

## **CMA Response to “Digital Britain”**

1. CMA ([www.thecma.com](http://www.thecma.com)) is the UK’s premier membership organization for ICT professionals and enterprises in the public and private sectors using communications, networking and ICT for business advantage. It is the definitive voice of business users on ICT issues to government and regulatory authorities.
2. It is a registered Charity 50 years old, totally independent and without supplier bias. It is run by the members, for the members and aims to influence regulation and legislation, provide education and training and disseminate knowledge and information, for the public good. CMA’s contribution to public consultations is generated via the process described in the Footnote to this response.
3. In 2007 CMA became part of The British Computer Society group of companies. It remains an independent company with a board of trustees responsible for management and governance. Its Strategic Board, elected by the members, is responsible for the strategic direction of CMA. CMA also acts as the BCS Communications Forum enabling integration within the wider BCS group.
4. CMA’s approach to the issues of Digital Britain, and in particular to the debate on the provision of next generation access, is objective in the sense that the Association represents the voice of business consumers in the UK, a sector that last year spent £15Bn on communications goods and services. CMA’s formal duty under the Charities Act is to inject focused opinion and a clearly articulated set of requirements into the debate such that policymakers may weigh our observations against others. In that respect we are no different from BT (save that we represent a more diverse community).

### Digital Britain – A Business Impact Statement

5. CMA’s current annual survey of 386 business consumers, conducted in September 2008, produced these top-level results. Business consumers will read the final report on Digital Britain against this background:
  - As at September 2008] corporate UK plans to continue to increase its investment in leading edge enterprise communications applications such as VoIP and Unified Communications, in mobile services and devices, in data centres and storage, in security, and in IT infrastructure;
  - Enterprise strategies remain very focused on maximising revenue, driving down cost and improving business processes;
  - Enterprise mobility is a central business strategy and corporate UK has an increasingly mobile workforce;
  - Fibre is considered as best suited to providing next generation access to corporate UK;
  - Reducing power consumption and making the best use of technology were key sustainability and environmental objectives;
  - Concern is increasing over the deteriorating quality of customer service across all suppliers and services.
6. The attachment to this response is a reproduction of that part of our survey results that specifically addresses the business users’ need for NGA. The key findings, which reveal significant shifts from the views captured in the same survey a year ago, are:

- The minimum bandwidth which should be provided by Next Generation Access (irrespective of the local access infrastructure and technology) for CORE business (where CORE business means that part of the enterprise that includes all branches of the business and their main supply chains)....
  - 94% say more than 2 Mbps
  - 62% say more than 10 Mbps
  - 21% say more than 100 Mbps
- The actual bandwidth required from NGA in 2008 for CORE business...
  - 88% say more than 2 Mbps
  - 45% say more than 10 Mbps
  - 13% say more than 100 Mbps
- The bandwidth which will be required from NGA in 2010 for CORE business...
  - 97% say more than 2 Mbps
  - 82% say more than 10 Mbps
  - 34% say more than 100 Mbps
- Main services NGA would be used for...
  - Voice / telephony 80%
  - Remote access 70%
  - Internet/web 69%
- 65% were prepared to pay more for NGA but 30% were not prepared to pay any more (*note: change from 20% and 80%, respectively, from a year ago*)
- 94% say that 'to compete on a global scale, the UK needs a high-performance telecommunications infrastructure in every part of the country'

#### General Comment

7. In 1998 CMA's members urged the Association to lobby for universal, always-on broadband. Our programme was headed "Access for All" and was, in the ISDN era, a decade ahead of its time. That is why CMA welcomes the positive note struck by the interim report. It is refreshing to note that the UK is at last talking in terms of what it can and will do, rather than the cautious, defensive rhetoric of the past.
8. The ICT sector is one of the great driving forces behind the economy and unless it is carefully nurtured we will take longer to emerge from the recession. For that reason, we remain concerned that Digital Britain is focused on the domestic consumer. It ignores the needs of the business user. It is a very long way from being "Digital (Business) Britain".

