



Department for Business Innovation & Skills
Digital and Creative Industries Growth Review

Consultation response from BT

December 2010

1: Are there issues relating to lowering regulatory barriers either specific to the sector or that have a very marked impact on it, including employment and environmental rules, and taking account of the cumulative impact of existing and potential regulation, particularly on small companies?

BT response

Investment in next generation broadband is a vital element in supporting the continued growth and development of the UK economy and of the UK's Digital and Creative Industries. BT supports the Government's vision of creating the best super-fast broadband network in Europe by 2015.

The key issue in the provision of next generation broadband is making sure the regulatory framework provides the certainty that the private sector needs in order to justify the huge investments required. Amongst other things, this means there must be *technological neutrality, and sufficient scope and certainty for investors that the framework will allow them to make appropriate financial returns, commensurate with the risk they are taking.*

2: How can the international regulatory regime, including intellectual property, adapt to the rise of the internet and its threat to our ability to protect and monetise creativity?

BT response

BT is disappointed that the starting point appears to be an acceptance that the internet is a threat to the protection or monetisation of creativity. In fact, we believe the internet has opened up many new opportunities for new business models and methods of exploitation and dissemination of creative works, both for large established owners of back catalogues and for new performers.

BT does not think that intellectual property laws need changing. Many of the perceived problems of piracy arise from the historical reluctance of established interests to grasp the opportunities new technology presents to make their material readily available at reasonable prices to satisfy demand. BT is pleased to note that this reluctance is now at last being overcome with profitable results. Intellectual property laws all over the world represent a delicate balance between those wishing to be recompensed for their endeavours, highly-demanding consumers wanting to access content and services as competitively as possible across a range of platforms and technologies, and those engaged in lawful pro-competitive activities. Governments and regulators should hesitate before upsetting that balance.

3: How can the competition regime, and its application, be best structured, empowered and guided to deliver a competitive and thriving UK media sector?

BT response

In an industry characterised by strong market players, new entrants, rapidly evolving technology and requiring very significant investments in new infrastructure, we need to ensure that regulation and competition law work in harmony and complement each other. There needs to be a high level overview of the goals of competition law and regulation that reflects customer experience and customer expectations. This cannot be done by looking at

fixed line communications, mobile communications and media (TV) independently of each other as these industries are increasingly converging.

Customers now have the opportunity to buy packages of services from different suppliers, which may include all or some of fixed line services, mobile services, internet connectivity and content, and TV distribution and content. Consumers are able to watch television on their home computer, and access the internet via their television or a game system. Time shift television and replay services allow customers to watch what they want when they want without having to worry about whether the service is delivered through the ether or down a broadband line. Many suppliers of such services, including players such as BT, Sky and Virgin Media offer telephony, broadband and pay-TV packages, but the regulation applied to each of these companies is markedly different. This differential approach has become a regulatory barrier to a truly competitive regime and continuation of it in its current form will not deliver optimal long term outcomes for consumers.

The best way to overcome this would be to take one step back, look holistically at the regulatory framework, and expand the current communications regime for regulation of market power. This should mean that all of the different components of the same bundle become susceptible to the same type of regulatory and competition regime. Put simply, the pay-TV market should be susceptible to the same ex ante regulation as communications so that a coherent approach can be taken to the assessment of market power and the imposition of regulatory remedies across the entirety of this market place.

4: Are there blockages in the skills system that mean the needs of employers in the sector are not fully met, drawing on UKCES. How can we attract the brightest international talent?

BT response

In the UK there is a fundamental misalignment between the needs of employers and the outputs from schools, colleges and universities. This misalignment stems from a lack of understanding of the skills needs of employers both for the skills that are required today but also in the short and distant future. To help meet the needs of employers, BT would like the following:

- A single source of labour market intelligence that employers can feed into and on which education establishments and training organisations should base their curriculum or catalogue.
- Greater engagement between education establishments and employers to ensure that the curriculum reflects employers' skills needs and that those engaged in the education system (both students and their lecturers) have access to work based/related projects to develop up to date and relevant skills.
- Investment by the Government to encourage young people to consider careers in sectors such as the IT, Digital and Telecoms sectors, where a shortage of skills has a significant impact on the productivity and profitability of the majority of sectors including the Creative Industries.

In relation to attracting the brightest international talent, BT and others rely on attracting non EU graduates to address skills gaps particularly in R&D areas. We are in constant dialogue with the relevant authorities about our needs in this area and are pleased that the

latest proposals from the Government recognise that access to skilled workers is a critical factor for companies in a very competitive world market. However, as a UK-headquartered company we remain challenged by the limited availability of Tier 2 permits and the upcoming closure of Tier 1.

5: Are there problems with access to finance and business support that are particularly related to the creative industries?

BT response

It is recognised that access to finance whether loans, equity, angel investment or funds from government assisted schemes is proving challenging to the Creative Industries. In relation to government assisted schemes, if creative industry start ups are to flourish it is vital that these schemes are not complex and impossible for a start up to navigate without very detailed and costly tax advice.

BT also believes that industry research investment must be maintained in order to ensure the long term health of the economy and the creative industries. However, without support, businesses will struggle to maintain the necessary level of investment in research as well as the ratio of Research to Development. We consider that the current incentives for UK Industry-based research are minimal and insufficiently targeted to help reverse the downward trend in Industry research. This does not compare favourably with other parts of the world. Therefore, action is required to evolve the tax credit and research funding mechanisms, specifically to protect and support research.

6: Do we have the right structures in place to allow our creative industries to exploit developments in technology to maximum benefit?

BT response

Intellect the UK's Technology Trade Association published a report in March 2009, to which BT contributed, called "Helping innovation flourish – Reviewing the current position for supporting R&D and innovation". A copy is attached. The Intellect report addresses this question by recommending the creation of universities and innovation zones. More specifically it recommends:-

- the development of a national "innovation portal" which connects businesses with the right technology research within a university;
- funding of "industry liaison officers" to network between researchers and local businesses;
- radically improve networks between universities and business by copying successful local programmes which support academics to become non-executive directors of SMEs;
- build on projects to provide credit vouchers to SMEs to invest in attractive university projects;
- build up a framework in which academic research scientists can clearly see the career opportunities that exist through partnerships with the business community.



Helping innovation flourish.pdf