for networks and on what commercial basis the proposal could proceed. The BSG has not taken a view either for or against the proposals, but has sought to highlight the potential implications across the broadband value chain, at a time when the telecoms sector is making its first tentative steps towards next generation broadband deployment.

Over the last few years it has become increasingly apparent that there is a symbiotic relationship between the market for on-demand video content and the market for broadband. Around the world we have seen developments and advances in one market helping to drive demand and innovation in the other. Our response emphasises the importance of giving careful consideration to the potential market impacts for the full broadband value chain. The BSG has argued that the Trust's evaluation should give careful thought to how positive synergies can be built between Project Canvas and the evolution of broadband in the UK.

[BSG response to BBC Trust Project Canvas consultation](#)

Digital Inclusion in Wales

The BSG recently provided evidence to the [Welsh Affairs Select Committee's inquiry in to digital inclusion in Wales](#). The [evidence session is available online](#).

While Wales faces similar challenges to the rest of the UK, the scale of that challenge is exacerbated by the high proportion of households in rural areas and lower income levels. As the BSG submission highlights, Welsh consumers receive lower broadband speeds than other nations and regions in the UK, and have slightly lower take-up than the UK average. However, although poor by UK standards, broadband take-up in Wales is above the EU average, and above notable EU markets such as Germany and Italy.

The BSG response highlighted some of the future challenges that Wales will face when it comes to the deployment of next generation broadband. The [BSG cost modelling report](#), from September last year, suggested that, for FTTC, where a commercial case exists it is likely to apply to the first 57% of homes in the most densely populated areas. Wales, however, has only 40% of its homes in this category, and over a quarter of Welsh homes are unlikely to see market-led deployment given their remote location (compared to 16% within the UK). Given these challenging statistics, it is likely that, in time, the Welsh Assembly may need to consider whether a Wales-specific approach to the public role in next generation broadband provision is required.

[BSG submission to Welsh Affairs Select Committee](#)

Industry news

Australia announce A\$43bn FTTH programme

The Australian government has [set out plans](#) for perhaps the most ambitious public intervention in next generation broadband. Over the last 16 months the government has struggled with an [acrimonious process](#) as it sought to deliver on its manifesto commitment of bringing fibre to the node (cabinet) to 90% of Australians, using \$4.7bn of public money. Due to the economic conditions, however, the government has decided to start again with a A\$43bn (£21bn) fibre to the home project, again to 90% of homes, with wireless deployed in rural areas. The government intend for the project to be a public-private partnership, but the government would be the majority stakeholder in the project. Alongside this, the government has also determined to undertake a regulatory and policy review of the broadband market.

The reaction to this proposal has been more positive from the [incumbent Telstra, and other stakeholders](#) in Australia, than was the mood towards the initial FTN proposal. However, the government has effectively had to start again, almost 16 months after first being elected (albeit with the experience of the last 16 months to build on). At the time of the election in 2007, the [BSG argued](#) that it was not the place of political parties to be debating and specifying technology solutions, and perhaps our concern has been borne out. It is also a huge investment using public funds, costing far more per home than our cost modelling work suggests a similar UK project would cost. With many hurdles to clear before this project is completed, this announcement is very much a new beginning for Australian broadband ambitions.

[BSG blog - Australia dumps FTN proposal - and starts again with FTTH](#)

Pirate Bay defendants guilty

In Sweden this month, the trial of four men linked to the Pirate Bay website ended with the four being [found guilty](#) of assisting copyright infringement. All four were given fines totalling nearly \$4m, and handed jail terms. The defendants [plan to appeal](#), as it emerged that the trial judge is a [member of the Swedish Copyright Association](#). This trial attracted significant publicity, with content providers hoping that it would demonstrate a tougher stance against those it perceives as responsible for facilitating illegal file-sharing. However, the site itself is continuing to operate, and the trial's outcome has seen a [surge in popular support](#) for the [Swedish Pirate Party](#), who support the abolition of the patent system and a reform of copyright laws.

Events in Sweden serve to highlight the complexity of these issues. As the convictions were reported, so a [Norwegian study](#) was released saying those that illegally downloaded music are also 10 times more likely to pay for music. In the UK, there is a less-hostile debate than in many markets, and the Digital Britain Interim Report has set out a role for a Rights Agency in mediating between consumers, rights holders and service providers. However, illegal file-sharing is still a serious issue for rights holders in the UK, and there is no guarantee that the proposed solutions will be the right ones - only time will tell. Finding workable solutions is challenging, but finding a solution that prevents situations like that in Sweden is in the interest of all.

