BRIEFING 11
Britain’s Superfast Broadband Future
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As part of its overarching Growth Review, the Government has set out its vision for superfast broadband in the UK with the strategy document “Britain’s Superfast Broadband Future”. It sees superfast broadband as a top priority and wants the UK to have the best superfast broadband network in Europe by 2015. It is also committed that rural and remote areas of the country should benefit from infrastructure upgrades at the same time as more populated areas, with “virtually all homes” having access to a minimum level of service of 2Mbps by 2015. Broadband Delivery UK will invest £530M over the lifetime of this Parliament to support the delivery of these commitments.

Overview

The report does not provide a formal definition of superfast broadband, but considers existing investments by BT and Virgin Media in fibre-to-the-cabinet (FTTC) and cable broadband solutions to be ‘superfast’. Current broadband typically runs over existing copper cables provided by BT telephone lines or Virgin Media cable connections. Investments in next-generation broadband replace some of this copper cabling with higher-capacity fibre optic connections. FTTC and cable solutions run fibre optics to cabinets in the street with the final connection to premises continuing to run over existing copper cables. Fibre-to-the-Premises (FTTP) provides fibre optic connectivity all the way to the end user, offering the potential for even higher speeds (upload and download) and quality of connection.

This contrasts with EC’s recent Digital Agenda for Europe (DAE) targets, which are for:

- 100% Internet coverage (‘basic broadband’) by 2013;
- 100% coverage at speeds of at least 30Mbit/s (‘fast’ broadband) by 2020; and
- 50% household take-up of at least 100Mbit/s (‘ultra-fast’ broadband) by 2020.

The UK approach instead is based upon a balanced scorecard approach based upon speed, coverage, price, and choice. Meanwhile, the Greater Manchester Strategy places a strong importance upon next-generation broadband as a driver for innovation and economic growth. As a densely populated metropolitan area, GM believes that copper-based broadband solutions can only be an interim measure for meeting forecast future demands for broadband connectivity – particularly faster and more symmetric speeds, and higher quality connections – and realising the DAE targets. The report emphasises the importance of communities and local authorities having a say in how networks are built, with support for communities that “wish to extend or even build their own networks”. This endorses GM’s current approach of exploring with existing providers and investors the opportunities to develop a sustainable business case for the rollout of fully fibre-based next-generation broadband within GM, particularly to meet the needs of SMEs.

UK’s Broadband Current Position
The UK currently is in a relatively strong position, with one of the most competitive broadband markets in the world. For example, over 70% of households and 87% of business with 10 or employees are subscribed to a broadband service, both of which are above the EU average. However, the Government is aware that current patterns of internet usage will require significant network expansion and improvement in broadband speeds, noting that 2 million households are unable to access a good level of broadband. In addition, the need to get more people online in the first place is recognised in Martha Lane Fox’s Race Online initiative to bring connectivity to those currently excluded.

**Future Broadband Strategy**

The Government recognises that broadband infrastructure investment is vital in supporting its overall growth agenda and will fundamentally change the way in which businesses operate, both in terms of their opportunities to expand into new markets and the way in which they communicate. Research carried out by the London School of Economics (LSE) and the Information Technology and Innovation Foundation estimated that 280,000 jobs could be created with a £5 billion investment in broadband networks. Increasingly, it is SMEs that are taking advantage of the internet economy. Online sales for SMEs grew at a faster rate than for larger companies over the period 2004–08. Those companies marketing or selling their goods and services online are seeing overall sales grow significantly higher than those that do not.

The Government believes that a world-class communications network will help the economy grow and help the UK recover from the recession. Consumers will have greater choice, overall costs will be reduced and the delivery of public services will be more efficient. The Government points out demand for better connectivity is growing as services and applications that take advantage of the greater bandwidth emerge – Ofcom suggest video streaming and internet-ready television will act as tipping points. From the Government’s standpoint, a mixed technology approach is needed to deliver superfast broadband throughout the UK. Although this approach remains technology-neutral, the strategy document recognises that high-capacity fibre is likely to be a key feature of the UK’s network going forward. The Government also wishes to facilitate the development of the next-generation of mobile broadband services, with the aspiration of one or more networks covering the vast majority of home (>95%), workplaces, transport routes, and busy public spaces.

