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May NEWSLETTER

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Welcome

Welcome to this month's Case Communications Newsletter.

We welcome any thoughts or comments from our readers please e-mail them to marketing@casecomms.com

Statistics reveal 28 laptops stolen from MOD this year alone

Data and computer security continue to be a challenge for the MoD after new statistics revealed that 28 laptops have been lost or stolen this year alone.

15th May 2009

[More]

Budget stops short of including any major stimulus for deployment

Broadband featured in the Budget but not quite to the extent that some were hoping.

[More]

Q3 - 2008 sees the first reduction in Broadband

Q3 2008 demonstrated the first quarterly reduction from Q2-Q3 since the growth of broadband in the UK began. Opinion is divided as to whether this is a result of the credit crunch, or the market reaching a saturation point

[More]

Unbundled lines grow to 5.8 million

One of the biggest telecoms success stories of recent years has been the unbundling of millions of phone lines across the country

[More]

Will other European fixed broadband markets end up like the UK?

Mergers and acquisitions abound in European broadband markets this month: the German ISP United Internet announced this week that it intends to acquire the DSL subscriber base of its competitor, freenet, for about EUR123 million, and Tiscali finally found a buyer for its UK operations.

[More]

Thousands of medical records lost

The Information Commissioner's Office (ICO) has revealed that tens of thousands of medical records have been lost by the NHS.

[More]

Vetting data loss was covered up

A data loss at an RAF base last year was far worse than first revealed after it emerged that sensitive files containing vetting data on RAF personnel was among the information that went missing.

[More]

ENISA publishes resilience warning

The Information Commissioner's Office (ICO) has revealed that tens of thousands of medical records have been lost by the NHS.

[More]

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Statistics reveal 28 laptops stolen from MOD this year alone

From 1 January until 11 May, the MoD lost or reported the theft of 28 laptops, four PCs and 20 USB devices. It was not revealed whether any of the computers or USBs had sensitive data on them and if so, whether or not they were encrypted. It is likely that at least some sensitive data was on the computers and USBs. Previous losses have shown a widespread pattern of classified or restricted data being held on the missing computers and USB sticks.

In addition, the MoD has also reported the loss/theft of one Blackberry this year.

Despite reforms that have been put in place to safeguard mobile PC devices and USBs following the loss/theft of 217 laptops in 2008, it appears that progress has been minimal at best. The Cabinet Office now requires that all government departments restrict who can and cannot take portable devices home with them,.

Armed forces minister Bob Ainsworth denied that the department was careless, saying that the MoD "takes any loss of information and associated media storage devices very seriously and has robust procedures in place to mitigate against such occurrences."

He added that "new processes, instructions and technological aids are also being implemented to mitigate human errors and raise awareness of every individual in the Department."

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Budget stops short of including any major stimulus for deployment

The Chancellor re-iterated the government's intention to establish a universal service commitment for 2Mbps broadband and set out some funding options for its delivery. However, although Ministers have been talking up the importance of next generation broadband in recent weeks the Budget stopped short of including any major stimulus for its deployment. Instead the Chancellor announced the doubling of capital allowances to 40% and gave the go-ahead to the South Yorkshire Digital Region Project (which will deliver FTTC to half a million homes).

With no significant money on the table for next generation broadband the government may be looking to adjust the balance of regulation in order to bring forward investment, as the Chancellor also announced a review of Ofcom's powers and duties This could turn out to be the most significant of the broadband announcements included in the budget. It would appear that the aim of the review is to examine whether Ofcom's duties need to be re-oriented to focus on promoting long-term investment rather than shorter-term consumer interests. We await the final Digital Britain Report to hear the government's views.

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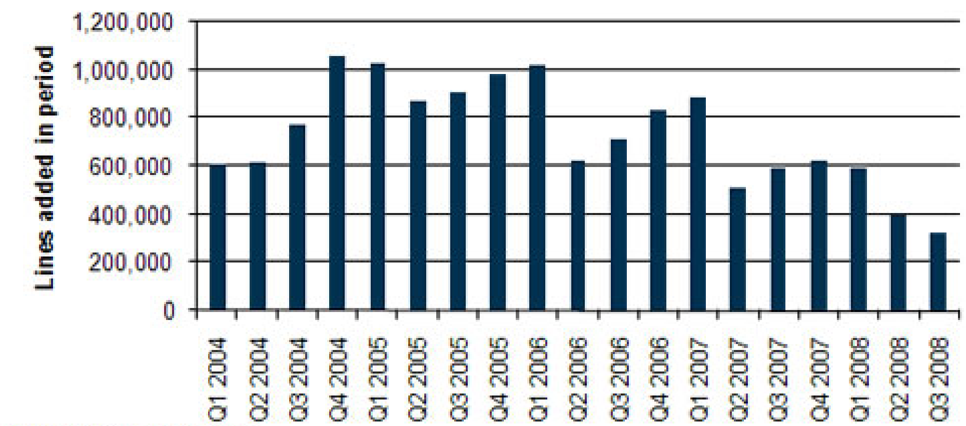
Q3 - 2008 sees the first reduction in Broadband