#### The Enterprise Consumer's Case for a Place in the Sun

9. The UK's electronic communications supply sector contributes around 2.3% of Gross Domestic Product (GPD); with an industry turnover of £38.8 billion in 2007. However, this contribution is dwarfed by that from business users - the contribution of multinational enterprises (MNEs) and their supply chains approximates to 35% GPD, according to data based on the top 500 EU companies. Government policies must therefore aim to optimize this output by fully supporting and encouraging the enterprise demand side of the communications sector. Unfortunately, UK policy-makers have hitherto tended to focus exclusively on the supply side of the ICT sector with initiatives and policies aimed at growing the 2.3% contribution to GDP from the operators and manufacturers.
10. Current legislation fails to recognise that there are significant differences between the domestic consumer and large business users. The key differences between the needs of the two are characterised as:
  - Bandwidth: Enterprises and public sector users depend extensively on (very) high speed, dedicated, leased lines, backed up by xDSL or even dial-up circuits. The majority of domestic users have requirements that (at present) are satisfied by low speed ADSL or dial-up connections.

- Traffic Patterns: Enterprise and much public sector traffic is high volume and centres on a supply or value chain. Tariffs are refined accordingly. Residential traffic is individual, low volume, intermittent and peaks at predictable times of day/week/year.
- Quality: Enterprise traffic on fixed links is intolerant of inconsistent performance parameters. Connectivity outages or breaks in synchronisation can cost large sums of money. Residential traffic is largely tolerant of breaks in service.
- Choice: Enterprises and public sector bodies tend to be locked in to one or more suppliers for far longer periods than the typical residential contract. Outsourcing adds further complexity.
- Reach: UK-based multinationals need seamless quality of service, underpinned by seamless connectivity, across international borders, and if possible procured via a single supplier. This requirement has no equivalent in the residential or SME markets.
- Management: Only the very largest enterprises – those with international reach – and central government departments tend to employ in-house specialist regulatory staff. Medium-size companies usually employ staff who manage outsourcing contractors, either technically or financially, while the smaller companies rely exclusively on their suppliers.
- Service Level Agreements and Guarantees. Enterprises will seldom consider products or services that lack meaningful guarantees (unless forced to deal with a *de facto* monopoly supplier). Domestic consumers by contrast appear less concerned.

11. “Digital Britain” will, we assume, inform the next version of the Communications Act. It is therefore important that the needs of business consumers are specifically recognised and that Ofcom is given the remit and the resources to address those needs.

#### The Need for Converged, Centralised Policy-Making

12. The structure of UK government and policy-making is fragmented between departments and lacks continuity and stability in ministerial appointments. This is an issue which the Secretary of State for Innovation, Universities and Skills has recognised, particularly in relation to the lack of co-ordination amongst Ofcom and other business regulators<sup>ii</sup>.
13. Until recently, the UK has lacked a national communications policy focus under strong and well-informed leadership and with clear and funded objectives. However, the first Parliamentary Under-Secretary of State for Communications, Technology and Broadcasting reports to two masters and there is still divided expertise between the responsibility for entertainment and content, centred on DCMS, and the technical and economic aspects of telecommunications, centred on BERR. There is a sense that activities that hitherto have been carried out in government have been outsourced to the regulator. At the same time the regulator is becoming visibly under-resourced and overstretched.
14. The lack of a national focus and the failure of government to put the principle of a digital Britain at the heart of everything they do, including consultations, is vividly illustrated, first, by the 2007 Treasury paper “Review of sub-national economic development and regeneration”, in which the word infrastructure appears many times but the words broadband or telecoms do not appear – not even once. The word network(s) also appears many times – but only in the context of social, transport, rail, skills and knowledge linkages between people, cities and government departments. A more recent example is provided by the DCLG/BERR paper “Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration of 31 March 2008, where the word infrastructure is used 11 times. But again, the words broadband or telecoms fail to appear. This is a measure of central policy blindness to local broadband access networks and their role and value in sub-national economic and societal development.

15. A rapidly converging industry demands a converged approach to policy-making at the higher reaches of government, together with a properly resourced, fully independent regulator and a clear division of responsibilities between the two.
16. Converged policy authority at the top, supported by policing of the industry by the regulator, must support the lower end of the supply sector with a positive, dynamic approach to local provision of infrastructure and services.

