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\*The Earl of Northesk: \*My Lords, I thank the noble Lord for permitting me to intervene. My problem with the definition is not so much that there is something intrinsically wrong with defining 128 kilobits per second as the lower limit of broadband. My problem is that, in analysing the statistics, it becomes impossible to know whether a particular series of statistics includes 128 kilobits or not.

\*Lord Avebury: \*My Lords, I understood the noble Earl's point that it distorts the picture when trying to compare take-up in the UK with that of other G7 states. That point must be noted in future statistical comparisons.

We have heard that the suppliers of datastream services are complaining that BT discriminates against them because of its pricing policies, particularly in the charge of £50 for migrating from IP stream. Having endowed the regulator with extensive powers against the exploitation of a dominant position by an SMP, it would be incongruous of Parliament to egg on one party or another from the touchline in these debates. We have translated the rules of the game contained in the European directives into language that can be interpreted by UK players, and we set up Ofcom as the referee. After several seasons, we might well look at the rules again and, if necessary, improve the referee's powers. But it would be perverse in the extreme to do that when the first round has only just started.

I have read Oftel's 215-page document, published on 16 December, to which the noble Earl, Lord Northesk, referred, Identification and analysis of markets, determination of market power and setting SMP conditions for the wholesale broadband access market, and noted the finding, based on its growing market share, that BT possesses single-firm SMP in the broadband origination and conveyance markets. However, the regulator intends to set conditions, not only the requirement to provide access with retail minus pricing, which the noble Earl, Lord Northesk, criticises, but requirements not to discriminate unduly in favour of their own retail activities; to provide a reference offer; to notify charges, terms and conditions; and to provide transparency in the quality of service information.

I should point out to the noble Earl that it is still a draft report and that there is an opportunity to make representations up to 6 February. Ofcom will have to take those into consideration. It is in the nature of the process of regulation that not everybody can be satisfied, with the person having SMP—in this case, BT—wanting less onerous conditions and

others wanting tighter conditions. However, the particular viewpoints of the players are not a matter for Parliament.

The Government's role in accelerating broadband rollout is principally that of a large customer. The DTI's broadband aggregation project, which has been mentioned, is an effective way of mobilising demand, and the principle of aggregation has also worked well in bridging the rural divide, although it is not the only way. The idea of having a variety of partnerships has been mentioned. Such arrangements have been deployed in Scotland, Wales, Northern Ireland and the regions of England to stimulate demand and usage. I noted that Stornoway, Kirkwall and Lerwick have been connected through one such partnership and that accessibility has shot up in Scotland as a whole, from 39 per cent of users early in 2003 to 70 per cent by the end of the year.

My noble friend Lord Redesdale has drawn my attention to the fact that most, if not all, successful partnerships have been in areas that qualify for EU Objective 1 status. I note that the Act Now partnership in Cornwall, which has been taken as a model by many people, is still a useful example to others. It is holding a conference next month to explore the possibility of further partnerships and consider how people can learn from existing ones. However, there are many rural areas. The rural areas in the constituency of my right honourable friend the Member for Berwick-upon-Tweed do not have Objective 1 status, and there are many such areas. I hope that Stephen Timms, when he addresses the conference, will pay particular attention to rural areas that do not have Objective 1 status. If it is correct to say that it is only through EU funding that the partnerships have been successful, that will leave out a great many areas.

One of the recommendations that, I understand, is to be made in a report by the Broadband Stakeholders Group in the next few weeks is that the Government should undertake a study of the potential implications of broadband-enabled remote and flexible working for the UK's communications, transport, housing and planning policies. I support that idea enthusiastically, because I think that we have, at last, the means of enabling remote working, which has been discussed for the past 20 years, and, in particular, a means of enabling women to balance work and home commitments and enabling many talented women to remain economically active while they look after small children. The Government might also conduct a survey of firms that already employ remote workers, to see what lessons there are to be learnt for management and for staff relations. In local government, they might investigate whether teleworking/broadband initiatives are being cramped by the need to concentrate on the e-government agenda, as I heard was the case in one

London borough.