Broadband connections added per quarter

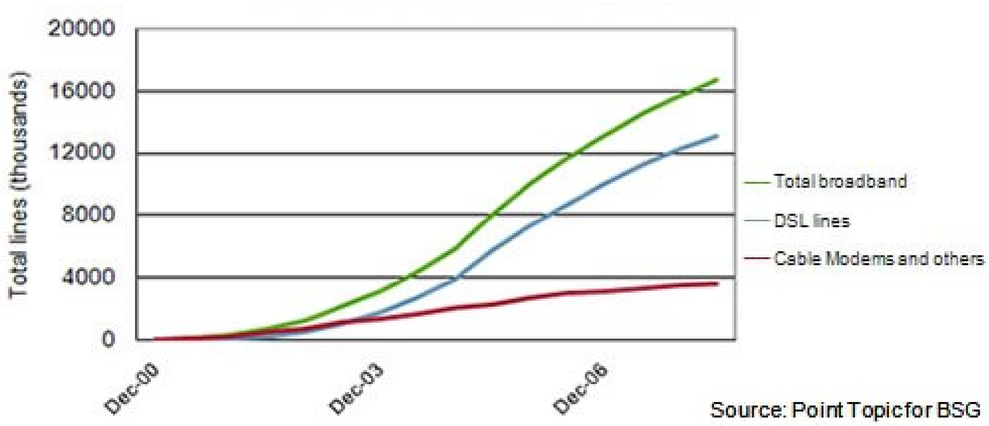


Source: Point Topic for BSG

This graph demonstrates the number of additional net broadband connections created per quarter in the UK.

Q3 2008 demonstrated the first quarterly reduction from Q2-Q3 since the growth of broadband in the UK began. Opinion is divided as to whether this is a result of the credit crunch, or the market reaching a saturation point

Broadband growth in the UK



Source: Point Topic for BSG

By mid-2007 there were 14.5 million broadband lines in the UK. Almost 13 million of these were serving private homes and the remaining 1.5 million were business lines

The split between DSL lines and cable modems was roughly 11.3 million to 3.2 million with only an estimated 35,000 using other technologies. This was almost 25% growth in broadband compared with a year earlier but it was a sharp decline from the 44% growth for the previous year.

The absolute numbers of broadband lines added each half year is also falling, from 1.9 million in the first half of 2005 to under 1.4 million in the same period in 2007

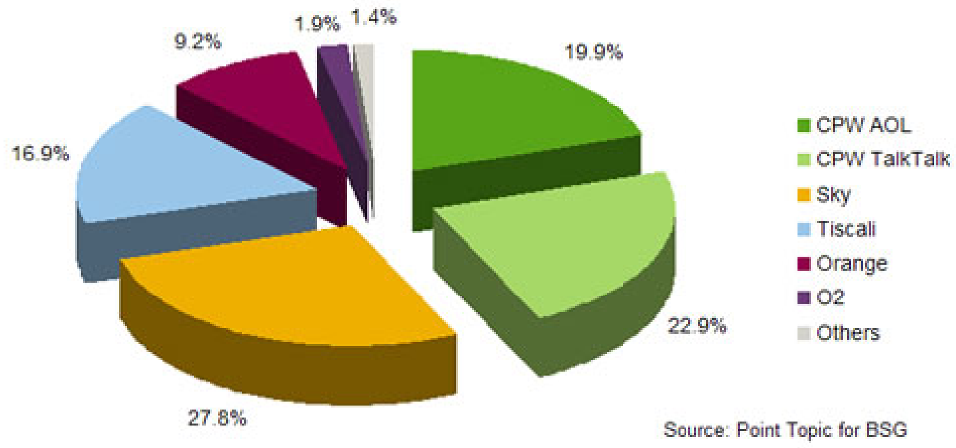
One major reason for slowing broadband growth in the UK is the low rate of growth in the number of homes with internet access. Although broadband households increased by almost 6 million in the two years to mid-2007, the number of households with internet access increased by only 2 million. Most broadband growth went to replacing dial-up connections, which fell by almost 4 million in the same period.

