



Mr Andrew Dismore, London Assembly Member
GLA
City Hall
The Queen's Walk
London SE1 2AA

13th July 2012

Dear Andrew

London Assembly Economy Committee

It was a pleasure to meet you and your fellow committee members on Wednesday. Given the breadth of information discussed during the session, as well as the clear conflicts between the data in the various third party reports that I mentioned on the one hand, and the anecdotes plus the relatively dated documents referred to by Assembly Members on the other, I had hoped that there would be a further review of the available data, possibly followed by further discussion, before any findings were published.

I was very disappointed, therefore, to see a press release issued so soon after the committee hearing, especially given the extremely misleading heading used in the press release, "London's broadband lagging behind, Assembly hears". As we discussed on Wednesday afternoon, there is a substantial body of evidence that would not support this heading.

You may recall one of the reports I cited showed that the "quality of telecommunications" was the third most important factor influencing the choice of location in Europe for international business investors; in other words, the third most important factor that could bring investment and jobs to London. You may also recall that London has consistently been scored as the best in class by those investors from amongst a wide range of European cities.

A heading such as that used in the press release is therefore not only incorrect, but likely to be helpful to London's international competitors in influencing the decisions of international investors, costing London much needed jobs. I urge you therefore to urgently review the data and to consider issuing a corrected press release that is based on the actual situation in London rather than one based on an incomplete understanding of the facts.

I hope the detail included overleaf will assist you in this task and will of course be delighted to help you in your exploration if needed.

Yours sincerely,

Andrew Campling

CC Mayor of London, Boris Johnson
Deputy Mayor, Kit Malthouse
CEO, London & Partners, Gordon Innes
COO and Deputy CEO, London & Partners, Andrew Cooke



London Assembly Economy Committee

Notes Arising from Committee Meeting, 11th July 2012

1 Introduction

Inevitably, due to time constraints, it was not possible to explore some issues fully, nor to deal with a number of erroneous points made during the first part of the session. The following summarises some of the key questions that were raised by Assembly Members, with more detailed comments against each on the subsequent pages.

1. How do poor broadband speeds affect business and business development in London? How to quantify the problems of broadband on London's businesses? Raised by Andrew Dismore
2. Specific effects on the high tech end of business, start-ups in the IT field? Both speed of broadband and speed of supply - Raised by Stephen Knight
3. Will tech companies relocate elsewhere? Raised by Stephen Knight
4. Hi-tech, data hungry industries in Soho, Tech City finding it extremely difficult? (nature of difficulties not specified) Raised by Joanne McCartney
5. Enormous amount of demand, competitive market to provide, what is stopping the market? Raised by Andrew Boff
6. Is it BT Openreach that is the problem? Is it in BT's interests to constrain the market? Issue raised by Andrew Boff
7. There seems to be a market failure, with BT operating a virtual monopoly in London. Noted by Andrew Boff
8. To what extent will new investment in high speed broadband resolve problems by businesses? Raised by Andrew Boff
9. How should the £1.1bn funding gap be filled? Raised by Andrew Boff
10. What could public agencies do to accelerate deployment? Raised by Andrew Boff
11. In countries leading the league tables, to what extent has it been supported by the state? Raised by Andrew Boff
12. To what extent are the problems in the UK due to BT not being able to enter into the cable TV market in the UK? Did that drive a lack of investment in fibre by our main provider? Raised by Stephen Knight
13. What is the root of the problem in the UK? Raised by Stephen Knight
14. What would be the overall benefits of free wi-fi. Raised by Joanne McCartney.
15. Follow-up point concerning the halting of the free, London-wide wi-fi coverage originally proposed by the Mayor. Raised by Joanne McCartney
16. Is it important that its free? Raised by Joanne McCartney

