

Broadband Stakeholder Group - Next Generation Access
Commonwealth Club, 18 September 2007

I am delighted to be here to launch formally and to welcome the Broadband Stakeholder Group's work programme on next generation access to broadband. It is vital work on how to achieve a network to meet the needs of businesses, consumers - and indeed government - for higher bandwidth.

Broadband a key contributor to UK competitiveness

I find it impossible to avoid the feeling in reflecting on this that we have all been here before. I became e-commerce Minister first just over five years ago, and - I think it was in the week I was appointed - *Computing* ran a headline saying that, on broadband, the UK was neck and neck with Croatia. Together, thanks in no small measure to the work of the Broadband Stakeholder Group, we fixed that problem, to put Britain in a leading position today on broadband availability and use. And I am in no doubt that success has made an important contribution to Britain's economic success over the past few years.

A study on the UK carried out last year for OECD found that increasing the proportion of the workforce with broadband in IT intensive sectors by 10% increased productivity by 12%. A 2005 study on the US for MIT found that in communities with broadband, employment growth rates were 1 to 1.4% higher than in communities without, and the number of business start ups was higher too. As Minister for Competitiveness, I see it as key to UK competitiveness, and one of my highest personal priorities, that we have a high performance telecommunications infrastructure in every part of the country, enabling us to compete successfully on a global basis.

The Information Age Partnership recently compiled and published evidence from the UK to highlight how effective use of information and communication technology enables productivity growth. As the technology evolves and becomes pervasive, it creates new market opportunities, the emergence of innovative products and services and challenges existing business models.

The Broadband Stakeholder Group has been right to remind us, in its report in April on the prospects for next generation broadband deployment in the UK, that we face today a new challenge. Other countries are starting to invest in new, fibre based

infrastructure, delivering considerably higher bandwidth than is available in the UK today. Korea, Japan and the United States stand out, but France, Germany and the Netherlands are pressing ahead too.

Its true there are different market conditions in the UK. We have well developed satellite and terrestrial multi-channel TV delivery networks which is very good for viewers – but it removes in Britain one of the main incentives driving investment in high speed networks in other markets.

But before too long, the wider economy is going to need high speed broadband. The high speed broadband networks being deployed elsewhere for multi-channel TV will increasingly be used in other commercial applications. The growing number of people working at home will require high speed connections to support them:

- High quality two way video;
- High definition video downloads;
- Increasing sophistication in graphics applications;
- Greater information sharing and online collaboration;

all these trends are pushing up the bandwidths which are going to be required across the economy.

And just as we have seen a boost to the economy from our success in delivering one of the most competitive and extensive broadband markets in the G8 – ahead today of the US, Japan, France and Germany – so we need to get on track for high speed broadband to deliver a further boost to the economy over the next few years.

The risk of slipping behind

The Broadband Stakeholder Group report gives a window of two years to make decisions about next generation access, and four months has already passed! We actually have, I believe, quite a short time to debate the issues and decide how to act. And its one of the priorities for me in taking up responsibility for this area of policy again.

Unlike elsewhere, there are in the UK hardly any fibre to the home connections. In fact, I don't know of a single one. If there are any, I would be grateful if someone can tell me where it is! The OECD records the number of fibre to the home connections in the UK as zero, compared to 46,000 in the Slovak republic, 900,000 in the US and almost 8 million in Japan.

Services and applications coming onto the market will only be properly exploited and enjoyed if the bandwidth exists to deliver them to the end user. The recent publicity around the BBC iPlayer and the reaction from some Internet Service Providers on the impact on their networks and business models is a case in point.

The infrastructure must be capable of delivering high speed broadband to all. We already talk about the digital divide in the UK, not always accurately. There is an obvious danger of some being left behind, unable to access services enjoyed in other parts of the country. Rather let's use the new technology to promote inclusion and build new opportunities for those for whom in the past opportunities have been too few. It does need to be based around fibre rather than copper, but with potentially important roles for wireless and satellite too. And we need everyone contributing to a debate about how we can do it. Please join in.

We need timely deployment of technology. We can't afford to lag behind others. We need the right conditions for the market to operate effectively.

There are signs of progress

There are welcome signs of progress. Virgin Media, whose network passes half of UK homes, is already rolling out up to 20 Mbps to its customers. Since last November, it has been conducting a successful trial of higher speeds, up to 50 Mbps, but in the process have proved their technical capabilities to be able to deliver 100Mbps, among 100 customers in Ashford, Kent, and the trial is being extended next month to Dover and Folkestone. BT is upgrading its core network, increasing existing infrastructure's capacity up to 24 mbps and will be deploying fibre to greenfield sites from next year, reaching eventually perhaps three million homes. And, unlike in some other countries, BT will provide fibre access from the outset on a wholesale basis to other service providers.

