



Going further than Digital Britain: Small businesses' demand for high-speed broadband

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Introduction

In June 2009, the Government published its strategy for a Digital Britain. In it the Government confirmed its intention to deliver a Universal Service Broadband Commitment at 2 megabits per second (Mbps) by 2012. The Government proposes to meet this commitment from direct public funding, commercial gain, contributions from private partners, public sector organisations, the consumer and mobile operators. The Government also proposes a tax of 50 pence per month on all fixed copper lines as a part subsidy for the deployment of next generation broadband to the 'final third' of homes and small businesses who they believe the market will not reach. These measures will be taken through Parliament via two Bills: The Digital Economy Bill, which has already been published and the Finance Bill which will be published after the Budget in spring 2010.

In a recent survey by CISCO systems, the UK came 25th out of 66 in terms of the quality and reach of its networks. The UK was listed among countries whose broadband is "meeting the needs for today" – the third out of four categories. This means that Latvia and Bulgaria are better prepared than the UK for next-generation net applications.

The FSB believes that the proposals in the Government's Digital Britain strategy do not go far enough in ensuring that the infrastructure is available in order for UK small businesses to remain competitive in the UK and the global marketplace.

Small businesses' experience of broadband

In June 2009, the FSB carried out an online member survey on broadband speed. It received 6,656 responses, which were spread across the UK reflecting the FSB's membership. We found that more than half of small businesses relied on the internet for up to 50 per cent of their annual turnover.

The results showed that small businesses, especially small, rural businesses did not seem to trade as much on-line as they could because of a lack of reliable and fast broadband speed. With small businesses dominating our rural economies – 27 per cent of England's enterprises are rural¹ - and many Government services moving to online access only, this is a significant barrier to growth and breaking this barrier must be the priority in any UK digital strategy.

Our research has found marked differences in speeds promised by suppliers and actual speeds experienced by small businesses. We found that 29 per cent of UK small businesses were promised less than two Mbps and 27 per cent between two and four Mbps per second. However, 94 per cent of FSB members felt that their service providers' offerings were failing to match their advertising claims.

¹ Commission for Rural Communities, *Mind the Gap: Digital England – a rural perspective*



Members indicated that it was not uncommon to be promised, and pay for, up to eight Mbps but in reality to receive less than one Mbps.

A lack of broadband speed reduces productivity for a third of small businesses. Other areas of difficulty due to speed restrictions are the use of email (49 per cent) and information back-up (23 per cent), the processing of payments (27 per cent) and on-line marketing (20 per cent). Furthermore lack of broadband speed seriously impacts upon small businesses' use of new technologies, such as video conferencing on Skype for example, web-casts and pod-casts (60 per cent). When asked what Government could do now to most effectively help small businesses with on-line access, 60 per cent indicated that they wanted a guaranteed universal minimum download speed of eight Mbps for all users. Furthermore, a universal minimum upload speed must also be guaranteed, which is essential for the use of new technologies.

What small businesses really want from a Digital Britain

To be able to operate effectively, small businesses must ensure that they can have confidence in the speed as well as the reliability of their broadband connection. Broadband is not an added luxury to today's small businesses but an essential service similar to utilities such as gas and electricity.

The FSB has noted the steps announced in the Digital Britain Report to provide a Universal Commitment for broadband at a basic speed of two Mbps by 2012, but does not agree that they go far enough in meeting the requirements of today's small businesses.

The FSB believes that the proposed 50 pence monthly tax on all copper lines would only deter private companies from spending the money required to innovatively upgrade the country's internet infrastructure. Instead a highly competitive environment must be created to motivate the private sector into delivering solutions which must prioritise speed and economic stimulus. To speed up investment in faster broadband services, BT, who own the majority of the UK network and is the dominant provider, must open its ducts to competitors.

The FSB calls for wider use of fibre-optic cables and also for the use of more innovative solutions such as wireless technology which must be delivered at no disproportionate cost to the consumer.

The FSB has suggested in its recent Postal report that there should be Wi-Fi facilities for those businesses that cannot get connected at home or in their office. It is clear that there are a significant number of 'not-spots' in the UK and until a successful Digital Britain becomes reality, the Post Office could fill a gap in the market.

FSB key asks

- Service providers must guarantee minimum upload and download speeds
- Policy makers must enforce regular review and increase of these minimum speeds to enable the UK to be a real competitor
- Diversification of the market place to encourage stronger competition, alternatives to established providers and greater customer choice
- Wider use of fibre-optic cables, particularly targeting 'no-spot' areas, and the development of more innovative solutions to enable access to high-speed broadband in all areas of the UK



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