After years of lagging behind, the UK now compares well with other major countries in terms of broadband take-up per head of population. With 24.3 lines per 100 population at mid-2007 it has higher take-up than any other country of similar or larger size – although France is not far behind on 23.6.

The UK is also ahead of Germany, Japan and the USA, which are all around 21.3, but behind Canada on 25.2.

UK ISP Market Shares - Latest Quarter

Q3 2008

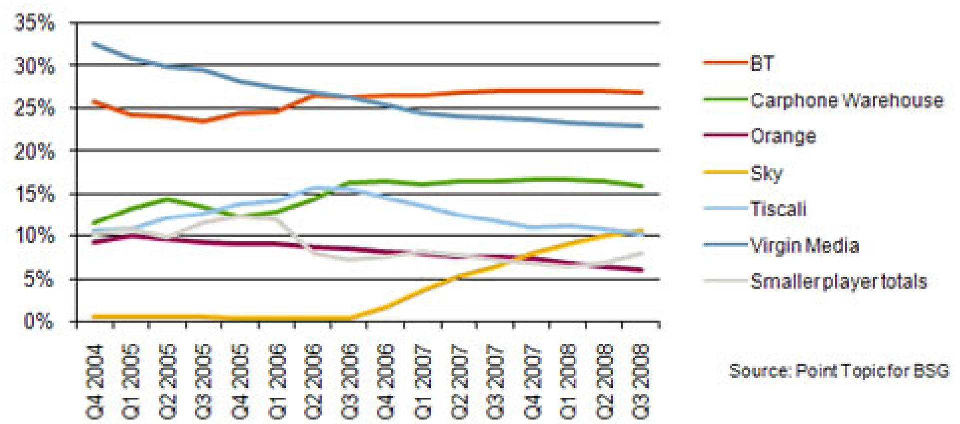


After resisting the effects of economic slowdown for months, UK broadband has finally been hit by the arrival of a real recession. The number of new broadband lines added in the July to September quarter was a clear 20% below earlier expectations.

In April 2008 Point Topic forecast that Britain would add another 800,000 broadband lines in the second half of 2008. This was supported by the actual numbers for June 2008 which were slightly ahead of the forecast.

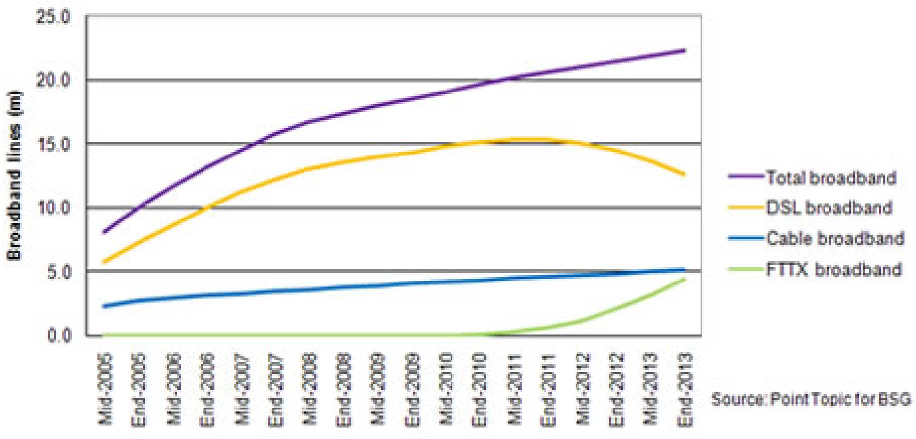
To keep on track Britain needed to add 390,000 broadband lines in the July to September quarter. Point Topic estimates that the actual number was only 313,000 – 20% down on the target.

UK ISP Market Shares - Historic trends



The UK has one of the most competitive broadband markets in the world. This graph highlights this, demonstrating the growth of market share for each of the six major ISPs in the UK.