A host of other innovative companies have invested in local loop unbundling, introducing new services. There is a good deal of interest at the moment in Fibre to the Cabinet and sub loop unbundling, with unbundling at the street cabinet so that an alternative operator can install fibre to and locate equipment at the street cabinet and not have to duplicate copper or fibre to the customer premises. BT, Virgin and Sky have all been looking at this and BT has a sub loop unbundling product, though it has not yet been used commercially. And there are numerous providers of wireless and satellite based connectivity.

But is this enough to satisfy future demand for bandwidth, and to support innovative, value generating applications?

Public policy needs to make a contribution

The role of Government is key, in establishing the right economic framework, and a stable economy that encourages investment; in promoting business, while also protecting the interests of consumers. And Government can provide leadership, as a focal point for collaboration between businesses, the regulator, community interests, the regions, and Devolved Administrations. I want us to discharge that leadership role.

The regulatory framework is the responsibility of Ofcom. I welcome Ofcom's consultation document on next generation access to be published a week today, and hope that everyone here will respond to the questions raised in the document. There is a key opportunity to make sure the regulatory framework is fit for purpose.

Public investment was needed to achieve the initial roll out of broadband, through RDAs and Devolved Administrations enabling exchanges, the Broadband Fund, the Broadband Task Force and Broadband Aggregation. Ten regional broadband consortia coordinate the delivery of broadband to schools in England, and public sector bodies are again considering their own future bandwidth needs, and the needs of their regions.

Public sector interventions on broadband have included initiatives on a significant scale, as in the Act Now initiative in Cornwall and the Digital Region public sector aggregation project in South Yorkshire. These interventions need to be well targeted, and to avoid distorting the market. They would make matters worse if they

discouraged private sector investment. We need a dialogue to build trust and I want to play my part in that.

A number of publicly supported broadband projects are looking at next generation access based on fibre and wireless to help deliver social outcomes. The Government's Digital Challenge has been the catalyst for some, such as the *One Manchester* vision of a next generation digital city. In Walsall, in the West Midlands, the Community Broadband Network has been commissioned to assess the viability of a community-owned social enterprise to deliver next generation broadband in the Birchills area.

These are real and emerging initiatives and I want to be clear that these can be successfully integrated into the national telecoms framework infrastructure and I welcome the opportunity to discuss this with the BSG, industry, Ofcom, the regions and the Devolved Administrations.

I hope the BSG will encourage and facilitate by getting key players from the carriers and the content and application providers into serious dialogue about future business models for the telecommunications infrastructure. We need to find a way of ensuring that bandwidth availability does not constrain economic activity in the UK.

Some might argue that, if Government believes next generation broadband is so important, why don't we pay for it? We shan't be going down that road. It would take us backwards, to a less successful era, and, as we made clear in a document jointly with Ofcom earlier this year, run the risk of deterring private sector investment – duplicating investment that would have been made by the market, or undermining existing investment. The market must take the lead.

Addressing the challenge

The Broadband Stakeholder Group has a critically important role once again. We need you to inform our decisions in developing a telecoms infrastructure to meet the needs of future generations. Acting now will help to ensure that we do not have to play catch-up again. I will be taking a close interest in this work, and looking for regular updates on progress.

I see a threefold challenge:

- First, ensuring a strong and competitive telecommunications sector, delivering new and innovative services;
- Second that the sector is able to invest to deliver the required infrastructure and to generate the requisite returns; and
- Third, that a suitable regulatory framework is in place – one that promotes competition and consumer interests, but also provides confidence for investors.

So I have decided to chair a high level summit later this year to consider the circumstances that might trigger public sector intervention, the form that intervention might take and at what level it might sensibly take place. I want it to be an open exchange, to bring together key people from Government, from Ofcom and from industry. It will be under Chatham House rule, so that the full range of issues can be explored in the confidence that they will help to inform important policy considerations.

So let me sum up. I strongly endorse and support the work being undertaken by the BSG and welcome your continued interest and involvement. The four areas identified by the BSG strike me as well considered:

- economic and social value;
- commercial investment;
- regulatory environment; and
- public sector interventions.

But they depend on all of us to contribute to ensure they deliver the best results. Do contribute to the Ofcom consultation on next generation access, which will be vital to the debate on appropriate regulation.

Over the past five years, we have – through working together – ensured that the UK has a leading position on broadband. That makes an important contribution to national competitiveness. We need now to renew our efforts. I am relishing the challenge ahead, and I ask everyone to work with us.

Thank You.