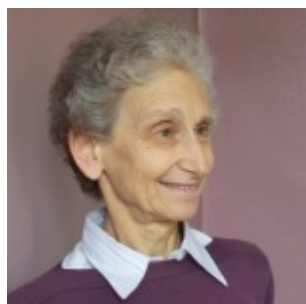


BT and Broadband: Ofcom's Strategic Review of Digital Communications



*Ofcom's consultation on their **Digital Communications Review** closes on 8 October. It will shape the development of digital infrastructure for the next decade and beyond, and have a massive impact on the private companies that provide it. Ofcom could recommend a major shift in the competition framework that has made the UK a leading e-commerce market with low prices, or could even recommend the breaking up of BT. On 7 October, Ofcom's CEO Sharon White will give a major public lecture at LSE. Claire Milne, visiting fellow in the LSE Department of Media and Communications, argues here that White and Ofcom not*

only have to find more radical solutions to BT dominance of the broadband market via Openreach, but they need to support consumer literacy and competence in order to make markets deliver for UK consumers.

Broadband furore

There's an ever more evident gap between the government's claims for its **broadband strategy** ("95% of premises within superfast coverage by 2017") and the widespread experience of being unable to get even basic broadband – illustrated by disappointed comments, for example, from people living in **Wales** and from **small businesses**. In part-response to this public disquiet, back in March, Ofcom launched its **Strategic Review of Digital Communications**, which is now nearing an important milestone – the deadline of 8 October for responses to its July **discussion document**.

The central issues are how to stimulate investment to bring long-term, fit-for-purpose broadband to everyone in the UK soon (mostly by providing end-to-end optical fibre), while at least maintaining current levels of competition. Ofcom's conclusions will have major effects on the UK's digital infrastructure over the coming decade, but their 'emerging views', which take account of all input received and all available evidence, are due by the end of the year. This stage of consultations is often much longer, as was notably the case in the last **Strategic Review** ten years ago. This suggests that Ofcom already have a fair idea of their way ahead.

Opening Openreach

The big battalions of vested interests have been out there in force for months, arguing their cases over the management and status of **Openreach**. This BT-owned network access business provides the final wired connections to customer premises on which most broadband services depend; its investment and service performance **have been much criticised in recent years**. BT naturally prefers to preserve current arrangements, and points to the big financial (and potential legal) risks of upsetting them, while **promising improved outcomes**.

Meanwhile, many of BT's competitors and customers both large and small, individually or in concert, are calling for radical reform to open up existing 'passive' infrastructure (like trenches, ducts and dark fibre) and to stimulate investment in fibre reaching all the way to customers' homes and offices – and not just to street cabinets, as has been mainly BT's practice. A **letter to the Financial Times** signed by Sky, TalkTalk, Vodafone, the Institute of Directors, the Independent Networks Co-operative Association, the Association of Independent Professionals and the Self Employed, and the Federation of Communications Services (representing smaller service providers), calls for a reference to the Competition and Markets Authority for a full investigation.

Buried evidence

It may sound as if this difference of perspective could be settled by a dispassionate analysis of facts. However, this is more easily said than done when vital evidence lies buried – both figuratively, within a private company that doesn't see its interests served by digging it out, and literally, in the unknown condition and serviceability of many thousands of miles of ageing copper wires. Given this lack of evidence, estimates of the cost of network upgrades to give everyone fit-for-purpose broadband vary widely, and may go as high as £20 billion. While these are large sums of money, they are small by the standards of public infrastructure investments (for example in energy or transport), and **arguably** small compared with the long-term benefits.

While Ofcom (with those most in the know) tread gingerly over this treacherous ground, can the rest of us make any useful contribution to this review, and if so, how? Ofcom themselves are keen to point out that the review isn't only about Openreach; competitive markets don't work without engaged consumers, and one of the review's areas of focus is 'empowering consumers with the ability to assess their choices and make informed decisions'.

Getting consumers on board

Having been involved for a long time with telecoms consumer policy, I'd like to float a few ideas for consideration in this area. Though they are neither new nor original, maybe their time has come.

First, couldn't Ofcom do more in the future to support consumer education, information and choice? In particular, rather than leaving most of the job to market-driven comparison websites, why not commission independent, comprehensive, consumer-friendly comparison tools, ideally incorporating real consumer experience on the TripAdvisor model? Knowing where to go for simple, authoritative advice should boost consumer confidence, and successful switching where warranted.

Second, to route network investment to where it's most needed, what about an independently run open online 'broadband marketplace', where communities can muster their demand and service providers can offer to fulfil it, making efficient use of public subsidies? Will Perrin's **rural broadband manifesto** explores this approach in some detail; it could help assuage trouble spots, both rural and urban, whatever the verdict on Openreach.

And **third**, the review offers the opportunity to abolish unnecessary cost barriers, which, as Ofcom's **affordability research** shows, still exist for some households. What about a new General Condition of Authorisation, parallel in intent to the one obliging service providers to serve their disabled customers properly, requiring 'no frills' entry-level packages to be included in all consumer product portfolios?

This article gives the views of the author and does not represent the position of the LSE Media Policy Project blog, nor of the London School of Economics and Political Science.

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