Apart from implementing the systems, the other huge problem, which has been touched on, is how to assist the information-poor to access the systems and share the benefits that IT-literate people already take for granted. According to the Commons Library, 88 per cent of 16 to 24 year-olds used the Internet in October 2003, but only 16 per cent of those aged over 65 did so. That point was made by the noble Earl, Lord Northesk. Of the one third of adults who had never used the Internet, just over half said that they did not want to use it, had no need for it or had no interest in it. My honourable friend Mr Richard Allan asked about the "won't surfs", as they are called, in another place the other day. The Minister who replied, Douglas Alexander, referred to the "Get Started" campaign, which targets hard-to-reach groups, especially the elderly, but said that he saw the difficulty as one of lack of skills and experience rather than lack of motivation. I suggest that we have to deal with both, and that should be one of the objectives of the digital inclusion panel, announced by the Secretary of State, Patricia Hewitt, on 15 December.

The Broadband Industry Group quotes research—I think that it was mentioned by the noble Earl, Lord Erroll—that shows that a clear link exists between communications technologies and economic growth. On the most cautious assumptions, it says that, by 2010, GDP will be £3.5 billion higher as a result of broadband, and that it could be as much as £16 billion higher. The benefits in terms of quality of life could be even more dramatic. UK-wide availability of broadband would encourage many businesses to migrate from London to the regions, and from high-rent cities to smaller towns and villages. It will help employers to stagger working hours, relieving pressure on commuter transport systems. It will enrich our leisure; for example, in the enormous growth of online genealogical information or in the creation of personal websites that enable us to share information with people throughout the world. It will enhance democracy by enabling us all to keep tabs on what the Government are doing and to build web-based coalitions for correcting their mistakes. That is why this is the most important issue that we face in the 21st century.

7.57 p.m.

\*Baroness Wilcox: \*My Lords, I thank the noble Lord, Lord St John of Bletso, for introducing this timely debate, which has enabled us to hear his expert analysis of where we are today. It also enabled us to hear from other speakers, and I refer particularly to the tour de force by my noble friend Lord Northesk. It makes me feel weird standing here, as I

am no techie. I am proud to say that I am now on broadband, but the side-effect has been that the telephone extension in my sitting-room and the telephone extension in my bedroom no longer ring. I am having great difficulty getting British Telecom to turn up at a time when I can be there. I have no doubt that all will be well.

Broadband is an umbrella term for various technologies that give users access to the Internet at a much higher speed than the standard 56-kilobyte modem. I am delighted to move at such a pace at home. The Government have asserted that broadband is important because broadband subscriber growth will, "facilitate the next phase of e-commerce",

That is correct, but it has not happened yet, as the noble Lord, Lord St John of Bletso, so eloquently outlined. The additional bandwidth provided by a broadband connection allows new value-added services to be delivered to consumers and businesses alike. That is wonderful.

The noble Earl, Lord Erroll, enthused about some of the benefits, some of which I have listed and some of which we have heard about today. Businesses can save time and money, and they stand to benefit from productivity improvements. Catalogue and stock databases can be hosted by specialist ISPs. Virtual private networks can be set up, and broadband enables application service provision that permits the outsourcing of IT functions.

For consumers, the DTI has suggested that there are a number of additional benefits. The Internet can be accessible from several PCs, and online gaming, music and video can be available. Other benefits include two-way, real-time visual communication, opportunities for long-distance learning and the delivery of all kinds of key services. How exciting all that sounds. But so much more needs to be done to encourage those uses. I look forward to hearing the response of the noble Lord, Lord Sainsbury.

The Government's record so far with this exciting new opportunity is frustratingly poor. Their targets are still not being met. There is a lack of clarity in the institutional and competitive framework that the Government have created. Their failure to create an adequate competitive environment is damaging. The Government should have a duty to promote competition and to reduce regulation.