[BSG response to Digital Britain Interim Report](#)

ICT investment the way to create 700,000 jobs?

The Information Technology and Innovation Foundation (ITIF), a prominent voice in the US for the importance of ICT, have published a report in partnership with the London School of Economics, '[The UK's Digital Road to Recovery](#)'. The report suggests that, for £15bn of investment in next generation broadband, intelligent transport systems and smart power grids, the UK could create 700,000 direct, indirect and induced jobs. The report estimates that a £5bn investment in next generation broadband would create over 280,000 jobs.

The ITIF have been very successful in raising the profile of ICT, in particular infrastructure, in the US, and Rob Atkinson, the President of the ITIF and one of the authors of the report was an advisor to Obama's transition team. The report has been [well received](#), and while any efforts to put job numbers to investment needs to be treated carefully, the view has been that this is the most robust effort undertaken in the UK that assesses the impact of ICT infrastructure investment. While they were over here launching the report the [ITIF team briefed ministers](#) on their findings. It will be interesting to see how the government responds to the report, and whether it will have any impact on the final Digital Britain Report.

[BSG blog - The UK's Digital Road to Recovery](#)

Broadband statistics

Consumer willingness to pay for fibre?

First quarter results for both AT&T and Verizon in the US provided some interesting data regarding the number of fibre subscribers. AT&T, with their FTTC U-Verse service, has [achieved 1.3m fibre subscribers](#). This is around 12% penetration of homes passed, with rollout continuing. Verizon, with its FTTH FiOS service, has signed up [2.8m subscribers](#), at a penetration rate of 27%. Although it is difficult to read across markets (these operators both have IPTV services delivered over the fibre, for example), and it is unclear what speeds consumers are taking over fibre, it is at least an early indication of a willingness to pay for fibre-based broadband.

[BSG Report: A Framework for Evaluating the Value of Next Generation Broadband](#)

UK broadband reaches 17.4m subscribers

By the end of 2008, the UK broadband market had 17.4m subscribers, slightly surpassing [Point Topic's](#) estimates. There were 1.6m net additional subscribers in 2008, an increase of 10.6%. The rate of growth has slowed, however, as penetration increased 19.9% in 2007. There were almost 1m net adds in the first of half 2008, slowing to 0.6m new subscribers in H2.

[Broadband Statistics provided by Point Topic](#)

UK silver surfers?

A [new report from Nielsen](#) suggests that almost 30% of UK Internet users are age 50 or over, a higher proportion of any measured market other than the US. The average UK user spends over 56 hours per month online, and collectively UK users spend 119bn minutes online per month. 69% of UK users use social networking sites, up from 59% a year earlier.

[BSG Digital Inclusion Issue Page](#)

Diary dates

CBN NextGen Roadshows - 13 May 2009, other dates tbc

Building on the NextGen 08 Conference last year, CBN will be staging a series of seminars across the UK.

[More information and booking](#)

Convergence Conversation: Advertising and the impact of convergence - 04 June 2009

The next Convergence Conversation will be held on 04 June, with a range of industry speakers.

[More information and booking](#)

3rd Annual Broadband Connect Summit: The Promise of NGA - 16 June 2009

BSG CEO Antony Walker will be among the speakers at this conference.

[More information and booking](#)

Intellect Consumer Electronics Conference 2009 - Driving Digital Value - 02 July 2009

Intellect's Consumer Electronics Conference this year welcomes a range of senior industry and policy speakers, including a keynote from Minister for Communications Stephen Carter.

[More information and booking](#)

About the Broadband Stakeholder Group (BSG)
The BSG is the UK Government's advisory group on broadband.

It provides a neutral forum for organisations across the converging broadband value-chain to tackle key policy, regulatory and commercial issues, with the aim of helping to create a strong and competitive UK knowledge economy.

The BSG network comprises telecoms operators, manufacturers, investors, aggregators, ISPs, broadcasters, mobile players, content producers and rights holders, as well as Ofcom, BERR, DCMS, RDAs, devolved administrations and others.

For more information, visit www.broadbanduk.org