UK Broadband Market Estimated Growth to 2013



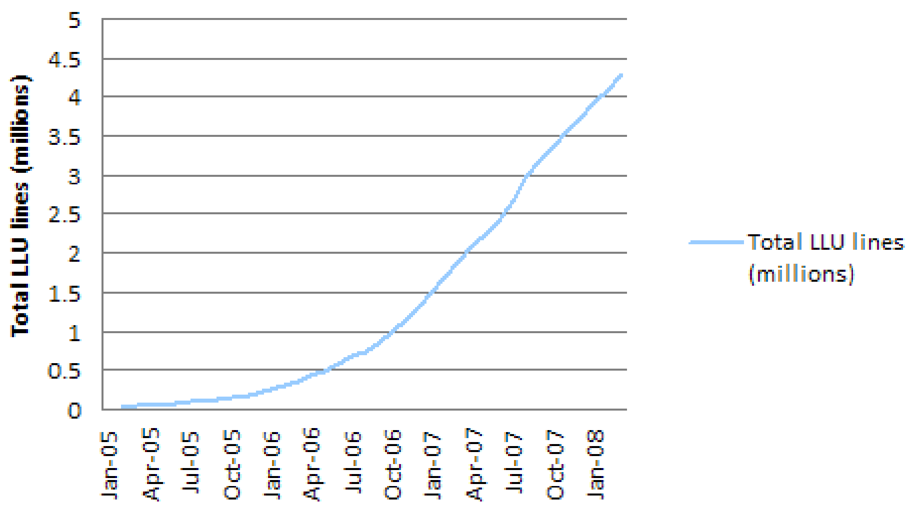
There could be over four million British homes and businesses on high-speed fibre broadband within five years.

New forecasts by Point Topic, the broadband analysts, suggest that optical fibre will be in use for about 20% of the 22 million broadband lines expected in the UK by late 2013.

The cable TV network is expected to stand up well against this challenge, holding onto 23% of the broadband market, because it is already going some way towards providing much higher speeds.

But the proportion using basic DSL, the telephone line technology which is the mainstay of today's broadband, will have dropped from over 78% today to only 57%.

Growth of LLU lines in the UK



2007 was the year of unbundling in the UK. The number of local-loop unbundled (LLU) lines almost trebled from 1.3 million to 3.7 million.

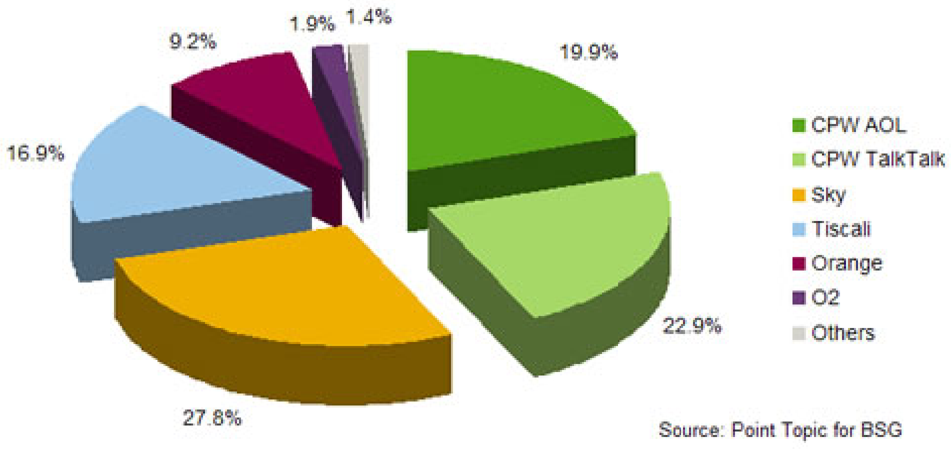
The great majority of customers enabled for LLU are now on unbundled lines. Better still, LLU users are far better pleased with the service they are getting than they were a year ago.

LLU will never see such a rapid advance again. The early reports from BT Openreach suggest that the first quarter of 2008 was also quite strong for LLU, with over 560,000 lines added. But future quarters are likely to show a declining trend.

The market for LLU is in sight of saturation, and adds will do well to reach 400,000 per quarter in future. We estimate that Sky, Orange and Carphone Warehouse's TalkTalk brand now have virtually all the customers within their LLU footprint on unbundled lines. Only Carphone's AOL and Tiscali have significant numbers of customers still to migrate.

Most future LLU growth will have to come from extending the footprint, bringing in new customers and winning more market share.