My noble friend Lord Northesk graphically outlined BT's hold on the market. The bottom line still is that we have one supplier, one product and one price. The Government should create a more competitive environment to encourage new entrants to that market. They should

entrust the regulator with a remit to protect against market abuse until a competitive market evolves. It is for the regulator to protect users and consumers of national services and utilities and to stimulate national competitiveness.

As a country, where are we? I am not as impressed as the noble Lord, Lord Avebury, by where we are right now. The CBI states that Britain lies sixth among the G7 countries in broadband connections and that few small and medium-sized enterprises are yet connected. According to the broadband stakeholder group, only one household in 25 is currently subscribing to broadband. Less than one household in every 30 that has a computer is hooked up to a broadband service. In the business community, among firms employing more than 10 people, less than one in five has a broadband connection.

In January, only 1.4 million households and businesses were connected to a broadband service. According to Oftel, Britain has only slightly more than half as many lines connected to broadband per head of population as Germany, and just over a quarter as many as Sweden. The noble Lord, Lord St John, asked: where are we today towards the Government's avowed target? Perhaps the Minister will be able to cheer us up in his response. Perhaps the United States of America lags even further behind than we do.

It has often been said that the advent of broadband is similar to the invention and use of electricity. Not only does it capture the public's imagination—it does not seem to have quite done that yet—but also it is seen as essential in providing the link between business and the community. The Country Land and Business Association believes that broadband can be even more than that. Like the noble Lord, Lord Grantchester, I, too, believe that it can be the tool that leads to economic prosperity while bringing communities together, as has been said.

Sadly, the clear lack of affordable broadband in rural areas illustrates the widening urban/rural divide. But that does not have to be the case. The recognition of the benefits attached to the introduction of broadband by policy makers will make a step in the right direction. Greater use of broadband technology by all government departments would be another step forward, as we have heard suggested today more than once. Broadband is vital to all elements that make up Britain. Without the ability to access affordable broadband, Britain will suffer. To let that happen due to lack of sensible co-ordinated policy direction, when the infrastructure is already in place, represents a truly missed opportunity.

I look forward to the Minister's reply. After all, he is a bit of a techie himself, and a major investor of his time. As I finish, I should like to observe that in this the most modern of our debates, every speaker, other than the Minister and me, is an elected hereditary Peer.

8.40 p.m.

\*The Parliamentary Under-Secretary of State, Department of Trade and Industry (Lord Sainsbury of Turville): \*My Lords, I am delighted that the noble Lord, Lord St John of Bletso, has raised this issue. It one to which the Government attach great importance. Your Lordships' contributions have demonstrated that there is a great deal of interest and expertise in broadband. We also need to recall that our purpose is to contribute to greater prosperity for all, through improving business productivity, giving consumers access to better information and greater choice, and to provide better services, including public services, such as education and healthcare, and to deliver those benefits to all parts of society, not just to a few of them.

A recent report by the Centre for Economic and Business Research suggested that broadband could be worth £22 billion to the UK economy by 2015. It is also interesting that hard evidence of the benefit to individual communities is starting to emerge as well; for example, a study of the small town of South Dundas in Ontario, Canada, with a population of 10,000, shows that implementing broadband has reversed a decade of declining employment. I also strongly agree with the noble Lord, Lord Avebury, that there are huge quality-of-life benefits, including remote working, as well as the economic ones.

Beyond those important general economic impacts, broadband also promises to deliver a bundle of more specific benefits, including opportunities for digital content providers to commercialise new products. With our strong media and computer games industries, that is an area where the UK has the potential to benefit greatly. I was very glad that the noble Earl, Lord Erroll, introduced a subject which is dear to my heart; namely, grid computing. I think that in this country, we are developing a real world position in grid computing, which will drive the second generation of Internet in the future.

