

30 June 2011

Rt. Hon Jeremy Hunt MP
Minister for Culture, Media and Sport
2-4 Cockspur Street
London
SW1Y 5DH

Dear Secretary of State,

CBI RESPONSE TO MINISTERIAL OPEN LETTER ON THE GOVERNMENT'S COMMUNICATIONS REVIEW

The CBI welcomes the Government's Communications Review, and supports the commitment to establish a new communications framework by 2015. The need to focus on economic growth and the rapidly evolving digital technology environment mean that this review is timely and well-placed to help the industry grow. The success criteria for the review should be whether a new communications strategy delivers growth opportunities for the sector, both at home and abroad.

During the coming months we will be bringing together senior executives from a wide range of sectors, to shape a vision of the future of the communications sector and consider the questions you have posed in more detail. We are keen to take an active role in helping to shape the new framework, and look forward to engaging with the Government as this process develops. We are pleased that Ed Vaizey is joining us next week to kick this off. In the meantime we set out below our initial thoughts on the three areas highlighted in your open letter.

Growth, innovation and deregulation

The communications sector has a vital role to play in stimulating growth and recovery in the UK and has a key role to play in our export strategy. Britain already has a strong digital economy; the creative sector alone is predicted to grow by an average of 4% between 2009 and 2013, at more than double the rate of the rest of the economy. Digital technologies and infrastructure have the potential to open up new commercial opportunities and deliver efficiencies across the economy, from retail and manufacturing to advertising and public service provision. The UK has the potential to be a global leader in this field, and the Government should be ambitious in its plans to support this.

In order to realise the growth potential of the sector, the starting point of the communications review should be to minimise the burden of regulation, where it restricts growth, and to open market access. In a globally competitive market, the UK's creative industries need to be agile, and free from restrictive regulation as far as possible.



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The structural changes facing the creative industries requires a modern, global and forward looking approach to competition policy, where traditional market definitions are no longer relevant¹. This new market reality must be reflected in policy to allow UK players of scale to compete on an international stage.

In the digital and communication sectors, Government also needs to ensure that competition strikes a balance between maintaining price competitiveness for users, whilst enabling market participants to build up economies of scale and invest for the long-term.

A communications infrastructure that provides the foundation for growth

The CBI's recent report *Making the UK the best place to invest*² highlighted the importance of fast and reliable broadband for attracting inward investment into the UK. We support the Government's ambition to have the best superfast broadband in Europe by 2015, and believe it will form a critical part of the UK's competitiveness as a place to do business across different sectors of the economy.

As well as calling for widespread broadband coverage at around 50mbs, our report called for digital "hubs" that would deliver speeds of at least 100mbs, specifically to promote clusters of industry which rely heavily on fast broadband speeds, such as those which have successfully emerged in Sunderland Software City, the UK film post-production industry in Soho and more recently in the Salford Media City. These hubs have developed organically via private sector investment, and we continue to support a market-led approach to roll-out. The Government should ensure the regulatory environment facilitates, rather than inhibits, the creation of such hubs.

Creating the right environment for the content industry to thrive

The CBI's Creative Industries *Blueprint*³ highlighted the factors that are critical to having a thriving content industry in the UK. An effective copyright regime is critical to incentivise investment, support the ability of firms to export and ultimately to underpin the growth of this sector. We welcomed the renewed focus on IP in the Hargreaves review and believe that the right approach on intellectual property is one that supports growth in IP-rich businesses.

We welcome the recommendation to create a Digital Copyright Exchange in the UK, with the caveat that it must be market-driven and genuinely voluntary to participate in. These messages should be prominent in the Government's forthcoming response to the Hargreaves report and its longer term IP strategy, which will be a key influence in the capacity of the UK's content industry to thrive. We continue to recommend further research and consultation on proposals concerned with copyright exceptions for both data mining and future proofing, to establish whether such exceptions are necessary.

Alongside the need for an effective IP framework, factors such as competition policy and digital infrastructure, as already mentioned, are important factors in the allowing the content industries to grow. Notwithstanding the structural challenges facing the content industries, they continue to be a UK success story, and the Government should use this opportunity to explore which elements of the current framework have allowed the content industry to flourish.

The ability to access finance for investment remains particularly important for smaller, independent content providers and there is a widespread need for a talented and skilled workforce, where creativity and an ability to work with digital technology are needed hand in hand to reflect the way that content is increasingly produced and delivered.

¹ <http://creativeindustries.cbi.org.uk/reports/reports/ahead-of-the-curve>

² <http://ukaapti.cbi.org.uk/>

³ <http://creativeindustries.cbi.org.uk/reports/reports/creating-growth-a-blueprint-for-the-creative-industries>

In conclusion, we strongly believe that this review presents an opportunity for the UK to become a global trailblazer in the communications sector, and we look forward to working with you to develop innovative solutions to the policy challenges that lie ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Matthew Fell', written in a cursive style.

Matthew Fell
Director, Competitive Markets