BACKGROUND

This submission responds to Ofcom’s consultation on its annual plan for 2015/16.

The geographical area administered by the City of London Corporation contains more than 13,500 businesses, 98.5% of which employ fewer than 250 people. Around two thirds employ fewer than 9 people. The City fosters very close links with businesses in its area and backs SMEs in surrounding boroughs through partnership programmes, the provision of accommodation and business support. Businesses in the City and in surrounding areas not only intensively use broadband but also comprise a large and growing number are digital technology companies. The Corporation is, therefore, in a position to provide informed comment on the importance of superfast broadband to businesses in and around the City.

INTRODUCTION

We strongly support Ofcom’s statement of its Strategy as being, in part, to “work for consumers and citizens by promoting effective competition, informed choice and the opportunity to participate in a wide range of communications services, including post.”

It would be a significant improvement to Ofcom’s plan if its documentation made clear that the ‘consumers’ to which it refers includes individuals and, separately, businesses. It is the City’s view that an explicit acknowledgement of business ‘consumers’ will help to increase the recognition given by Ofcom to the needs of business. Such a move should also help Ofcom to reassure businesses that their concerns are being addressed.

SUPERFAST BROADBAND

Ofcom’s approach to competition is not producing effective solutions to the significant problem of a lack of superfast broadband. Recent research by CEBR shows that City businesses have an average speed of 11.9mbit/s compared with a London average of 20.5mbit/s. When considered in the context of the standard definition of ‘superfast’ as being more than 20 mbit/s, it can be seen that the City suffers from relatively poor speed as well as low speed in absolute terms. Standard “superfast broadband” definitions usually refer to download speed - Ofcom should place greater emphasis on providers offering a suitable level of upload speeds. Where connections are through copper lines, upload speeds can be below 1mbit/s which is significantly below the level required for SMEs to undertake concurrent online tasks and reduces opportunities for them to benefit from IT infrastructure such as Cloud based services. Furthermore, the current regulatory approach to competition does not encourage sufficient investment in current and future superfast broadband infrastructure. The lack of superfast broadband, the high cost of installation and concern about the lack of investment is evidenced by the square mile having the greatest concentration of applications for BDUK vouchers to help with the cost of installing superfast broadband.

Ofcom should be careful to distinguish between the types of broadband provision. Broadband through leased lines provides the fastest speeds and, while available to major institutions with large sums to pay for connectivity, cost many hundreds of pounds per month. The cost of leased lines makes them unaffordable to all but the largest corporations. Outmoded copper broadband costs around £10 per month but does not provide speeds apt for modern business.
Ofcom’s annual plan should address what seems to be a failure in the way the market operates in relation to the cost and availability of superfast broadband – this might be by way of introducing a universal service obligation similar to that elsewhere in the sector.

In its 2015/16 plan, therefore, Ofcom should commit to tackle this apparent market failure and prioritise changes to its approach that will give greater weight to ensuring the competitive environment leads to affordable access to superfast broadband for businesses of all types – from self-employed individuals through to SMEs.

In its 2015/16 annual plan, Ofcom should undertake to ensure telecoms providers publish data about their existing infrastructure and, subject to commercial sensitivities, investment plans.

Some parts of the country have a more urgent need than others for action to improve broadband provision. Ofcom should, by the end of its 2015/16 plan, complete a review of the whether the broadband deficit in certain parts of the country could be tackled ahead of that elsewhere. The review may, for example, take into account data from BDUK’s voucher scheme, the intensity of an area’s economic activity, the number of businesses running on copper ADSL lines and the concentration of hi-tech industries. It seems likely that tackling the broadband deficit in this targeted and systematic way would result in quicker wins in the areas of greatest need.

Within the timeframe of the annual plan, Ofcom should provide an assessment of the degree to which exchange only lines and inaccessible ‘local loops’ restrict the provision of superfast broadband and the impact those restrictions on productivity and the UK’s competitiveness in general.

Yours Sincerely

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