In recognition of broadband's potential early in 2001, the Government set out an ambitious target for the UK to have the most extensive and competitive broadband market in the G7 by 2005 because it is the market that can best deliver customer choice, value for money and innovation.

We have come a long way over the past three years. On competitiveness

and extensiveness, we were at the time fourth and fifth out of the G7 respectively. OECD figures for broadband penetration had us in 22nd place behind the Czech Republic. Since then we have made huge progress. In spring 2002, prices fell, so that from sixth in the G7, we moved up to third best for price. That helped us to move from fourth to third in the overall competitiveness measure.

Now, with broadband available to more than 80 per cent of households, we have overtaken the USA for availability. For the overall extensiveness measures, we have moved up from fifth to equal third—level with the USA and overtaking Germany. Only Japan and Canada among the G7 countries are ahead of us. That is a pretty remarkable transformation in our position.

It took until the autumn of 2002 to reach 1 million subscribers, but by November 2003, there were more than 3 million. Now, we should have about 3.2 million subscribers. The figures are rising at some 150,000 per month.

The noble Earl, Lord Northesk, and the noble Lord, Lord Grantchester, raised the question of whether we would meet our target. Our current predictions are that by 2005 we are likely to be second behind Japan. There is a very clear story here. Not surprisingly—this is true of most markets—this market is driven by price. Price is driven by competition and with that comes service and the benefits that the consumer can get. As those have changed, so we have seen this take-off happen. I recognise that the national figures, though encouraging, provide little comfort for the mainly rural communities that are not yet connected. But there too the market is proving effective and innovative. The demand registration schemes promoted by BT and others have had a positive impact. BT's scheme has led to availability increasing well ahead of predictions made even a year ago.

Technological development will help us on a range of fronts. I expect wireless to be a big element in the next phase of broadband development. Last year, the Radiocommunications Agency concluded a successful auction of 15 licences in the 3.4 gigahertz band for fixed wireless broadband, between them covering the whole country. In answer to the point raised by the noble Lord, Lord Avebury, PCCW has made public its intention to proceed with a soft launch of broadband services in a trial area fairly soon. They will do that under the name UK Broadband. This again will add to competition alongside cable and, in a small way, satellite. This is beginning to make the market very competitive. I shall say more about that later.

Satellite, as I said, also has a role. Alone of all the technologies it can cover the whole country. While satellite has some technological

limitations, the main issue is price—it is more expensive for a single connection. The Government are helping to develop the satellite market particularly for small businesses in rural areas through such schemes as the Remote Area Broadband Inclusion Trial or RABBIT programme run by a consortium of RDAs.

An encouraging sign here is that people in rural communities are taking action to gain access to broadband services. Around the UK communities have either set up their own solutions or have demonstrated the value of demand for broadband to suppliers. There is a great ferment of innovation and energy at community level. It has been suggested—slightly fancifully but interestingly—that we have seen nothing like this since communities went out very publicly to try and get railways to come to their areas. In any case, it is a powerful and welcome force.

The DTI and Defra are working together to support this effort. We have set up a joint Rural Broadband Unit to make the response from the Government and the regional development agencies to the challenge of rural broadband more coherent and effective but more needs to be done. To realise the true benefits of broadband it needs to become ubiquitous so that every company and every community is able to access it.

I agree with the noble Lord, Lord St John of Bletso, about the need for partnership. The Government have called for a new and deeper partnership between the broadband industry, national, regional and local government and local communities. We all need to work together more closely over the next two years to achieve our goal of a Britain in which broadband is available, not in 90 or 95 per cent of communities, but in every single community by the end of 2005. BT has already responded to this call to arms and also I suspect to increasing competition, by announcing that it is eager to work with local communities towards a vision of 100 per cent availability by 2005. I welcome that commitment.

There will undoubtedly be hurdles to overcome, highest in the remotest parts of the UK. We will have to foster continuing innovation in the market. We will need to build demand by working more closely with small businesses to show them the opportunities that broadband offers and by attracting more people to use government services online.

