dti

Department of Trade and Industry

STEPHEN TIMMS' SPEECH TO THE BROADBAND STAKEHOLDER GROUP, RECEPTION AT THE HOUSE OF COMMONS, 5TH APRIL 2004

A very warm welcome to everyone to the House of Commons. It is great to see so many people here. I hope you will enjoy this event, but for me it is really an opportunity on behalf of the Government, to express thanks to everybody for all the work, over the last three years, of the members of the Broadband Stakeholder Group.

You have made an immense contribution towards achieving Broadband Britain. When in 2001 we set the target of the most extensive and competitive broadband market in the G7, it wasn't at all clear what steps were required to achieve it. Your recommendations have been extremely helpful in formulating policy. Keith has often said that *"there was no magic bullet"* to achieve the goal. But there were a raft of decisions which needed to be made, and we knew we needed your advice to help us make them. And that was why, in 2001, Patricia Hewitt called on all the stakeholders to help us.

You have drawn on a wide range of expertise to develop your recommendations. The advice has always been constructive, framed around the target as a point of reference. The Group has managed to embrace a wide range of views – operators, equipment vendors, corporate and government users, and the new phenomenon of the broadband community group. Inclusiveness and diversity have been key to your success. Other parts of DTI are now considering the value of the BSG format as a way of achieving effective consultation in complex or technical policy development. And as you know, imitation is the sincerest form of flattery.

I am taking the opportunity today to respond formally on behalf of Government to the recommendations in the third annual BSG report. Government and Ofcom accept the recommendations in principle and we have responded to them in a single response being published today.

In particular, I agree that we need now to re-set our sights, and formulate a new target beyond 2005. It is now entirely plausible, as it wasn't not long ago, that by the end of next year, broadband will be available in every community of the UK. But we can see

the pace at which services are being developed elsewhere as well as here. We all need to be considering how we can roll out a next generation of broadband services beyond the current one and supported by higher capacity infrastructure. What is the framework which can provide that for us in the UK in a timely manner?

We are going to need considerable further investment. We know that a vibrant, competitive market is the most conducive for the investment that we need. And both the Government and Ofcom will need to ensure that the policy and regulatory frameworks are in place to encourage that investment.

We are currently reviewing Government targets across Whitehall for the period 2006/8. In the DTI, prompted by BSG we have been looking at the nature and scope of a possible future target for e-business and broadband, within the context of making the UK a leading online economy. In particular we are considering the economic and social outcomes that broadband might support for the UK to be successful on an international basis.

Your report was also right to point out the potential for wireless to help extend reach and choice. I have been enjoying for the past few weeks the use of a 3G card delivering broadband to my laptop on the move. With wi-fi it makes mobile data genuinely usable. You have also highlighted the importance of broadband content in the virtuous circle needed to satisfy the demand of some now 12 million broadband users[1] in the UK – if we add in those who use broadband at work as well as those who have broadband at home – and then to drive further take-up and usage.

You will find a printed version of this response to the new recommendations in your delegate packs. We will also be publishing this on the DTI website, together with a full update on progress with recommendations from previous report, as well as a response to the BSG Rural, Aggregation and Education reports.

---

[1] This reflects the number of broadband users (as opposed to connections) in company offices as well as from home. Source: Nielsen / Net ratings for Yahoo in Q4 2003 an average of 23.5million people used the internet in the UK every month. 52% of these internet users were doing so via access speeds of more than 56kbps. Thus deriving the broadband usage in the UK of 12 million. This figure is important for content developers to understand when considering their business case for developing broadband content.

Some 36 out of the 53 recommendations listed in the BSG 2001 & 2002 reports are now considered 'Closed' by the BSG, and all the others are being addressed. We have made dramatic progress in the last 18 months. In the last year:

- DTI launched our Broadband Aggregation Programme to manage the Government's procurement of £1billion spend on Broadband over the next three years;
- DTI and Defra established the Rural Broadband Unit under the joint sponsorship of myself and Alun Michael, Minister for Rural Affairs;
- Ofcom was vested under the Communications Act, with a duty towards the development of high-speed data services like broadband;
- The Radio Communications Agency and Ofcom released wireless spectrum (3.4 GHz and 5.8 GHz) for broadband access;
- The Department for Education and Skills completed a major consultation on the Government's e-Learning strategy.

In response in the market:

- Coverage is moving up towards 90% of the population;
- Choice is increasing with new wireless operators and satellite solutions;
- and take-up is still accelerating with over 150,000 new connections per month.

I am also encouraged by the response of industry to work with Government to have all communities connected to broadband by 2005. Against our 2005 target the UK is now 3rd in terms of competitiveness and joint 3rd in terms of extensiveness, and the trend is towards further improvement still.

Some say the take-up is still not enough, and of course there is more that we need to do. But, after a late start, market penetration has doubled to 12% of households over the last year, and it now stands at 22% of SMEs. The adoption rate, as you point out in your annual report, is faster than almost any new technology across many industry sectors. The challenge for industry now is to continue to innovate in packaging, pricing and value added services to appeal to an ever widening mass market.

Smaller companies across the UK have adopted and absorbed broadband into the way they conduct their business, and they are reaping benefits available previously only to

large organisations but available now equally to small organisations too. I have often talked about the rural print shop which I came across in Cornwall which had reduced the turnaround time for its print jobs from three days to one day by replacing a van run with broadband. It is a mundane example, but it gives a sense of the scale of the gains which broadband makes possible.

This is the formal close of the first phase of the BSG, but it is by no means the end of the story. There is a great deal more still to be done. Widespread adoption and sophisticated use of increasing broadband capabilities is key to improving UK business productivity and competitiveness. We value enormously the work that the group has produced. So I am very pleased to be able to tell you that we have agreed that DTI will fund the BSG for another six months, whilst we finalise the target setting process I mentioned earlier and agree a new mandate with stakeholders.

I am grateful to John Higgins and Antony Walker of Intellect for their agreement to work with us and other stakeholders through this period. Their proposal to us was one based on 'full steam ahead' and I support that approach.

As part of this transition we are looking for input from the BSG on what a broadband environment beyond 2005 might look like. The BSG Visions paper is an excellent idea and I have contributed a foreword to it. We can look forward to a wealth of possibilities as users begin to exploit the full potential of broadband:

- changes in how people organise their lives;
- changes in how businesses operate;
- new ways to deliver public services.

The higher we move up the broadband value chain into content, applications and services, the wider the range of possibilities and visions.

Uncertainty may sometimes feel uncomfortable, but it is entirely consistent with the eclectic nature of the development of the internet and the market led, technology neutral approach we have supported in UK. We are not in the business of 'picking winners' in technologies or methodologies, but rather, with Ofcom, our role is to help create the

policy and regulatory frameworks that will encourage the development of this vibrant broadband market that we can see emerging.

Let me finally just pay a tribute to your chairman, Keith Todd. Keith has done a superb job in representing and promoting the views of the Group. He has done so with tenacity, charm vigour and great effectiveness – no mean feat in so diverse a group. That he has done so unpaid, in his own time, and with such energy and passion is a great credit to him.

In Government we are deeply grateful to Keith for his contribution, and also now for his agreement to continue in his role during a transition period, whilst the mandate for a new BSG is established. I am going to hand over now to Keith, but let's give him a round of applause.

Thank you.