



The Ofcom internet and broadband update

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Section 1

Key statistics

Key statistics

- 64% of UK adults have a PC at home
- 53% of UK adults have internet access at home (equivalent to around 13 million homes)
- 68% of small businesses have internet access

Broadband¹

- 3.99 million total broadband connections
- 2.45 million DSL connections
- 1.54 million cable modem connections²
- 15% of homes have broadband
- DSL services are available to 84% of UK homes and businesses³
- Cable modem services are available to 45% of UK homes and businesses

¹ Data collected by Ofcom directly from operators. Ofcom validates this data by cross referencing to Ofcom market research and companies' financial statements.

² Partly based on Ofcom estimate and partly based on data from operators

³ BT estimates that 86% of homes and businesses are in areas where an exchange has been upgraded. It advises that technical limitations mean 97% of the population within an enabled exchange area can get broadband services.

Section 2

Key developments

BT plans to speed up the delivery of broadband services to rural communities

In April, BT announced a planned upgrade programme to roll out broadband to a further 1,200 exchanges, serving 99.6 per cent of all UK households by summer 2005. This new approach replaces the broadband registration scheme that has helped BT match investment to demand and has led to the upgrade of more than 2000 exchanges to date.

BT to trial 500Kbit/s ADSL on 10km lines

Also in April, BT Wholesale announced it was planning to trial ADSL on lines up to 10kms from the local exchange. The initial trial involving up to 1,000 people will centre on Milton Keynes. Approximately 18 per cent of people in Milton Keynes are out of reach of the existing services which extend to around 6km from the exchange. BT plans to recruit trialists with the help of Milton Keynes Broadband Action Group. Broadband service providers are being asked if they wish to take part in the trial and details of participating service providers will be announced by May 11. BT hopes to extend the trial to include a remote rural area, as isolated farms and other businesses based in the countryside stand to benefit from this development.

Telewest Broadband expands high-speed cable reach in Crawley

Telewest Broadband is upgrading its network in Crawley, Horley and Redhill so it can offer digital TV and high speed broadband internet services to an additional 40,000 homes. Telewest began the planned expansion in February this year.

European Competitive Telecommunications Association (ECTA) publishes the latest broadband scorecard

On 10 March 2004, ECTA published its latest DSL roll out scorecard with data up to the end of 2003. It suggests that countries implementing pro-competitive regulatory frameworks are being rewarded with faster broadband adoption. Conversely, those countries where incumbent market power is going unchecked are falling behind. For example, Germany, which ECTA claims is the least competitive broadband market in the EU because of incumbent dominance, has seen only a 5% growth in broadband subscriber numbers over the last quarter. By contrast, countries where bitstream and/or alternative infrastructures are also in the market are seeing substantial growth.

For the ECTA scorecard, see link: http://www.ectaportal.com/regulatory/DSL_ScorecardQ42003.xls

BT introduce a Basic Broadband service

In March, BT launched a £20 broadband service. It offers speeds of 500kbit/s but limits download to 1GB per month. In response to the launch other major service providers have announced plans for launching similar services at the same or cheaper prices.

Telewest and ntl increase the speeds of their cable services

In April, Telewest and ntl announced plans to increase the speed of their broadband services. Ntl will increase its 150kbit/s entry level service to 300kbit/s, the mid tier service from 600kbit/s to 750kbit/s, and the 1Mbit/s service to 1.5Mbit/s. Telewest will increase all its services by 50%, its 500kbit/s will increase to 750kbit/s, the 1Mbit/s to 1.5Mbit/s and the 2Mbit/s will increase to 3Mbit/s. Prices will not increase.

