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Welcome to The BSG, the monthly update of 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

Levy should not preclude use of wireless, argues BSG

In its [response](#) to HM Treasury on the [proposed Landline Duty](#) the BSG warned that the government's proposed approach risked closing the door on wireless delivery of next generation broadband. Because the duty would only be collected from fixed line technologies, officials have suggested that the resulting funds could only be spent on fixed line solutions due to state aid concerns.

In the BSG's view this would be a mistake. In many instances, particularly in the most rural locations, it is highly likely that wireless technologies will provide the most efficient and effective means of delivering next generation broadband services. Restricting the potential technology solutions to fibre could mean that many rural locations would remain beyond the reach of next generation broadband, despite the establishment of the final third fund, because fixed line solutions would remain unaffordable, even with a subsidy.

We do not believe this would be a sensible outcome and would argue that it is entirely wrong to be prescriptive about the range of technologies that could be used at this stage. Indeed it would seem to us to be very unfortunate if wireless and satellite solutions were excluded from eligibility for funding, simply as a consequence of the mechanism chosen to collect the funds in the first place. BSG has called for this issue to be resolved so that all suitable technologies can be utilised for extending next generation broadband to rural areas.

[BSG response to landline duty consultation](#)

Putting passive access into practice - BSG leads early thinking

Although providing passive access to new and existing ducts and poles has been much discussed in recent years it has now moved firmly into centre stage of the regulatory and political debate about next generation broadband. Ofcom's [initial survey](#) in to Openreach's duct network suggested that space could be available in some instances, but that significant challenges exist should other operators wish to share this infrastructure. Overhead infrastructure could also play a role; the recent [BIS consultation](#) has opened the door for this issue to be considered as a part of this debate.

But how would access to ducts and poles actually work in practice? Over the last few months the BSG's passive infrastructure working group has been considering this issue in detail. The group has been focusing on identifying the practical barriers to passive infrastructure sharing and setting out some potential solutions for overcoming those obstacles. The working group is expected to report back shortly with a set of draft requirements for access to records and information and a high level view of what a passive infrastructure sharing product set might look like.

[BSG response to BIS overhead telecoms cables consultation](#)

COTS Project - consensus emerging?

In response to the prospect of new small local access providers emerging, the BSG launched the COTS (Commercial, Operational and Technical Standards) project last summer to ensure that the users of these networks could have access to a wider range of services. Since then a steering group of industry representatives has undertaken significant work to consider how to address the challenge of service provision on an increasingly fragmented access network. This work has led to a clear set of issues emerging that need to be addressed by stakeholders in order to resolve these challenges. At an [industry meeting](#) on 25 January, a consensus emerged over the need for aggregation to solve these challenges. This conclusion was supported by a [report](#) prepared by CSMG for Ofcom, which was presented to industry at the meeting.

The challenge for the project now lies in scoping exactly what role aggregation needs to play, and the requirements aggregation must meet in order to be workable for all stakeholders. How aggregation would be achieved, and the role for aggregation in the value chain, must also be addressed if a workable solution is to arise. The steering group is currently considering these issues, and will come back to industry once thinking has developed. In the meantime, BSG continues to be interested in hearing from stakeholders with an interest in this project.

[COTS Project - progress update](#)

Product placement to be allowed in the UK

After a somewhat protracted process, involving changes of policy direction across Secretaries of State, the government has [announced](#) that it will allow product placement on UK television. This is a good outcome for several reasons. It puts the UK on a level playing field with its European counterparts who have all (bar Denmark) taken advantage of the option to allow product placement set out in the Audiovisual Media Services Directive. It closes the irrationality of the current situation where programmes from outside the UK (mostly the US) which contain product placement can be broadcast in the UK, whilst programme content commissioned and produced in the UK cannot explore product placement. And it gives a potential (if untested and uncertain) funding option to UK content producers in challenging economic times.

The government's policy statement sets out several safeguards alongside those required by European law, including a ban on products associated with gambling, and food and drink products that are HFSS (high in fat, sugar and salt). However, most of the detailed implementation will be left to Ofcom when it revises its broadcasting Code. The BSG will remain engaged in this debate as Ofcom consults on these changes. We will argue that product placement needs to be implemented in such a way that both consumer protection is assured while giving those engaged in commissioning and producing television content the means to effectively use product placement as a viable source of funding.

[BSG response to DCMS product placement consultation](#)

Industry news

Broadband politics

As the government [publishes details](#) of how it plans to implement the 50p per line duty, and [consults](#) on how to spend it, the Conservatives have published their own [policy proposals](#), which were met with [scepticism](#) by the Liberal Democrats. A raft of measures have been proposed, including mandated duct access, permitting new overhead fibre, and reviewing the way business rates are applied to fibre.

