Digital West Midlands – The Regional ICT Strategy

3 Priestley Wharf Holt Street
Aston Science Park Birmingham
United Kingdom B7 4BN
T: +44 (0)121 380 3500
F: +44 (0)121 380 3501

11 March 2009

Stephen Carter
Minister for Communications, Technology and Broadcasting

Dear Lord Carter

RESPOSNE TO DIGTAL BRITAIN – INTERIM REPORT

As Chair of the Regional ICT Steering Group which is a strategic advisory body to the regional development agency, Advantage West Midlands, I am pleased to attach our response to the Interim Report on Digital Britain.

Yours sincerely,

Professor Michael Sterling
Vice-Chancellor and Principal, University of Birmingham
Chair, Regional ICT Steering Group

Regional ICT Steering Group for West Midlands
Response to Digital Britain

A response on the economic implications for the West Midlands Region of the issues raised in *the Digital Britain: The Interim Report* published on 29th January 2009.

Preface
The ICT Steering Group is a Strategic Advisory body working with Advantage West Midlands, advising on the development and exploitation of ICT strategy to improve the competitiveness and productivity of businesses throughout the region.

This ICT Steering Group welcome the publication of the Digital Britain report and the discussions it has triggered, and offer the following comments.

The West Midlands Region, like all other regions, has developed an ICT Strategy to enable and enhance the exploitation of ICT in all aspects of the economic community. We invest considerable time and effort to promoting the use and understanding of the potential for businesses to be gained from the application of ICT, and with the help and collaboration of other like minded organisations (Learning and Skills Council, Business Link, Universities etc), we are gradually laying the foundations for a knowledge based economy to take this region into the future. We welcome the recognition given in the Digital Britain Report that this is an essential dimension to the future of the economic well being of the region and the country as a whole.

A growing dimension of everyday life for the individual is already ‘digital’. The modernisation of health provision within the NHS has started an evolution towards the eHealth agenda, growing initiatives in Local and Central Government are providing and increasing the number of services online, and some are already reaching the point where physical interaction with the service will soon become the exception rather than the norm. However, we note that this applies to services to the citizen and is not as strongly represented in services to business.

Specific comment on the content of the Report.

Small Medium Enterprise (SME) Content
Having reviewed the report and sought expert input to aid our understanding, we would like to comment on the lack of attention to the SME user community.

We note that the report attends to the need to minimise Digital Exclusion and makes suggestions around access networks and the use of essential content to drive ‘inclusion’. However, a Knowledge Based Economy is not only built on the skills and abilities of the individual, it is also built on the integration and interaction of the businesses those individuals work for or run.

We have noticed a disparity in the economy of the Region where individuals can be skilled, capable and aware of the benefits of ICT in their homes, but fail to translate those motivators into their business world. This results in a second, potentially damaging exclusion. If effort is applied, as you recommend in the report, to the actions required to limit digital exclusion at the citizen level, there is no surety that the understanding will translate into greater exploitation of ICT in the workplace. By focussing attention on the citizen level of inclusion, we can respect that the intention is to achieve a ‘bottom up’ approach where the employees can enlighten the employer over time, but our experience suggests that this might not happen in a timeframe that the economy can support.

We would like to draw your attention to the need to ensure that SMEs are drawn into this strategy and that the issue of the Digital Divide in businesses receives attention.

Our recommendation in this area is that aspects of online content (both eGovernment and commercial) be examined for their business application potential. We welcome the comments regarding intelligent procurement practices, but we would suggest as a starting point that this be examined for the areas where Central and Local Government could take this strategy further. Should a Digital Britain be considering all public sector tendering and purchasing be conducted online?

Universal Service Commitment.
We must express concern over the remarks in the report regarding the Universal Service Commitment. Whilst we understand that the 2Mbps speed has been arrived at based around eGovernment inclusion needs, we feel that the speed indicated lacks foresight and ambition.

In 1998, entry level broadband was recognised as 256Kbps. This was acceptable speed for the demands of the day, and recognised that in many cases this is all the infrastructure would support. By 2005, the entry level for broadband speeds was broadly accepted as being 2Mbps, reflecting the growth in the take up of high bandwidth services such as streamed video and file sharing.