Section 3 Take-up

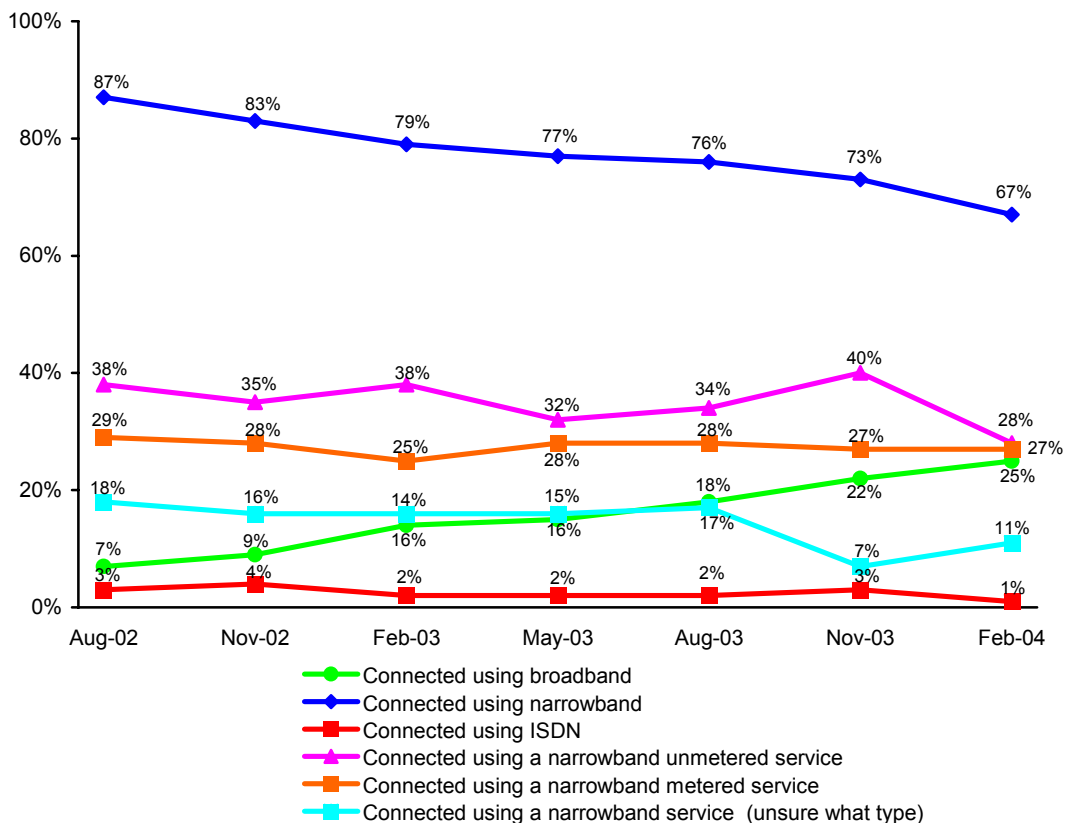
Take up of internet packages by residential users

According to the latest market research survey commissioned by Ofcom in February 2004, 53% of UK adults have internet access at home, of which:

- 25% connect to the internet using broadband⁴
- 67% connect to the internet using narrowband
- 28% connect using a narrowband unmetered service
- 27% connect using a narrowband metered service
- 11% are unsure what type of narrowband connection they have

The decline in the use of narrowband services has continued as consumers upgrade to broadband.

Figure 1: Trends of UK adults that have internet at home



NB Due to a slight difference in analysis in November 2003 the proportion of consumers unsure of which narrowband package they are using is slightly lower than in other periods. There was no significant difference in the proportions using different narrowband packages in November 2003 compared to August 2003.

⁴ Broadband penetration is based on industry subscriber figures.

These figures are based on Ofcom market research. February 2004 figures are based on a total sample size of 1,113 UK homes with internet.

