Science and Technology Committee
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From Rt Hon Greg Clark MP, Chair

Rt Hon Oliver Dowden MP
Secretary of State for Digital, Culture, Media and Sport
(By e-mail)

18 November 2020

Dear Oliver,

Telecoms Diversification

I am writing on behalf of the House of Commons Science and Technology Committee following its inquiry into 'UK telecommunications infrastructure and the UK's domestic capability'.[1] We will publish our full Report in due course, drawing on the evidence in detail to set out our conclusions and recommendations. However, I am writing now to set out some early conclusions that we have drawn with direct relevance to the forthcoming Telecoms Diversification Strategy, in order that these conclusions can feed into the development of that strategy.

The 5G roll-out

5G promises not only faster download speeds for consumers, but also capabilities such as low latency and high capacity that could enable significant new use cases, including autonomous vehicles, remote health applications and smart city technologies. It is expected to be a critical technology for the next decade and a major driver of economic growth.

Although some argue that the roll-out should be slowed or paused to allow for market diversification, we disagree. Instead of slowing the roll-out to wait for diversification, the Government should instead align its roll-out and diversification strategies, and seek to use measures supporting a roll-out to also drive diversification.

OpenRAN

OpenRAN aims to support diversification in the radio access equipment market by increasing interoperability and the use of open standards, and hence lowering the barrier to market entry. Despite these potential benefits, OpenRAN is still in the early stages of development for use in an existing network and is not guaranteed to achieve widespread adoption. Although OpenRAN may benefit security by supporting diversification and facilitating external scrutiny of equipment, it could also reduce security by making networks more complex to manage.

The Government is right to identify OpenRAN as an important market development and potential route to diversification, but it must develop its diversification strategy on the basis that OpenRAN is not guaranteed to achieve widespread adoption. The Government must continually ensure that support for OpenRAN is consistent with improving overall network security. It should pursue a wide range of measures designed to support long-term diversification and interoperability, and not focus exclusively on OpenRAN.

[1] House of Commons Science and Technology Committee, 'UK telecommunications infrastructure and the UK's domestic capability', launched 9 April 2020

National Telecommunications Laboratory

Facilities for testing and validating telecommunications equipment can help market entrants to develop the interoperability required to work with existing network equipment and to demonstrate the reliability of their equipment in operation. Such facilities can also act as focal points around which companies and skills can develop. It is possible, however, that, as telecommunication networks increasingly turn to software- and cloud-based technologies, the utility of physical testbeds could diminish.

The Government is right to aim to establish a National Telecommunications Laboratory. It must, however, ensure that this facility complements existing facilities, is of sufficient scale to adequately test real-world deployment and is set up to proactively drive innovation. A long-term strategy must also be adopted in planning new facilities, to avoid them becoming redundant as the relevant technology evolves.

Sustainable diversification

The current concentration in the telecommunications equipment vendor market is the result of consolidation over the past 10 to 20 years. This has been driven by factors such as the costs of research and development required to stay competitive, the preference of network operators to deal with a small number of large vendors, and economies of scale in hardware manufacturing. Many of these factors remain, and some may persist regardless of other technological developments. Competition within the industry has also focused heavily on prices for consumers, rather than the quality or security of infrastructure.

The diversification strategy cannot focus on supporting market entry alone, and must also ensure that the telecommunications equipment vendor market supports market diversity in the long-term. It should also introduce measures to ensure that infrastructure quality is considered by network operators as well as consumer pricing.

International co-operation

The telecommunications market is global, and the UK market does not represent a large proportion of the global market. Measures to stimulate market diversification in the UK will achieve limited success if they do not align with the markets and measures of other countries. Although the ‘Five Eyes’ alliance is an important intelligence-gathering alliance, it was not set up to co-ordinate industrial policy and does not cover countries and regions with substantial telecommunications markets, such as India, Brazil and the European Union.

The Government must actively pursue international co-operation in diversifying the global telecommunications equipment vendor market. It should aim to establish long-standing mechanisms for international co-ordination of policies for diversification.

I hope our findings will be useful to you as you work on the diversification strategy. I will be publishing this letter on the Committee’s website shortly, and look forward to the publication of the strategy in due course.

With best wishes,

Rt Hon Greg Clark MP
Chair