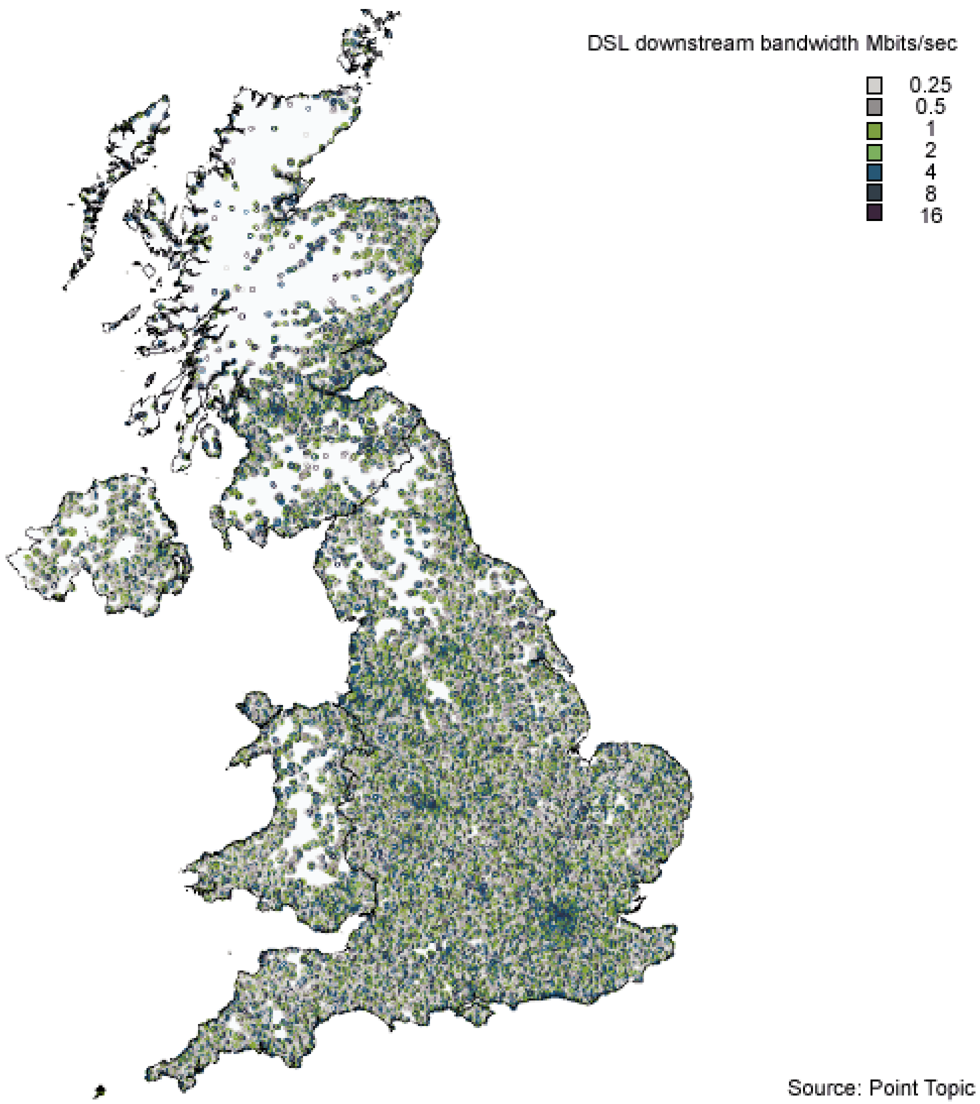
LLU line share by ISP - latest quarter



2007 was the year of unbundling.

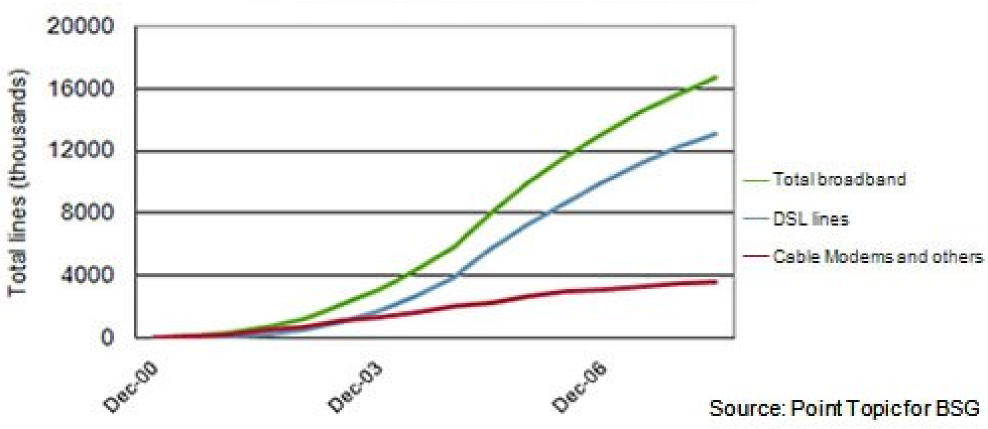
- Sky and TalkTalk are the big gainers in the year, both having more than doubled their share of the installed base of LLU lines, from 13% to 28% and from 10% to 23% respectively.
- AOL has dropped slightly, from 22% to 20%.
- Tiscali and Orange are the main losers, dropping 16% between them.
- Results from Point Topic's latest Consumer Survey (CS5) suggest that Be/O2 captured 12% of the customers who chose to churn to an LLU broadband provider in the last six months of 2007, despite having only 1.4% of LLU lines at the beginning of the period.