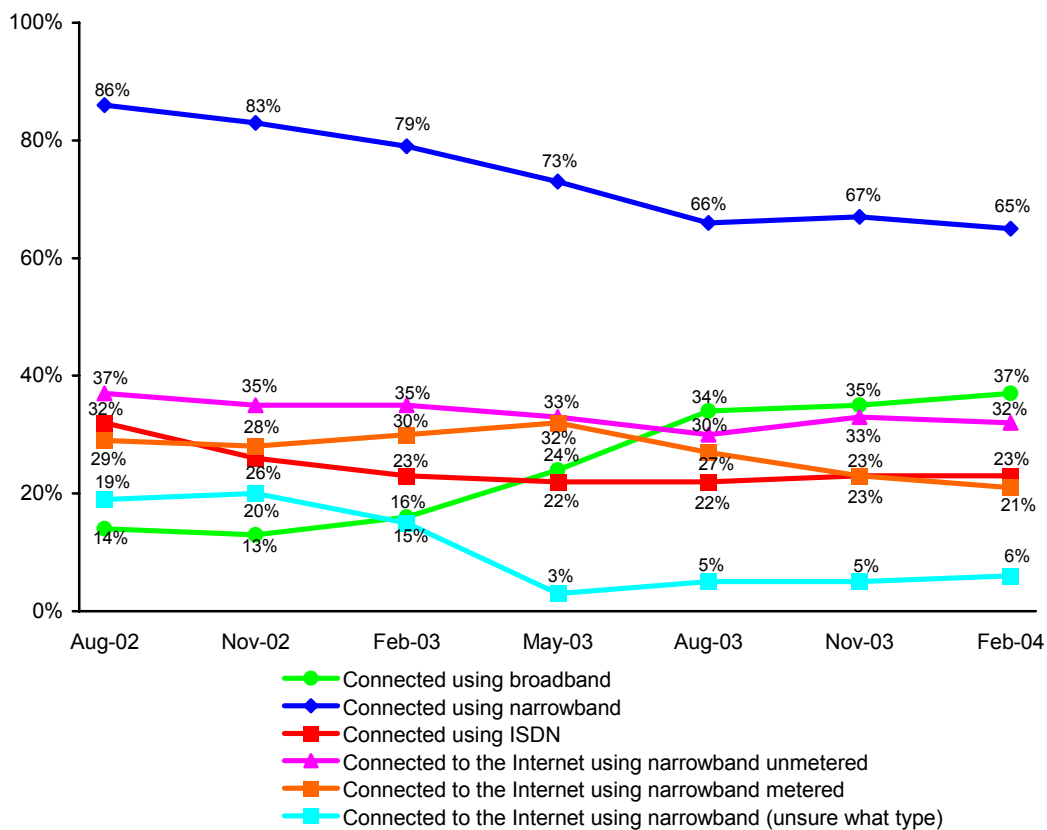
Take up of internet packages by SMEs

According to the latest market research survey commissioned by Ofcom in February 2004, 68% of UK SMEs are connected to the internet, of which:

- 37% use broadband as their main connection method
- 65% use narrowband as their main connection method
- 23% connect mainly using ISDN
- 32% use a narrowband unmetered service
- 21% use a narrowband metered service
- 6% are unsure what type of narrowband connection they have

The market has changed little in terms of overall internet penetration by SMEs in the last 18 months.

Figure 2: Trends in internet take-up among UK SMEs



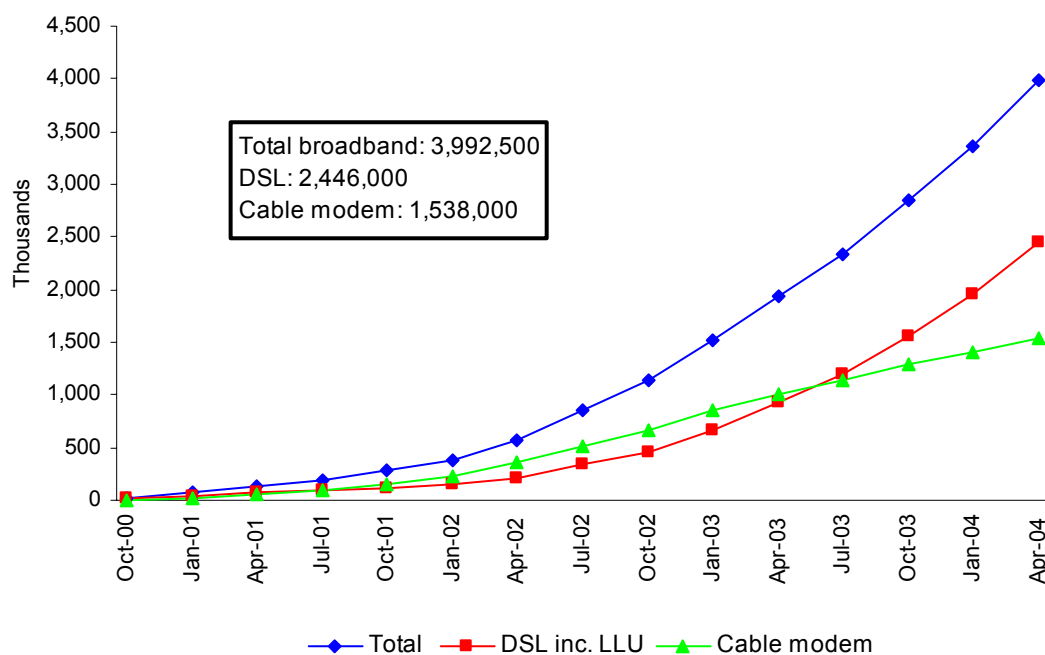
These figures are based on Ofcom market research. February 2004 figures are based on all connection methods used by SMEs, from total sample size of 1,123 SMEs with Internet access.

Take up of broadband by residential users and SMEs at end of April 2003

Total broadband connections	3,992,500⁵
UK homes with broadband	14%
DSL connections	2,446,000
<i>of which unbundled local loops</i>	11,500
Cable modem connections	1,538,000 ⁶
Fixed wireless connections	Over 2,500 ⁷
Satellite	Over 6,000 ⁷

On the basis of the data provided, at the end of April 2004, the UK had reached over 3.99 million broadband users, with over 40,000 new connections each week.

Figure 3: Growth in UK broadband connections



Source: Ofcom (Underlying figures are confidential)

⁵ These figures are based on data collected by Ofcom directly from broadband providers. Ofcom cross-checks the data it is given against companies' quarterly financial reports and assesses this against other third-party sources of market research.