17. What single question would you like to ask of the suppliers? Raised by Andre Dismore?
18. Why is our broadband in London so bad compared to other cities? (reference to London's broadband speed being 5.8Mbps) Raised by Andrew Dismore
19. Is lack of take-up to do with (high) prices? Raised by Andrew Dismore
20. We (the Assembly) have seen lots of evidence of problems affecting businesses. Why does it take so long to connect it (broadband) up? Why does it take 6 weeks? Raised by Andrew Dismore?
21. So the issues raised earlier by the first witnesses were wrong? Raised by Andrew Dismore
22. Discussion on speed of broadband in Southwark, is it harming London's economy. Raised by Jenny Jones
23. Are our internet speeds low because of demand not supply? Raised by Andrew Boff
24. Queries from several assembly members relating to their personal broadband services.
25. People get the impression that BT is not providing the best possible service that it could. Observation from Andrew Boff
26. Offer in Newham, will it continue after the Olympics? Raised by John Biggs
27. Query about whether it's the "crappy wire" between the exchange and the house that determines the speed of broadband. Raised by John Biggs
28. Do we have to dig up the streets to provide fast broadband like in Korea? Raised by John Biggs
29. Discussion about advertising rules relating to broadband speed. Initiated by Tom Copley
30. Coverage of fibre broadband in London? Raised by Jon James
31. Do you throttle bandwidth to manage demand? Raised by Andrew Boff
32. Question to Mark Kleinman and Phil Saw whether there is a problem. Raised by Andrew Dismore
33. Is it a matter of planning policy that new premises are automatically connected using fibre? Raised by John Biggs
34. Why does the government need to get involved in investing in broadband through the urban broadband fund? Raised by John Biggs
35. Further reference to the £1.3bn funding shortfall in the LSE report. Raised by Jenny Jones.
36. Discussion around wi-fi in London. Raised by Joanne McCartney.
37. Connectivity in Soho? Raised by Andrew Boff

38. What are your plans to make your businesses easier to deal with?
Raised by Andre Dismore

Each of the above is covered in the following text, with links to further reference material where appropriate.

2 Detail

1. How do poor broadband speeds affect business and business development in London? How to quantify the problems of broadband on London's businesses? Raised by Andrew Dismore

David Hodges noted that there are plenty of statistics show the importance of the internet to businesses. No evidence was offered or discussed at this point in the committee hearing to show that businesses in London are "suffering from poor broadband", nor were any figures offered to quantify the impact. David did comment that relief from measures like permits, lane rental could speed up broadband provision.

2. Specific effects on the high tech end of business, start-ups in the IT field? Both speed of broadband and speed of supply - Raised by Stephen Knight

Mike Butcher's initial observations were from his time setting up Tech Hub in 2009, which pre-dates the current fibre broadband investment by BT, Virgin Media and others. Various anecdotes followed from Mike on slow provision but no details offered or sought regarding the service providers involved, when the incidents happened, whether there were any specific issues relating to each address (eg street works required) etc.

Statement from Mike Butcher that BT's "fibre to the cabinet" technology would suit many tech start-ups, something which is already available in the Shoreditch area (and to a total of nearly 2 million premises across London as a result of several hundred million pounds of investment in London by BT Group).

References made by Mike Butcher to (unspecified) extra charges that he had "uncovered" being levied in some instances by BT and other (unspecified) companies where streetworks are required to provide certain fibre-based services, with a suggestion of a "Mafioso-style" operation. To be clear, any additional charges to cover so-called "excess construction costs" are clearly identified and agreed with a potential customer before an order is processed¹. Such charges only apply to specific services where external work is required, and would not ordinarily affect broadband provision in London.

3. Will tech companies relocate elsewhere? Raised by Stephen Knight

Suggestion by Mike Butcher that Berlin is a real alternative, that broadband is much cheaper there than in London, and faster to provide. although no evidence offered or sought to substantiate either claim. In fact, Berlin is ranked 5th in Cushman and Wakefield's most recent survey of European cities (London was ranked top), the quality of its telecommunications was ranked 6th (again London's was ranked top)². According to Ofcom, the UK's broadband prices are significantly lower than those in Germany (UK's weighted average broadband £16.81/month vs £42.58/month for Germany)³.