#### The Universal Broadband Commitment

17. 15. Insofar as the identification of a universal broadband commitment to “up to” 2Mbps is a giant stride beyond anything that has gone before, it is most welcome. However, it is still a concept that belongs to the past, not the future. It does not go far enough. While we recognise the difficulty of reaching political consensus for any programme of this magnitude, we are concerned that the long term goal of a universal, symmetrical, point-to-point fibre to the home infrastructure might be delayed, or in the worst case, abandoned, in the interests of a short term solution based on existing copper or on a more affordable FTTC architecture. The latter is particularly concerning, in that most incumbents are pushing ahead with (limited) plans for deployment of FTTC, not only because it is the cheapest option but also because FTTC allows a measure of control over access by competing services that point to point FTTH does not. Affordability in this context must not be considered solely from the limited viewpoint of the suppliers’ ability to invest, but primarily from the wider national interest, including the opportunity cost of not investing. In other words, can we afford NOT to have point to point FTTH?
18. Taking the above into account and in the interests of making physical rather than virtual progress, CMA is an enthusiastic supporter of the proposal, in Action 5, to create an umbrella body for local and community networks. The new organisation must, however, be adequately funded and staffed and must be able to resolve issues such as public funding of local initiatives, interoperability (of OSS) and universal service. In other words, the government must do rather more than just “help” implement the CBN.
19. It is clearly in the interests of the suppliers to claim that the technology is not mature, or that there is no demand, or that it is too expensive and investment capital is not available. We saw similar, concatenated claims before ISDN was rolled out, and again in the early days of ADSL. Such claims serve only the interests of suppliers who see no urgent need to cannibalise their existing revenues. (SDSL is a case in point. CMA observes that delayed or partial deployment of SDSL, coupled with sub-business grade Service Level Agreements, forces enterprises to continue using far more expensive partial private circuits). Claims by the suppliers are difficult to rebut without access to the suppliers’ data. Nevertheless, there is sufficient historical and anecdotal evidence to suggest that arguments that support delays to the deployment of fibre are part of the overall commercial and political posturing of the incumbents.
20. We have previously suggested that when the general public wants to access simultaneously two HDTV feeds from the 2012 Olympics, but is unable to do so, either because of lack of spectrum for terrestrial broadcast, or because of lack of real bandwidth via fibre or cable, the issue will move rapidly from the technical arena to the political. The huge effort that BT is putting into the local infrastructure to ensure that communications in and around the Olympic village and its remote sites perform faultlessly is not being replicated elsewhere.

#### Mobile Coverage

21. We are very supportive of the intention to involve the MNOs in a universal service commitment. Existing GSM coverage is woefully inadequate, and 3G is even less reliable. If, by resolving the re-farming debate, the government can at the same time improve 3G (and hence 4G) coverage, the resulting improvement in basic voice and data service will be widely welcomed. But we are not convinced that participation in a USC agreement would be enough to persuade the MNOs to fill all the mobile not-spots that

abound throughout the UK. Part of the final report should be devoted to assessing the regulatory and financial implications of imposing national roaming between operators for basic voice and basic data calls, based on a target of 95% geographic coverage shared between the 3G operators.

### Summary

20. CMA asserts that:

- Demand for real broadband exists within the business user community, is measurable and is growing;
- Pumping cash and skills into exploiting the copper network would add value, but steadily eroding value, to the user experience and to the economy. The copper network is on the brink of becoming a wasting asset;
- FTTC architectures, whether based on copper or fibre drops, are another short term solution that also enables the incumbents to retain an anti-competitive degree of control over access by competing service providers;
- The expansion of 3G coverage, with an appropriate ring-fencing of spectrum in accordance with Commission harmonisation policy, is long overdue and will be welcomed by all consumers, whether or not the expansion is part of the universal broadband commitment. National roaming for basic services should be an essential part of the commitment.
- The long term answer lies in the provision of point to point fibre.

Attachment: - Headline results from CMA's annual survey dealing with NGA.

### **Footnote - CMA's Internal Consultation Process on Regulatory Issues**

Any consultation document (conduc) received by or notified to CMA is analysed initially by the appropriate Forum Leader for its relevance to business users based in the UK. (The majority of CMA's members are based in this country, with a third of them having responsibility for their employers' international networks and systems).