**Future Broadband Growth Proposals**

The Government’s key broadband proposals include:

- cutting the costs of and access to infrastructure by increasing shared access – including to BT’s ducts and pole, working with house builders to make new homes broadband ready, and cutting the costs of laying cable by clarifying the rules on streetworks; and

- creating a ‘digital hub’ in every community by the end of this Parliament and awarding spectrum for mobile services by investing £50 million in a second wave of superfast broadband projects to test delivery. These projects will be overseen by Broadband Delivery UK within BIS.

**The Role of the Private Sector**

The report admits that “the UK has some distance to go before it can boast of the best superfast broadband network in Europe”, but believes that market investment by the established players of Virgin Media and BT will be the bedrock for delivering superfast broadband, with the market expected to cover approximately two-thirds of UK homes, if not more. The report warns that a state-led investment plan would risk squeezing out private sector dynamism, and risk creating obsolete networks that do not deliver what consumers want.

Nevertheless, the report acknowledges that public investment needs to be part of the picture – partly because
of commercial barriers in rural areas but also because the social benefits maybe greater than the private benefits network operators will accrue. However the Government will put measures in place to ensure rollout is complementary to any ongoing infrastructure work funded outside of public subsidy to achieve value for money and avoid deadweight. The £530M public investment through BDUK will include four more pilot projects. However, the report appears to imply that there will be no change to the business rates for telecommunications network - which have been subject to lobbying by a number of telecoms companies who argue they are a barrier to investment - following a report by the Valuation Office Agency in August 2010.

To support any public investment, BDUK and BIS are exploring the scope with the European Commission to develop a UK-wide State aid notification and clearance. BDUK will also be producing supporting guidance on key issues such as the reuse of public sector networks, tools (e.g. mapping data, commercial/procurement models), support and expertise.

The Government also recognises it has a role in reducing civil engineering costs (which can reach 80% of deployment costs) and providing the right framework for investment so that companies feel secure in long-term commitments. From a Greater Manchester perspective, the Government believes that this will “make investment in urban areas more compelling, thus adding to competition”.

The Greater Manchester Context

The provision of world-class next-generation broadband is a priority for Greater Manchester. The Greater Manchester Strategy states a need to: “Develop a clear and funded programme for the Manchester city region to pioneer provision of, and applications for, the next level of Next Generation Broadband (NGB)”. The aim of the project is to create the right conditions for the market to enable this to happen. But just as importantly, we will need businesses in Greater Manchester to take-up and make use of this infrastructure to improve competitiveness.

A project team has recently been appointed to explore what the options are for a viable, sustainable and market-led business case for investment – from the private sector and Evergreen funds – into an open access fibre-to-the-premises network to deliver fibre-to-the-premises connectivity to meet the needs of businesses on Greater Manchester’s key employment areas now and in the future at affordable prices and to ensure that GM can compete in the global knowledge economy.

Work is now being undertaken by consultants to soft market test the proposition for investment in the development of next-generation broadband infrastructure in Greater Manchester. This work is expected to be completed by the end of March 2010, with consultants also preparing a prospectus to set out the investment opportunity for the development of next-generation broadband in Greater Manchester and seek expressions of interest from appropriate private sector operators.

The agreed objectives for NGB in Greater Manchester are as follows:

- to secure the deployment of an open access network to a range of providers and deliver fibre-to-the-premises connectivity to meet the needs of businesses now and in the future at affordable prices and to ensure that Manchester can compete in the knowledge economy;

- to deliver fibre-to-the-premises services to at least 2,000 businesses across at least 10 key employment areas (within an agreed long list of areas) in Greater Manchester by 2014; and

- to target both existing broadband users and those who are digitally excluded to promote the benefits of NGA adoption & exploitation driving to at least 40% adoption of the network within the first 2 years of operations.