Interestingly, the proposals also contain a plan to continue to collect the 3.5% of the licence fee earmarked for Digital Switchover after 2012, which would bring in c£120m pa, less than the £150m pa due to be collected through the levy. Whether that would raise sufficient funds to deliver FTTH is debatable, but it would generate a similar funding pot to the government's levy. However, both Labour and the Conservatives have now accepted that for next generation broadband to become universally available, some form of subsidy would be necessary.

[BSG report - Pipe Dreams: Prospects for next generation broadband in the UK](#)

AT&T ask FCC to permit phase-out of legacy copper network

AT&T have [asked](#) the FCC to consider the phasing out of the legacy PSTN network in the US. Drawing analogies with previous legacy network switch-offs, such as analogue wireless and analogue TV, they highlight that meeting current obligations based on the PSTN network is requiring significant investment that could be better spent on next generation networks. AT&T identified a range of issues, such as universal service and

carrier of last resort, which would need to be significantly revised in order to allow the industry to focus its energies on investing in the next generation of fixed networks.

The role for the legacy copper network in a next generation access environment is one of the biggest long-term challenges facing public and regulatory policymakers, and the industry, in every market. In the UK, many obligations on operators are based on the copper network, and some would argue will become increasingly obsolete as wireless networks become more ubiquitous and as next generation fixed networks begin to be deployed. BSG raised the question of copper shutdown in its report '[A Framework for Evaluating the Value of Next Generation Broadband](#)'. Determining at what stage and how to switch off the legacy copper networks will be one of the big challenges in the transition to next generation broadband around the world.

[BSG blog - AT&T propose PSTN phase-out](#)

Canvas gets the green light

After extensive consultation, the BBC Trust gave its [provisional go-ahead](#) to Project Canvas just before Christmas. The Trust's final decision due in Spring 2010, however it is not yet a done deal, with the Office of Fair Trading [suggesting](#) that it may take a closer look at the proposal; some players in the market, notably Sky and Virgin Media, citing competition concerns; and the Digital TV group questioning the openness of the process. Despite this, Canvas looks like a much more viable proposition now than at its initial introduction. That it has increased its list of partners helps in that respect. However, it is arguably the addition of a second ISP, TalkTalk, to this list that is most significant.

In getting behind Canvas, TalkTalk appears to validate the *raison d'etre* of the Canvas vision: that it offers a compelling consumer proposition that can deliver for both ISPs and content providers and attract that demographic of the population who have so far been unwilling to pay for monthly pay-TV subscriptions. Whilst the verdict on Canvas is by no means final, it seems to be gaining momentum at a point where attention is also focused on the recommendations of Ofcom's forthcoming [Pay TV Review](#). The outcomes of both and the synergies between them could have significant implications for the broadband market and its relationship to the content industry.

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

Broadband Statistics

VoD continues to grow

Virgin Media has [announced](#) that 2009 saw a 50% increase in the number of views of VoD content by its TV customers, with 750m views in the year. December 2009 was a record month, with 76m views in total, with iPlayer accounting for 20m views. ITV Player had 25m views across Q4.

[BSG Statistics provide by Point Topic](#)

Broadband supports local employment growth

A [study](#) by the Public Policy Institute of California has found that broadband availability in a locality increases the absolute levels of employment in that area. The study suggests the effect could be as high as 6 percentage points; however, it found the growth didn't necessarily benefit local residents, nor did it impact on the rate of employment.

[BSG Further Resources](#)

Legal digital music on the rise, but.

The IFPI's annual [Digital Music Report](#) showed that since 2003, the number of licensed music services has increased from less than 50 to over 400, while the industry's digital revenues have increased from \$20m in 2003 to \$4.2bn last year, representing 27% of all industry revenues in 2009. However, despite this total industry revenues were down 30% during the period 2004-09.

[BSG Library](#)

Diary dates

[IET - Satellite delivery for Digital Britain - 22 February 2010](#)

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

[More information and booking](#)

FTTH Council - FTTH Conference - 24, 25 February 2010

The FTTH Council Europe's annual conference, this year held in Lisbon. BSG members can receive a 100EUR discount on the delegate fee by quoting **BSG2010FTTH**.

[More information and booking](#)

BSG-VOA Workshop - Rating fibre in NGA networks - 01 March 2010

This workshop will see the Valuation Office Agency (VOA) respond to the scenarios developed by industry following an initial workshop in 2009, when the VOA outlined its approach to rating fibre in access networks.

[More information and booking](#)

BSG-Value Partners - The Future of UK Broadband Networks - 23 March 2010

This seminar sees the launch of a joint BSG-Value Partners report in to the future bandwidth requirements of content and service providers.

[More information and booking](#)

Intellect Consumer Electronics Conference 2009 - The Digital Home - 08 July 2010

The focus of the fifth annual Intellect Consumer Electronics Conference is the Digital Home - content, connectivity and consumer electronics.

[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, BIS, DCMS, RDAs, devolved administrations and others.

For more information, visit www.broadbanduk.org