Broadband Speed by local authority - UK broadband speed availability by exchange



The above map demonstrates average available downstream speeds for ADSL lines in the UK, according to exchange. As with all maps of this nature, this is indicative only and actual speeds experienced by consumers will vary according to a range of factors.

Global broadband technology



Despite the talk of fibre being rolled out across the world, DSL connections are by far the most popular type of Internet service.

- By mid-2007 there were over 300m broadband lines in the world
- Over 200m of these lines were DSL
- Fibre made up almost 34m of these connections

Article courtsey of the Broadband Stakeholder Group

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Unbundled lines grow to 5.8 million

At one time most people could only get their broadband and landline telephone service from one provider - BT.
But a process known as Local Loop Unbundling (LLU) changed that.
It allowed phone companies other than BT to install telecoms equipment into the local BT exchange.

Unbundled lines

In three years, the number of unbundled lines has increased from 123,000 to 5.84 million.
This has allowed millions of homes and small businesses to switch from BT to other providers, which in turn has led to much greater competition, a wider range of services and lower prices.

The spur for the surge in unbundled lines was a set of legally-binding Undertakings that Ofcom agreed with BT Group which led to the creation in 2006 of the operationally-separate BT business unit Openreach.
In 2006 Ofcom also set the maximum prices that Openreach could charge for its wholesale services.

'Competitive prices'

These charges did not include an annual adjustment for inflation or changes to other costs.
In light of changing economic and commercial conditions, Ofcom has decided it should now amend these charges to reflect cost changes arising from this.
These new prices cover Openreach's wholesale unbundled line services to homes and businesses.
They are designed in particular to promote continued competition in the provision of voice and broadband services and to ensure that Openreach has the appropriate incentives to invest in delivering the services required by its customers.

Ofcom Chief Executive Ed Richards said: 'The new prices will enable Openreach to earn a fair return whilst allowing continued strong consumer take-up of broadband at competitive prices.'

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Will other European fixed broadband markets end up like the UK?

TalkTalk Telecom's recently announced acquisition of Tiscali UK gives control of more than 74% of the UK's retail fixed broadband market to three very different major players, and potentially signals the cessation of M&A activity in the UK fixed broadband market. The remaining operators have little to offer one another: those that differentiate are strong enough to stand alone, and those that do not are not necessarily valuable enough to merit acquisition. Germany is taking a step towards, and the UK is joining, other highly consolidated European markets such as France and Sweden, playing out one potential endgame for fixed broadband across Europe.