¹ Source: Openreach, see

<http://www.openreach.co.uk/orgp/home/products/serviceproducts/excessconstructioncharges/excesconstructioncharges.do>

² Source: Cushman and Wakefield, European Cities Monitor 2011

³ Source: Ofcom, International Communications Market, December 2011

4. Hi-tech, data hungry industries in Soho, Tech City finding it extremely difficult? (nature of difficulties not specified) Raised by Joanne McCartney

David Hodges mentioned the Centre for London report on Tech City⁴ in passing. He didn't feel broadband / connectivity was a first-order issue (access to finance, skills, copyright and IP law mentioned as primary issues). He also mentioned 2 hour connection time for broadband in Switzerland (no source provided for the data), and the importance of high speed broadband in the home, not just business premises.

It should be noted that BT Group will provide access to fibre broadband to approximately 18 million premises by the end of 2014 under its commercial investment activity, with further deployment part-funded by the public sector, including the government's BDUK programme, already announced in areas such as Cornwall, Lancashire, Northern Ireland and Rutland.

5. Enormous amount of demand, competitive market to provide, what is stopping the market? Raised by Andrew Boff

Mike Butcher alleged BT was "behaving in a monopolistic manner" (not defined), ignoring the fact that the company has by far the biggest programme to deploy fibre broadband in the UK. He also referenced delays of "6 weeks to 2 months" for providing service and 3 year contract terms; as discussed, the average time that it takes for BT's Openreach infrastructure business to provide broadband service in London is currently 7 days, and some service providers offer one month rolling contracts – three years is not a common contract length for broadband, 12-18 months is closer to the norm.

6. Is it BT Openreach that is the problem? Is it in BT's interests to constrain the market? Issue raised by Andrew Boff

According to Mike Butcher, BT Infinity is hard to get in central London because "it would rather sell leased lines". In fact the areas where fibre broadband is deployed are influenced by the various service providers and residential areas are generally more attractive than business centres as the number of potential customers for broadband are much more concentrated.

Mike also said that other broadband providers "need access to the boxes that BT control" in order to provide service. It should be noted that any service provider can decide to use the Openreach network, and that currently around 500 do so in order to provide a wide variety of services. There is not an issue with lack of access to the Openreach network.

7. There seems to be a market failure, with BT operating a virtual monopoly in London. Noted by Andrew Boff

Mike Butcher suggested that companies were offered a stark choice of either a single broadband product of "an expensive" leased line from BT. The reality is that there are around 500 service providers each offering a range of different broadband packages on BT's network. In addition Virgin Media offers broadband on its network and there also alternatives from other niche network operators, from wi-fi networks and mobile networks. There is also strong competition for the provision of leased lines, with a wide choice of prices, contract terms and service options from a variety of service providers.

⁴ Source: Centre for London, A Tale of Tech City, July 2012

8. To what extent will new investment in high speed broadband resolve problems by businesses? Raised by Andrew Boff

David Hodges agreed it would help resolve any problems, needs support from government top deliver as quickly as possible.

9. How should the £1.1bn funding gap be filled? Raised by Andrew Boff

Robert Milne responded that this was a “rather minor point” made in his report, felt the number was consistent with government estimates for money that could be sourced from local, regional or devolved government and the private sector through matched funding. He did however suggest deployment could be slower than current government targets (ie 2017 rather than 2015)⁵, so may need focus to deliver more quickly (no evidence offered or sought).

Robert went on to suggest that service providers “were not rushing” to offer broadband on BT’s infrastructure. As noted above, there are in fact around 500 service providers currently using the Openreach network, including around 60 offering the newer fibre broadband products on a commercial or trial basis.

Robert then highlighted that delays in the deployment of LTE (so-called 4G mobile) were also a concern.

10. What could public agencies do to accelerate deployment? Raised by Andrew Boff

Robert felt everything was dependent on BT recruiting staff to speed up deployment. In fact BT recently confirmed it had brought forward the target date for the completion of its commercial deployment of fibre broadband (ie that not part-funded by public money) from 2015 to 2014.

Mike Butcher stated that LTE would not solve the problem of bandwidth for SMEs or start-ups (no evidence offered or sought). He felt that LTE would be more beneficial to the consumer market (again no evidence offered or sought).

