

BSG response to the Budget

*Timely investment in next generation broadband will provide platform
for innovation and productivity growth*

22 April 2009

The BSG welcomes the recognition given to the importance to the UK's communications infrastructure in today's budget and the confirmation of the government's intention to make basic broadband services universally available across the UK.

However, the BSG is concerned that the budget announcements on next generation broadband do not yet provide grounds for confidence that such services will be made available beyond urban areas. The full benefits of next generation broadband will only be achieved through a combination of widespread availability and adoption.

Delivering the Universal Service Commitment

- The BSG welcomes the confirmation of the government's intention to implement the Universal Service Commitment for broadband and the suggestion that this could be part funded through the underspend from the Digital Switchover Help Scheme.
- The BSG also welcomes the commitment to support the improvement of basic digital skills and the promotion of broadband take-up. Achieving the universal availability and take up of broadband is not only a matter of social equity but is also a necessary pre-condition for the eventual switch off of analogue public services which is the only way to ensure better and more affordable public service delivery in the future.

Next generation broadband

- The BSG welcomes the doubling of capital allowances which should help to bring forward investment. However, the BSG is concerned that this will not, in itself be sufficient to ensure the timely and widespread availability of next generation broadband.
- The BSG will be looking to the final Digital Britain report for further measures to ensure that next generation broadband deployment meets the needs of the wider economy. This could include more support for projects like South Yorkshire Digital Region that was endorsed in the budget report today.

“The key is to find the intervention sweet spot, just enough but not too much”, said Antony Walker, Chief Executive of the Broadband Stakeholder Group. “The aim should be to provide a sufficient nudge to the market that enables it to deploy more quickly and more extensively than it would do otherwise. The announcement on capital allowances may help to bring forward investment but does not address the challenge of extending availability beyond urban areas.”

Although difficult to quantify, there is a growing body of evidence [see notes below] to suggest that the long-term benefit to the UK economy of a measured and carefully targeted intervention could potentially significantly exceed the cost to government.

Today’s budget announcement comes almost exactly two years after the BSG first highlighted the need for action in its Pipe Dreams report on next generation broadband. The rapid deterioration of the UK economy means that the potential for market investment in low density areas has become further constrained. Without additional action next generation broadband will be rolled out more slowly and less extensively, meaning that many rural areas will be left behind and the net economic benefit to the economy will be smaller and slower to emerge.

Explaining the significance of next generation broadband, Antony Walker said “This is really about the future potential for innovation and productivity growth right across the UK economy. Broadband is what economists call a general purpose technology that is relevant to almost every aspect of economic activity. It provides the potential for households, businesses and governments to do things differently, more effectively and more efficiently. And for some key parts of the economy, such as the creative industries, it will be the platform for transformative change that will open up a global market for entirely new products, services and applications.”

However, these benefits do not accrue automatically. The government will need to put as much effort into ensuring the rapid adoption and exploitation of these networks as it puts into ensuring their availability in the first place.

ENDS

Notes to Editors

The following studies have all identified the potential economic benefits of next generation broadband:

- OECD, Broadband and the Economy, June 2008, <http://www.oecd.org/dataoecd/62/7/40781696.pdf>
- MICUS for the European Commission, The Impact of Broadband on growth and Productivity, Sep 2008 http://ec.europa.eu/information_society/eeurope/i2010/docs/benchmarking/final_report-micus-broadband_impact-short.pdf

- Plum for Broadband Stakeholder Group, A Framework for Evaluating the Value of Next Generation Broadband, June 2008,
http://www.broadbanduk.org/component/option,com_docman/task,doc_view/gid,1009/
- ITIF, The Need For Speed-The Importance of NGBNs, Mar 2009,
<http://www.itif.org/index.php?id=231>
- World Economic Forum, Global IT Report 2008-2009, Mar 2009,
<http://www.insead.edu/v1/gitr/wef/main/fullreport/index.html>
- Ovum for the FTTH Council, Fibre: The socio-economic benefits, Feb 2009,
http://www.ftthcouncil.eu/documents/studies/Socio-Economics_Study.pdf

About the Broadband Stakeholder Group

The BSG was established as a cross-sector government advisory group in 2001 to help the UK lead the G7 in broadband penetration and connectivity. It provides a neutral forum for collaboration between organisations across the converging broadband value-chain with the ultimate aim of helping to create a strong and competitive UK knowledge economy

It aims to be a critical friend of government and the regulator, and comprises companies from the telecoms and technology sectors through to content providers and rights holders. It also has direct representation from government departments and Ofcom. It is funded through a combination of government funding and industry sponsorship.

The BSG focuses on strategic, medium- to long-term challenges, which have latterly included next generation access networks, predicting future bandwidth requirements, digital inclusion and self- and co-regulation in the audiovisual media market.

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