

FOR IMMEDIATE RELEASE

Is the UK heading to be the last European nation to reach fibre maturity?

BRUSSELS, 9 June 2010 – The Fibre to the Home Council Europe believes that the United Kingdom is in danger of being left in the slow lane of the information superhighway as countries throughout Europe upgrade their broadband networks to fibre.

A market forecast commissioned by the Council predicted that the UK would be the last nation in Europe to reach “fibre maturity” – defined as 20% of households having a broadband subscription over a fibre-to-the-home (FTTH) network.

The study, carried out by telecoms analyst firm Heavy Reading, forecast that the UK would not reach this milestone until 2020, between two and four years later than the other major G20 European economies of France, Germany and Italy.

In terms of FTTH deployment, the UK has barely got off the starting blocks. There are estimated to be less than 5000 fibre subscribers in the UK today, mostly in selected new-build housing estates, such as Ebbsfleet in Kent, Wembley City in London, and Liverpool ONE.

In contrast Sweden, one of the leading FTTH nations in Europe, has more than 500,000 homes with fibre-optic connections. Many Eastern European countries – including Lithuania, Bulgaria, the Czech Republic, Estonia, and Slovenia – already have more FTTH subscribers than the UK, both as a percentage of total households and in absolute numbers.

Existing FTTH plans not ambitious enough

Last month BT announced that it plans to invest an extra £1 billion in the access network to bring superfast broadband to two-thirds of the UK. However, the majority of the money will be spent on fibre to the cabinet (FTTC) technology, which relies on existing copper telephone lines to carry the signal from street cabinets into homes, and only 25% will be spent on FTTH.

i3 Group also announced bold plans to create five new “Fibre cities” by 2015, which would make fibre available to an additional 1 million households – the largest planned roll out by an alternative operator in the UK. However, even when this project is complete, it would account for just 4% of UK households.

“Politicians like to remind us that the UK is one of the best-connected countries in the world,” says Chris Holden, President of the FTTH Council Europe. “But although it is correct to say the UK was a leader in first-generation broadband, when it comes to next-generation access, as a country the UK is way behind.”

“The leading FTTH nations like Japan and Sweden have a 10-year head start on fibre deployment. If the UK doesn’t get more momentum behind its FTTH plans soon, that could have a serious long-term negative effect on the national economy.”

The Council is also concerned that the UK government’s emphasis on reducing the budget deficit will push FTTH infrastructure investments even further onto the sidelines. Spending cuts are only one side of the economic equation; the government should also consider the Internet’s potential for job creation, productivity gains, and as a source of innovation, as stated by the OECD.

What now?

The Council’s UK members identified multiple reasons why the UK has been slow to deploy FTTH, including lack of clarity on key policy issues such as infrastructure sharing, lack of competitively priced backhaul connectivity for new networks, and consumer confusion over the marketing of broadband services. Furthermore, at present there is no clear funding mechanism for local authorities to bring fibre to rural areas that are not likely to attract commercial operators.

The FTTH Council Europe urges the UK government to look past short-term solutions and help break down the barriers to the adoption of FTTH. Normal market forces should be capable of delivering fibre to the mass market, but the government has a vital part to play in facilitating this process and reduce the digital divide.

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About the FTTH Council Europe:

The FTTH Council Europe is an industry organisation with a mission to accelerate the availability of fibre-based, ultra-high-speed access networks to consumers and businesses. The Council promotes this technology because it will deliver a flow of new services that enhances the quality of life, contributes to a better environment and increased economic competitiveness. The FTTH Council Europe consists of more than 130 member companies.

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Further information for editors

1. Fibre-to-the-home (FTTH) brings fibre-optic cable right into the home, the building or the office. This infrastructure is capable of delivering the highest possible broadband speeds today, as well as multiple channels of TV. Since the bandwidth of fibre is virtually unlimited, questions about “how much bandwidth is enough” become less relevant. The primary factor determining the speed of the connection is the equipment on the ends of the link; and with continuing innovation, equipment delivering higher speeds is expected to become available and more affordable for the foreseeable future.
2. The presentation of Heavy Reading’s European FTTH Forecast, 2009-2014, is available to download from the Council’s website here:
http://ftthcouncil.eu/documents/studies/FTTH_Council_Lisbon_Heavy_Reading_FIN_AL.pdf
3. A 2009 report from the London School of Economics together with Washington think-tank the Information Technology and Innovation Foundation (ITIF) estimated that a £5 billion investment in next-generation broadband could retain or create as many as 280,500 jobs for a year with a resulting increase in GDP. The full report, entitled “The UK’s Digital Road to Recovery” is available at:
<http://www.itif.org/files/digitalrecovery.pdf>.
4. A recent study by the Organisation for Economic Co-operation and Development (OECD) looked at the degree of cost savings in government services that would justify investment in a national broadband network. The amount required is not huge in the context of national spending – cost savings of just 0.5—1.5% would be needed in the sectors of health, education, electricity and transport. If an organisation is able to capture the financial benefit of these so-called “spillover effects”, then it can dramatically change the business case for FTTH investment.