In 2009, the average broadband connection speed is 3.6Mbps, reflecting the continued growth in demand and application need. Where will we need to be in 2015?

A USC of 2Mbps does not take into account the needs of the immediate future. We understand that exceeding 2Mbps presents the suppliers with issues in their infrastructure, but these are technical problems that ambition and determination can overcome. BT are well underway with the roll out of the 21CN network enhancements programme, that has the potential to deliver up to 20Mbps in enabled areas, a programme that utilises the existing copper network for the ‘last mile’. This shows us that considerably higher aspirations can be set and more importantly, are achievable.

We strongly recommend that the full report recognises the ambition and aspiration that the infrastructure to underpin a digital economy must embrace.

Funding models and Public Finances
We support the stance in the report that the enhancements to the national network should be market led and driven, and that the public purse should be used to incentivise that investment.

The funding required to develop a ubiquitous network, particularly one where the USC is markedly above the 2Mbps benchmark proposed, will require considerable investment by the providers. The UK needs to develop a funding structure that allows providers to be flexible and entrepreneurial in their approach to funding.

A critical element of the future for the Digital Economy is that cost of access to high capacity networks should not in itself become a barrier to adoption. There is a need to ensure that economically or technically deprived communities have equitable access to networks and thereby content. This equity is not only in terms of speed, but also in terms of cost.

The infrastructure market in England is oddly restricted in that there are only a few providers of fixed line networks. However, we are aware that there is considerably more cabling in the ground than the public network can access.

We recommend that the full report consider the opportunity to develop Public Private Partnerships between entrepreneurial partners and Local Authorities or Community Broadband Networks as an adjunct to the incentivisation model indicated. We believe that allowing local bodies the freedom to solve local needs is an essential flexibility that a Digital Britain will need.

Wholesale markets.
One of the issues faced in the development of greater capacity networks lies in the disparity in the regulatory structure between the major suppliers. BT are required to make their network investments available to the wholesale market allowing any provider to operate services across the network. This condition does not apply to all infrastructure providers.

In the discussions around the regulatory restructuring that will, and must accompany the development of a Digital Economy, we believe the issue of a common framework of wholesale access obligation is essential. We are aware that this presents particular difficulties in the mobile telecoms market (in terms of mobile broadband), but this is an ideal opportunity for these issues to be investigated and a move equitable environment to be developed.

Wider Geographical reach.
Another of the Digital Divides that the report rightly exposes, is the problem of rural access. Within the West Midlands approximately 70% of the region is classed as 'rural'. The market led approach to the deployment of existing networks has already started to emphasise the divide between urban and rural areas in terms of access, quality and speed of service. The 2mbps USC is clearly designed to limit the width of the divide, but as mentioned previously, we feel that this is already too low for average demand today.

The Report recommends the development of mobile telecommunications networks to deliver broadband access to more remote areas. We are concerned that the mobile coverage in many of our rural communities is no better than the broadband infrastructure and that extensive development would be needed. We acknowledge that any ubiquitous broadband coverage would need to be provisioned by a quilt-work of technologies and noted that satellite provision was not covered in the Report.

We have discussed the capabilities of satellite broadband with suppliers and are aware that is offers notable advantages over fixed line access in remote communities. We believe that a correctly structured wholesale enabled satellite access provision will address a significant number of access issues for our more remote rural communities, and could do so in a considerably shorter lead time than some other technologies.

Whilst we are aware that the final report will not be able to endorse one technology over another, we recommend that the team consider the opportunity available with next generation satellite, and what the funding or incentivisation model might look like for that route to market.

Summary.
The ICT Steering Group welcome the content of the *Digital Britain: The Interim Report* and particularly welcome the discussions and debate that its publication has triggered.

We would seek to guide the authoring team to consider a greater degree of future readiness in the definition of the requirement and to embrace a higher ambition. We have a considerable opportunity to both signpost the intention of the UK economy in these troubled times, but also to prepare the foundations of the economy that the next generation will need.