11. In countries leading the league tables, to what extent has it been supported by the state? Raised by Andrew Boff

Robert noted that some countries had been heavily supported by state investment, but that in some of those countries there was wide disparity of service, particularly between the cities and rural areas (he mentioned Lithuania as an example). He also suggested that strong competition between a cable company and telecoms company could lead to faster deployment of fibre (citing the Netherlands as an example), and concluded by saying that Britain “was not doing terribly well” (no evidence offered or sought).

Mike Butcher observed that “London was not even in the top 30”⁶. No discussion took place during the committee hearing relating to the veracity of the methodology used to produce the league table.

⁵ Source: LSE, Costs and Benefits of Superfast Broadband in the UK, May 2012

⁶ Source: Research conducted for Cisco by the Said Business School and the University of Oviedo Broadband Quality Survey 2010

It should be noted that this is based on research conducted in May and June 2010 from data sourced from Speedtest.Net. The broadband speed results captured on this site can be adversely affected by a range of external factors that are not related to the broadband performance including the quality of any in-building wiring, interference on wi-fi, whether any other software is running on the computer running the test and whether any other devices are using the broadband line being tested. Therefore this key input data should be treated with caution.

Mike Butcher also mentioned that “Gigabit Ethernet lines were commonplace in South Korea”, with no evidence being offered or sought. In fact, average broadband speeds in South Korea are currently 17.5Mbps.⁷

12. To what extent are the problems in the UK due to BT not being able to enter into the cable TV market in the UK? Did that drive a lack of investment in fibre by our main provider? Raised by Stephen Knight

(No evidence offered to substantiate the second point above). Robert Milne referred briefly to the separation of the cable TV operations of Deutsche Telekom.

13. What is the root of the problem in the UK? Raised by Stephen Knight

(No clarification given regarding the “problem” referred to in the question). Robert Milne speculated that the local loop network was potentially a natural monopoly and that this may not have been taken fully into account when BT was privatised in the 1980s, no evidence offered or sought.

14. What would be the overall benefits of free wi-fi. Raised by Joanne McCartney.

David Hodges referred to some of the many coffee shops etc with wi-fi, emphasised his preference that it be offered free due to the benefits to businesses, no evidence offered or sought. Mike Butcher referred to an (undefined) “ambient economic effect” of using wi-fi , and also the importance of it being available to visitors, stating that visitors to London could not get access to wi-fi. Again, no evidence offered or sought to back up these anecdotes.

In fact BT Group alone has over 475,000 wi-fi hotspots in London, with coverage spread across every borough. All BT broadband customer have free unlimited use of these hotspots, with many mobile users also enjoying varying data allowances on the hotspots, as well as travellers through roaming agreements.

Mike then referenced free wi-fi coverage in some US cities funded by advertising, again without further evidence being sought by the committee. No discussion of the cost of providing any such service took place.

15. Follow-up point concerning the halting of the free, London-wide wi-fi coverage originally proposed by the Mayor. Raised by Joanne McCartney

Mike Butcher mentioned many benefits from “getting the street furniture wired up”, without any specific evidence being offered or sought.

⁷ Source: Akamai, The State of the Internet 4th Quarter 2011 Report, April 2012 pp 13

16. Is it important that its free? Raised by Joanne McCartney

David Hodges felt so, talked briefly about the possibilities of developing a sustainable business model to cover the underlying costs. Robert Milne agreed that it should be free, also mentioned the availability of free electricity in parks in Moldova. Mike contradicted his previous statement about lack of wi-fi, saying wi-fi was available, power was now the problem, with users looking for recharging points.

17. What single question would you like to ask of the suppliers? Raised by Andre Dismore?

Greg McCulloch felt BT Group should operate as a single, cohesive company, presumably being unaware that current regulations in the UK prohibit this from happening. Robert Milne wanted to know what was prohibiting service providers from using the Openreach network. As stated above, he appeared to be unaware that some 500 service providers already do so.

Mike Butcher wanted to know what single contract would BT or Virgin be worried about losing if it couldn't bring down its "6 week wait" for the average SME tech start-up in London? Does it take 10 small jobs to install one phone line in London? No evidence offered to substantiate either assertion, none sought by the committee.

David Hodges wanted to know what each company is doing to make it easier for other businesses to do business?