If the document is considered to be relevant to CMA, it is passed, with initial comments, to members of both the appropriate Forum and the 20 or so members of CMA's "Regulatory College" – ie: those members who have experience in regulatory issues, either with their current employer, or previously with a supplier. The CMA Chairman and CEO are also members of the College. The detailed comments from the College are collated by the Forum Leader in the form of a draft response to the conduc. Note: if the conduc has significant international import, the views of the international user community are likely to be sought. This is done through the International Telecoms User Group (INTUG).

The draft response is sent to all 1500+ user members of the Association, with a request for comment. Comments received are used to modify the initial draft. The final version is cleared with members of the appropriate Forum and Regulatory College (and, if the subject of the consultation is sufficiently weighty, with the CMA Board).

The cleared response is sent by the CMA Secretariat to the originating authority. It might be signed off by the Leader of CMA's Regulatory Forum, and/or by the CMA Chief Executive and Chairman.

## Next Generation Access

### Key Findings:

- **The minimum bandwidth which should be provided by Next Generation Access (irrespective of the local access infrastructure and technology) for CORE business...**
  - 94% say more than 2 Mbps
  - 62% say more than 10 Mbps
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- **Main services NGA would be used for...**
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- **65% were prepared to pay more for NGA but 30% were not prepared to pay any more**
- **94% say that 'to compete on a global scale, the UK needs a high-performance telecommunications infrastructure in every part of the country'**

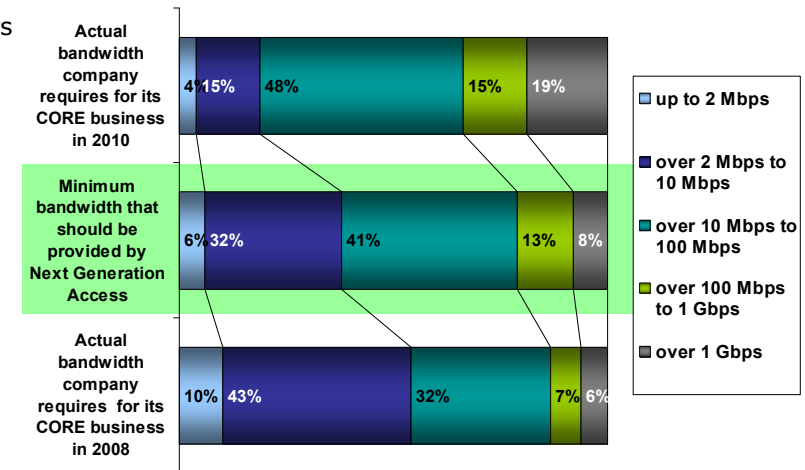
Through recent studies CMA has demonstrated that business customers have a keen interest in Next Generation Access (NGA) as a significant enabler to their businesses. Business customers also have a good level of awareness and understanding of next generation communication technologies and are clear on where challenges and opportunities lie.

This study looks again at the issues examined previously and the results obtained provide a view of the bandwidth requirements of businesses both now and in the near future. The results also form a picture of the needs of businesses and the types of services they expect to deploy to take advantage of the promise of NGA.

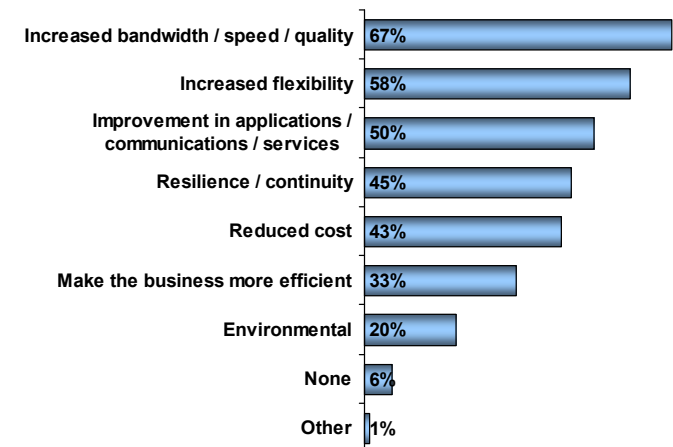
The bandwidths businesses say they require from NGA now...and expect in 2010...for their CORE<sup>2</sup> business are noticeably different; in 2008 the majority say bandwidths in the region of 2-10Mbps are appropriate to their business needs whereas for 2010 the majority say that the necessity is for bandwidths in the 10-100Mbps range. The implication therefore is of a very clear expectation that bandwidth provided by NGA must increase over the next two to three years to meet business needs.