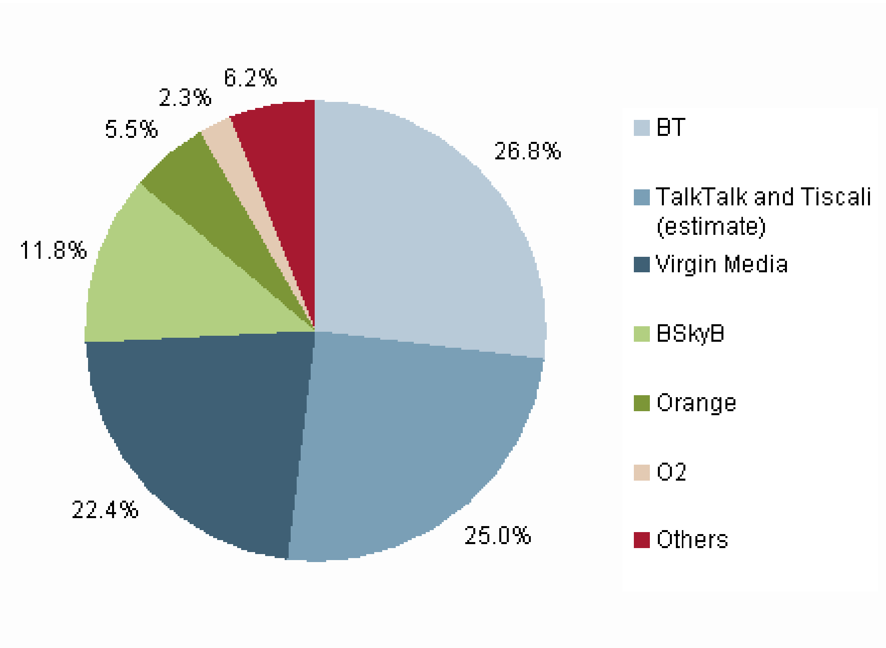

Figure 1: Equivalent UK retail fixed broadband market share, 1Q 2009 [Source: Analysys Mason, 2009]

Depending on the country, major operators tend to fall into one of the following six categories, and it is likely that a maximum of only one of each type can survive in most broadband markets.

- **The incumbent**: Incumbent operators will continue to maintain a significant market presence because their brands are strong and, in most cases, consumers have a high level of trust in them. Incumbents also have the advantage of market inertia, in that a proportion of subscribers are relatively insensitive to which player provides their services and would therefore remain with the incumbent irrespective of the relative strength of its offering.

- **The price-leader**: Price-leaders with simple fixed-line service propositions (such as TalkTalk and Tiscali in the UK, or Tele2 in other markets) may not be able to thrive in a recession simply because they have too little margin to invest in as a means to buy customer loyalty. To counter this, players are attempting to achieve greater economies of scale through mergers and acquisitions such as the deal between TalkTalk and Tiscali.

- **The value bundling player**: An approach not fully emulated in the UK, but popular in France, is that of Iliad (operating under the brand 'Free'), which has offered a bundle of broadband services priced at EUR29.99 per month since 2002, later adding new services (such as IPTV, and flat-rate and international voice calling) and higher-speed broadband access. Iliad's highly successful approach was to continue to develop and increase the perceived value of its service at no extra charge.

- **The content-centric player**: Cable (and satellite) operators frequently have larger content portfolios and longer-standing relationships with content rights holders than their telco counterparts. Spend on TV services seems relatively protected from the effects of the recession, so content-centric players will find it easier to maintain service differentiation and, as a result, their market shares during the downturn. The UK is a tough market for TV services because of the presence of two well-established and successful pay-TV operators (BSkyB and Virgin Media) and a strong free-to-air DTT proposition.

- **The 'premium' or high-speed broadband player**: The evidence of demand from other European markets suggests that most consumers are reluctant to pay a significant premium for a suite of services based on higher access speeds, which would be required to fund the network roll-out. However Virgin Media, as with many other cablecos, is well positioned to offer higher-speed services over its cable network relatively inexpensively.

- **The mobile-centric player**: Mobile-centric players have an opportunity to maintain their shares of the broadband market as long as their fixed and mobile services are bundled attractively, but they have little incentive to prevent fixed–mobile broadband service substitution, which could undermine any growth in the fixed broadband subscriber base. O2 and Orange offer fixed broadband services alongside their mobile services in the UK: O2's share of the retail broadband market is growing, but Orange's is shrinking.

A market that consists of only a few of these players is likely to become the norm throughout Western Europe – particularly in markets where a single player competes strongly on more than one front (such as SFR in France, which is both mobile-centric and follows the value bundling strategy, or Virgin Media in the UK, which aims to compete on both content and speed). More-fragmented markets, such as Germany or the Netherlands, have a proliferation of operators with relatively undifferentiated propositions and are therefore ripe for consolidation – as the freenet acquisition indicates.

Whether European markets eventually consolidate to two or six major players, few customers will be left for operators that do not dominate in one of the above areas. Any remaining business is likely to be slowly squeezed into a niche market – the market share of players outside of the top 20 European broadband operators is already compressed to 38% of all subscribers, shared between thousands of players. In the long term, many operators will need to follow Tiscali's lead by consolidating their operations, and picking their markets wisely.

Courtesy Analysys Mason

28 May 2009

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Thousands of medical records lost

Between January and April this year, the NHS has reported 140 security breaches, more than the total number from central government and all local authorities. The losses included 6,360 medical records going missing on a memory stick from a prison; 2,500 patient records discovered on computers that were left beside a skip at St Pancras hospital in London; and a GP that downloaded a complete patient database to his unsecured laptop which was consequently stolen from his home and never retrieved.