(Change of witnesses)

18. Why is our broadband in London so bad compared to other cities? (reference to London's broadband speed being 5.8Mbps) Raised by Andrew Dismore

This appeared to be another dated reference as Ofcom's most recent figures show the average broadband speed in London is actually 8.8Mbps, with fibre broadband available to approximately 85% of premises⁸ should they require faster speeds. BT's own fibre broadband is currently available to around 2 million premises, with a target of 2.5 million by the end of 2012⁹.

Taegu in South Korea is currently cited as having the fastest broadband of any city globally, with average connection speeds of 21.8Mbps¹⁰. Approx 70% of premises in Newham have access to BT's fibre broadband, supporting connection speeds of up to 80Mbps, with the option in Spring 2013 of upgrading to speeds of up to 330Mbps.

19. Is lack of take-up to do with (high) prices? Raised by Andrew Dismore

As noted above, according to Ofcom, the UK's broadband prices are significantly lower than those in Germany (UK's weighted average broadband £16.81/month vs £42.58/month for Germany)¹¹.

⁸ Source: Ofcom, UK Fixed Broadband Data Table 2011, <http://maps.ofcom.org.uk/broadband/table.html>

⁹ Source: BT Group, July 2012

¹⁰ Source: Source: Akamai, The State of the Internet 4th Quarter 2011 Report, April 2012 pp 14

¹¹ Source: Ofcom, International Communications Market, December 2011

20. We (the Assembly) have seen lots of evidence of problems affecting businesses. Why does it take so long to connect it (broadband) up? Why does it take 6 weeks? Raised by Andrew Dismore?

Two reports suggest that businesses in fact see telecoms in the UK generally¹² and London in particular¹³ as an asset versus international rivals according to international business investors. In addition London First conducted a detailed review of London's infrastructure and did not identify any significant problems relating to telecommunications.¹⁴

In terms of delivery times, the current average time to complete a broadband order across London by BT's Openreach infrastructure business is 7 days from receipt of an order from a service provider, has been for the whole of 2012¹⁵.

21. So the issues raised earlier by the first witnesses were wrong? Raised by Andrew Dismore

Areas for further improvement noted in the recent Centre for London report on Tech City¹⁶, however the average provision time for broadband is 7 days, not the 6 weeks or 2 months suggested previously.

22. Discussion on speed of broadband in Southwark, is it harming London's economy. Raised by Jenny Jones

Agreement that BT Group is affecting London's productivity positively, with a GVA benefit of £3.8bn from its own activities in London¹⁷. The recent and continuing investment of several hundred million pounds in fibre broadband in London is forecast to add a further £19,8bn GVA to London's economy (the annual GVA contribution that would be expected of a major city such as Birmingham) over the next 15 years, supporting 6,600 new companies and 26,200 jobs¹⁸.

Explanation that when broadband is ordered from any service provider, a personalised speed estimate should be provided with the right to cancel.

(Unsubstantiated suggestion from Andrew Dismore of services being advertised under false pretences).

23. Are our internet speeds low because of demand not supply? Raised by Andrew Boff

Clarification that the majority of Londoners have a choice of broadband offerings from a range of suppliers, with differing prices and speeds. The average speed statistics simply show the average speed of the services that they have opted to buy, not the average of what is available.

¹² Source: Ernst & Young UK Attractiveness Report, June 2012

¹³ Source: Cushman and Wakefield, European Cities Monitor 2011

¹⁴ Source: London First, World Class Infrastructure for a World City, December 2010

¹⁵ Source: BT Group, July 2012

¹⁶ Source: Centre for London, A Tale of Tech City, July 2012

¹⁷ Source: Regeneris, Social Study 2012: The Economic Impact of BT in London, pp 13

¹⁸ Source: Regeneris, Social Study 2012: The Economic Impact of BT in London, pp 25

24. Queries from several assembly members relating to their personal broadband services.

No details were provided at the time that would enable meaningful answers to be given. These can all be discussed with the individuals concerned should they wish.