The public sector is committed to exploiting broadband. The noble Lord, Lord St John of Bletso, is absolutely correct. Between 2003 and 2006 public services will spend £1 billion on broadband connectivity to raise standards in schools, improve services at our GPs' surgeries and make our public libraries into community information hubs. The DTI is working with key public sector customers to aggregate demand and to use our

buying power to extend the reach of broadband into new areas. This work will start to bear fruit this year through the network of Regional Aggregation Bodies that we are establishing in the English regions. Of course the private sector can ride on the back of these initiatives.

The RDAs have taken up the challenge and have committed, we estimate, some £235 million to broadband development over the period from 2000 to 2006. We will look for more opportunities to catalyse the sort of partnerships that have already borne fruit in Cornwall and elsewhere. The devolved administrations have also been imaginative and creative with broadband. For example, Northern Ireland is aiming for 100 per cent coverage, while both Scotland and Wales have very active programmes. If we succeed in bringing these partnerships together, we can deliver the prize of a more competitive and productive UK, a country in which the benefits of broadband are available for all who want them.

I should like to deal with a number of general points raised by noble Lords. The noble Lord, Lord St John of Bletso, asked whether further government funding would be available for rural broadband access following the £30 million DTI Broadband Fund. The present funding will expire in March this year. We estimate that the £30 million worth of DTI funding has stimulated or leveraged some £235 million worth of spending by RDAs up to 2006. Going forward, the Government will work in partnership with BT and other telecoms companies, with RDAs and other local agencies to complete access roll-out. The market is now beginning to work well, but further inputs from regional and local agencies will be required to complete the task.

The noble Lord asked about the position of wireless technology. The new regulator of the telecoms industry, Ofcom, which took over from the Radiocommunications Agency in December, intends to continue to pursue the objectives of the radio agency; to make spectrum available in order to maximise the opportunity for operators to provide access to a full range of broadband services. I have mentioned the auction that has already taken place.

The noble Lord also asked about the proportion of schools which already have broadband access. The great majority of secondary schools already have it and the Department for Education and Skills already plans to ensure that by 2006 all primary and secondary schools should have a minimum of 2 mbps and 8 mbps respectively. Turning to local loop unbundling, another point raised by the noble Lord, Ofcom will be reviewing the local loop unbundling market later this year.

I should like to address the question of competition in the UK because a

number of points were made about this which did not, I think, reflect the true situation. This was a major issue raised by the noble Lord, Lord St John of Bletso, and the noble Earl, Lord Northesk. Price, competition and the services that consumers can get are the three absolutely key factors that will drive the market. The UK is not perfectly competitive. As has been said, the recent publication by Ofcom of its wholesale market review makes it clear that the regulator believes that BT still has significant market power.

However, this is a problem shared with probably every other market in the world. Indeed, the UK market is significantly more competitive than those in many comparable countries, particularly in Europe. Not only are our prices lower, but 45 per cent of households are able to choose between different technologies. There are more than 150 re-sellers of

BT's ADSL products. As a result, BT has a retail market share of 25 per cent, which compares with 90 per cent for Deutsche Telekom in Germany and 55 per cent for France Telecom in France. So it is simply not true to say, as did the noble Baroness, Lady Wilcox, that we have one product, one supplier and one price. Further, when quoting Germany and Italy as exemplars, it should be noted that Italy is in seventh place on price, while Germany is also less price competitive than the UK and, of course, Deutsche Telekom is in a powerful position. This is a clear case where bringing competition to the market is paying off and we do not do at all badly on price.

The noble Earl, Lord Northesk, mentioned cost-plus pricing. Ofcom has been established as an independent regulator and it is not for Ministers to interfere in these detailed decisions. Ofcom's wholesale broadband market review was published as a second stage of consultation. It has the difficult job of balancing incentives for BT and competitors and there is still an opportunity for companies such as members of the Broadband Industry Group to make representations to Ofcom.

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