The issue of the minimum bandwidth that should be provided by NGA (irrespective of technology) is crucial as it provides a baseline from which current and future expectations can be judged; and the results here are for the most part consistent with data collected earlier in the year<sup>3</sup>. In fact both sets of results position businesses expectations of the minimum

### Bandwidth requirements from NGA



### Main benefits of NGA



<sup>2</sup> CORE is defined as "intra business traffic generated through own company systems across sites or remote locations"

<sup>3</sup> NGA Study, CMA February 2008: Up to 2Mbps: 17%, over 2Mbps to 10Mbps: 31%, over 10Mbps to 100Mbps: 37%, over 100Mbps to 1Gbps: 12% and over 1Gbps: 3%

bandwidth that should be provided by NGA to be somewhere between their stated needs for 2008 and their future requirements in 2010.

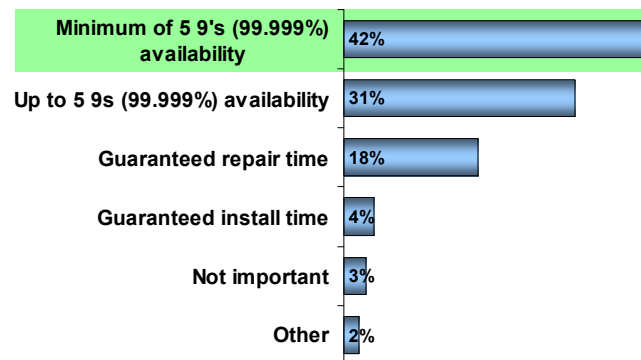
The main benefits that business see from NGA are simply set out; increased bandwidth provides for increased speed and quality of the services utilised. Increased flexibility and an improvement in communications applications and services are also expected to be benefits provided by NGA (in terms of services that will be provided and what they could enable).

Service levels are key to businesses and here the majority of respondents are looking for a minimum of 5'9s availability. These results are very much in keeping with the established expectations of the business community which has long focused on service level agreements to guarantee reliability and availability; and it was the very large companies (>10k employees) that were especially keen on a minimum of 5'9s availability.

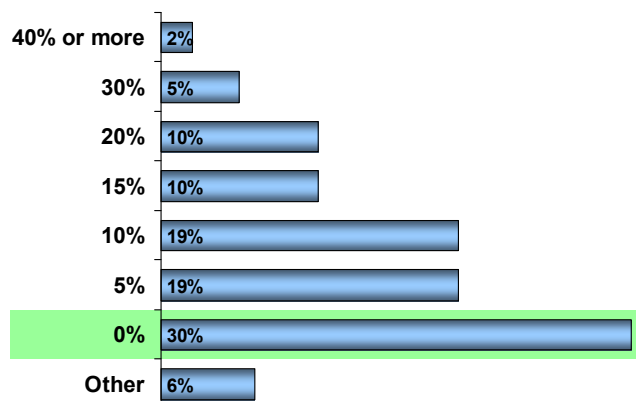
In terms of paying more for NGA, one third of businesses were not prepared to pay any more. However, a significant number were prepared to pay more for NGA; over 50% of companies spending over £100m per annum on communications and networks were prepared to pay 10% extra or more for NGA, and over 60% of companies spending between £500k and £5m per annum were prepared to pay 5% extra or more for NGA.

In summary NGA, for the business user, is clearly a balance of expectation on bandwidth and a willingness to pay more, coupled with the need for high levels of service.

### Attitudes to NGNs

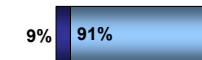


### % extra companies would be willing to pay for NGA business connectivity services



### Attitudes to NGA

Ofcom should provide a regulatory framework to support investment in next-generation access networks



Subsidising build costs would help communications providers in their investment plans for next-generation access networks



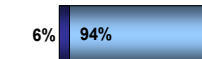
Government intervention in subsidising build costs would help communications providers in their investment plans for next-generation access networks



Agree Disagree

### Attitudes to NGA

The government should benchmark the UK's broadband infrastructure against that of its key economic competitors



The UK needs to act now in order to regain its place in the top 10 broadband nations



To compete on a global scale, the UK needs a high performance telecommunications infrastructure in every part of the country



Agree Disagree