25. People get the impression that BT is not providing the best possible service that it could. Observation from Andrew Boff

Reminder that around 2.5 million premises in London will have access to fibre broadband by the year end, and that business customers can get services running at up to 10Gbps anywhere in London already. So there is neither a lack of speed options nor different prices from a wide range of service providers, clarification also that published plans for fibre broadband do not cover the complete programme, therefore areas of London not currently included within the programme may yet see service by the end of 2014.

26. Offer in Newham, will it continue after the Olympics? Raised by John Biggs

In fact the figures for Newham will continue to improve after the Olympics as coverage for fibre broadband expands further.

27. Query about whether it's the "crappy wire" between the exchange and the house that determines the speed of broadband. Raised by John Biggs

Explanation that the speed is determined by the length of the cable, with the same cable supporting the fibre broadband at speeds averaging 76Mbps. So it is the cable length that is the key determinant of broadband speed, along with local issues such as in-building wiring, interference on wi-fi etc.

28. Do we have to dig up the streets to provide fast broadband like in Korea? Raised by John Biggs

Reminder that Newham residents can enjoy much faster broadband today than Taegu, the city in Korea that is supposed to have the fastest broadband in the world.

29. Discussion about advertising rules relating to broadband speed. Initiated by Tom Copley

Too difficult to summarise, the rules are clear if complex, the key requirement is to provide a personalised estimate of actual performance before an order is placed. Some complexities around performance are masked by a raw speed number, which may not show issues relating to network congestion and responsiveness (Ofcom also measure "jitter" and "latency", which helps with this).

30. Coverage of fibre broadband in London? Raised by Jon James

Jon suggested around 85% of premises in London would gain access to fibre broadband through commercial deployment, but that areas such as Tower Hamlets and Hackney Wick would not gain coverage, would need public investment. (In fact BT is already deploying fibre broadband in both areas).

31. Do you throttle bandwidth to manage demand? Raised by Andrew Boff

No, BT applies traffic management on certain protocols (eg “peer to peer”), does not throttle traffic on its retail broadband service¹⁹. Different service providers will have different policies.

32. Question to Mark Kleinman and Phil Saw whether there is a problem. Raised by Andrew Dismore

Further discussion about London being ranked 30th – see above for clarification why the table referred to is both out of date and based on a questionable methodology. Pleased the government is talking about urban broadband, reminder that issues like digital inclusion also need to be addressed.

33. Is it a matter of planning policy that new premises are automatically connected using fibre? Raised by John Biggs

In short, no, although BT certainly would look to use “fibre to the premises” for larger new build projects, subject to agreement with the developer.

34. Why does the government need to get involved in investing in broadband through the urban broadband fund? Raised by John Biggs

BT Group will reach around 18 million premises (approx 2/3) in the UK commercially, would need some contribution from the public sector in order to make further deployment economic. Important that London’s “offer” is top notch, as its currently rated by business investors.

35. Further reference to the £1.3bn funding shortfall in the LSE report. Raised by Jenny Jones.

Phil reiterated the point that the government were making assumptions about matched funding, did not have current evidence of a funding shortfall.

36. Discussion around wi-fi in London. Raised by Joanne McCartney.

Mark Kleinman confirmed that free wi-fi was not being pursued currently, that some form of funding stream is required to cover the operating costs. Jon James confirmed the wi-fi service on the underground would not be free, other than to Virgin customers. Clarification of the 475,000 wi-fi hotspots spread across every borough operated by BT Group.

37. Connectivity in Soho? Raised by Andrew Boff

Not queried beforehand, no specific information provided to describe a problem. There is no issue in delivering business services with speeds of up to 10Gbps to businesses in Soho if needed. Can provide a more detailed response if more information concerning the problem that the Assembly believe exists in the area can be supplied.

¹⁹ Source: BT.Com

http://bt.custhelp.com/app/answers/detail/a_id/10495/c/346/?s_cid=con_FURL_broadbandusagepolicy

38. What are your plans to make your businesses easier to deal with? Raised by Andrew Dismore

For SMEs, choice through competition between service providers. Supply direct from BT's own business service provider through its network of "BT Local Business" SMEs, small businesses themselves located amongst their customer base and offering BT's business service

Offices worldwide

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