⁶ Partly based on Ofcom estimate and partly based on data from operators

⁷ Wireless and satellite figures are underrepresented, as they do not include all subscribers to rural community networks.

Section 4

Availability

Narrowband internet access is available to all households and businesses with a fixed telephone line. The majority of ISPs are available to consumers nationwide.

Around 84% of the UK homes and businesses have access to broadband via DSL and around 45% via cable modem. Broadband fixed wireless access offers broadband to around 13% of the UK and satellite, though not currently a mass-market product, has the potential to deliver broadband across the UK.

Cable modem availability

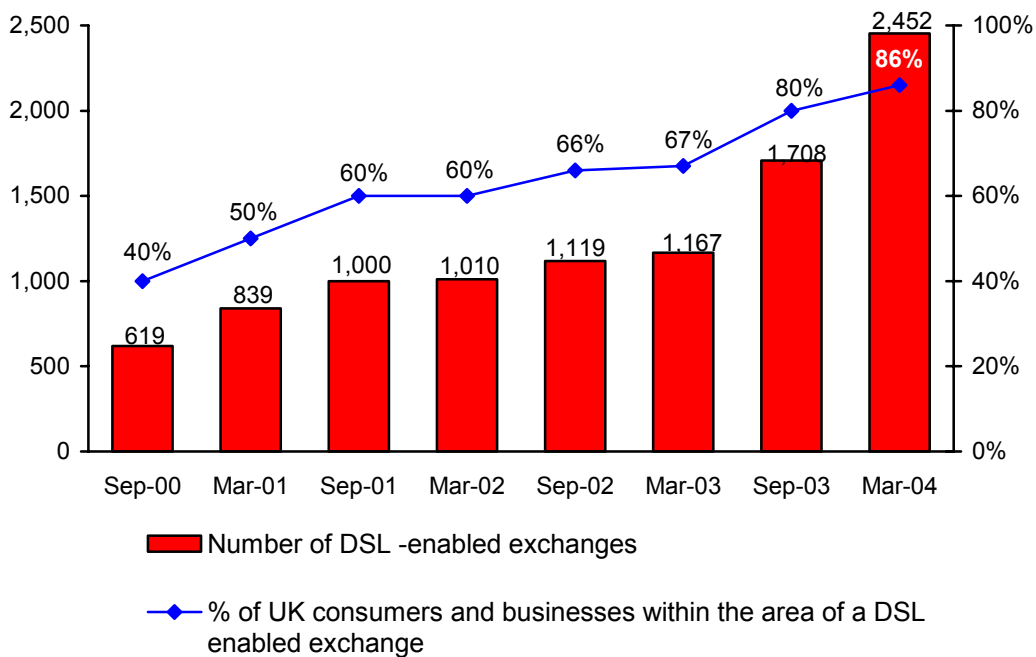
Cable networks pass around 50% of UK homes. At present, 46% of UK homes (around 11.5 million) are passed by broadband enabled cable.

Telewest and ntl are both working to upgrade their networks to deliver broadband services to consumers in all the areas covered by cable networks. Telewest services are currently available to 4.9 million homes, of which 96% are broadband capable. ntl services are currently available to 8.4 million homes, of which 81% are broadband capable.

DSL availability

By the end of March 2004, BT had DSL enabled 2,452 exchanges across the UK. BT estimates that 86% of homes and businesses are in areas where an exchange has been upgraded.

Figure 4: Rollout of DSL across UK



Source: Ofcom

Further information about BT's DSL rollout is available at www.bt.com/broadband

Wireless availability (including satellite)

For more information on wireless availability please refer to the Wireless broadband update:

http://www.ofcom.org.uk/research/consumer_audience_research/wireless_update/?a=87101

Section 5

Government targets

The Government's target is for the UK to have the most extensive and competitive broadband market in the G7 by 2005. The DTI measures the UK's progress every six months based on an index developed jointly by Government and the Broadband Stakeholders Group (BSG). Towards the end of 2003, the Government reported on the UK's progress.

- Based on the extensiveness index, which combines coverage and the addressable market, the UK moved up to third equal with the USA.
- Based on the competitiveness index, which measures choice, price and regulation, the UK was ranked third.
- Based on the take-up index, the UK was joint sixth in the G7 with Italy.

Section 5

Definitions

In this brief, 'dial-up' or 'narrowband' internet access is used to mean access speeds up to and including 128 kilobits per second (kbps).

In this brief 'broadband' is used to refer to higher bandwidth, always-on services, offering data rates of 128 kbps and above.

This definition of broadband is used by Ofcom for the purposes of measuring take-up in order to capture the dynamic range of services available to residential and business consumers that are classed by the industry as broadband. This definition gives Ofcom data that is comparable with broadband take-up figures published by other countries in Europe.

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