In an interview with The Independent, the assistant information commissioner Mick Gorrill blamed the growth of a "cavalier attitude" among NHS workers across Britain for the exposure of the sensitive records. He said a number of "inexcusable" data losses within the NHS had become a cause of "great concern".

"Medical history is very sensitive personal data, which is likely to cause harm or distress. The law dictates they must keep this information confidential, but the NHS is by far the biggest offender within the public sector," Gorrill said.

"There needs to be a recognition that this information affects real people and can cause real harm if lost. Just as workers would never disclose information they had been told by a patient, they should also treat information in exactly the same way."

He added: "There is a complete disconnect between the procedures laid down by managers and what happens on the ground. We need a complete audit to try to change the culture."

The Information Commissioner Richard Thomas has written to the Department of Health's (DH) permanent secretary, Hugh Taylor, demanding immediate improvements to the NHS's treatment of personal data. According to The Independent, a team of inspectors will be deployed to examine how data is protected by hospitals and medical workers across Britain.

Over the last six months, the watchdog has been forced to take action against 14 NHS institutions for breaching data regulations.

Michael Summers, vice-chairman of the Patient's Association, said that the action from Thomas was long overdue.

"It is a bit late as no one has been taking responsibility for sorting this out," he said. "Patients have grown up with the idea that what they tell their GP will not be divulged. These data losses totally undermine that, causing great worry to many people."

A spokesman for DH said that Taylor would be replying "in due course" to Thomas's concerns. He said that action would be taken "against anyone responsible for breaching our strict data protection rules".

"The chief executive of the NHS wrote to all senior health managers reminding them of their responsibilities," he said.

"The department is also providing, through the National Programme for IT (NPfIT), electronic patient records systems that are protected by the highest levels of access controls and other security measures, a secure NHS network for exchanging information that is centrally monitored and strongly protected and secure NHS email facilities that encrypts all data in its system."

26th May 2009

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Vetting data loss was covered up

Last September three USB sticks were stolen from the Service Personnel and Veterans Agency at RAF Innsworth. The agency provides support services for current and former RAF personnel. It was believed that tens of thousands of details were lost in the theft.

Now it has emerged that the files not only contained standard personal information such as names, bank accounts, national insurance numbers and addresses, but also very personal information used in vetting processes.

An internal MoD memo said that some files contained "details of criminal convictions, investigations, precise details of debt, medical conditions, drug abuse, use of prostitutes, extra-marital affairs including the names of third parties".

The memo raised concerns that the sensitive data "provides excellent material for Foreign Intelligence Services and blackmailers".

RAF officers and personnel could be publicly embarrassed by revelations in the files and could become the victims of extortion, bribery and blackmail if criminals threatened to expose past incidents.

There are concerns that the RAF's slow acknowledgement of the vetting data loss could be seen as an attempted cover up.

Neither parliament nor the Information Commissioner's Office were told about the loss of the vetting data.

The MoD said in a statement that it took all data losses "very seriously". "All individuals identified as being at risk received personal one-on-one interviews to alert them to the loss of the data, to discuss potential threats and to provide them with advice on mitigating action," it said

"There is no evidence to suggest that the information held on the hard drive... has been targeted by criminal or hostile elements."

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ENISA publishes resilience warning

In particular, the European Network and Information Security Agency (ENISA) has identified three technologies that suffer potential failings. These are: domain name services security extensions (DNSSEC), internet protocol v6 (IPv6) and multi-protocol label switching (MPLS). All three were assessed by network experts at ENISA on their ability to improve European e-government and e-commerce network infrastructures.

ENISA evaluated the technologies from two perspectives: first, related to the actual characteristics and network resilience-enhancing features of the systems; and second, addressing the effectiveness and security problems inherent in the technologies.

Key findings from the investigation were: the assessed technologies can improve both the resilience and security of the internet, but; commercial operation experience is missing for some of the technologies; there are neither operational best practices nor recommendations for applied network resilience; and there is a lack of management and coordination between stakeholders.

In response to these findings, ENISA made three recommendations. It said that resilient connectivity of European organisations must be ensured, expertise and best practice across Europe must be exploited and the existence of trained experts in Europe must be ensured.

ENISA executive director Andrea Pirotti said: "The recent spotlight on network unavailability, caused by cyber attacks and physical phenomena, highlights the urgency and the importance of ENISA's work on improving the resilience of public communications, vital for European e-government and e-commerce."

The research was carried out on the back of ENISA's Multiannual Thematic Programme, the objective of which is improving European e-communications resilience.

Friday May 29th 2009