



Department for Culture Media & Sport

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Dear Sharon

Ofcom's Strategic Review of Digital Communications represents a definitive moment for the future of communications infrastructure and services in the UK. Clearly Ofcom will make any decisions based on an analysis of the evidence it receives and in line with its duties and obligations. To help inform that work I thought it would be useful to share with you the Government objectives relating to digital communications.

As you will be aware, we have set out our high level objectives for the review of the Electronic Communications Framework that is now underway. These include encouraging competition, investment and innovation, quality of experience for the user and empowering and protecting consumers. There is considerable read across from these to the questions and issues you are addressing in the review.

For convenience, I have set out this letter under the four headings listed below, with the sections of the Discussion Document that refer:

- Extending availability - mainly Sections 6 and 7;
- Convergence and changing market structures - Section 8 - and Openreach issues - mainly Sections 11, 13 and 9;
- Empowered consumers - Sections 12 and 13; and
- Deregulation & Electronic Communications Framework Review - mainly Section 14.

Extending availability

I am sure you will not be surprised that we consider a competitive communications market is the best way to ensure investment takes place which will deliver the infrastructure that will be required in the future.



Of course many live in areas that may not be considered commercially viable. While there are public policy approaches that can be applied to address these under-served areas, the Government hopes that all options can be considered, including how Ofcom might use its existing regulatory powers to ensure that coverage is extended; in line with the duty to 'further the interests of citizens in relation to communications matters and to secure availability *throughout* the United Kingdom of a wide range of electronic communication services'.

Market structures

The Government recognises the need to encourage investment. Careful consideration needs to be given to what long term incentives and regulatory inputs will best encourage sustainable investment by alternative providers in infrastructure across the UK, while acknowledging that effective competition is desirable to drive investment

In the mobile market I consider that the current level of competition has served the UK well. I await with interest the outcome of the competition authority's review of the proposed Hutchison/O2 merger. Whatever the outcomes, we continue to put a high value on the availability of mobile services available throughout the UK, delivering services that meet the needs of users. I expect that users will in the future, if not already, demand 'application coverage', allowing them to use their apps wherever they are. I hope that the review will be able to consider how to support the investment necessary to deliver this outcome.

In fixed networks, much has been achieved but the Government is keen that competition in markets continues to drive productivity and growth. As such I hope to see encouragement for increased sustainable competition, whether that be competing networks or access based regulation through a mix of active and passive remedies.

I am concerned about the provision of adequate connectivity for small businesses and whether their needs are being met. There is a question as to whether the current levels of differential pricing in consumer and business markets is justifiable going forward, when the underlying infrastructure is similar to both. This may require a redefinition of the markets at the European level, which could be considered as part of the review.

The underpinning regulatory framework for digital communications is the responsibility of Government and I recognise that competitive pressures, market developments and technological changes will probably require a regulatory response. I therefore particularly welcome Ofcom's Review, as providing timely inputs and evidence to our review of the EU Electronic Communications Framework.

On BT Openreach, I know that this is one of the more contentious and sensitive subjects that the Review is addressing. Arguments have been made very strongly on both sides and I know the issue is very complex. I am sure that in making your decision you will consider what is the best outcome for future competition, investment and the provision for businesses and consumers of high quality connectivity.

You have raised pay TV content as a potential competition concern with respect to bundling. I would hope that any decision you make will take into account overall benefit to the consumer.

Empowered consumers/Quality of Service

I fully support Ofcom's intentions of making switching providers easier across the board. The idea of 'guided assistance' is interesting and appears similar to the government's Midata initiative, which applies in a number of sectors but not to digital communications.

Empowering consumers is a key area in driving a competitive response. Informed, empowered consumers drive competition and growth so I encourage anything that increases clarity and transparency to help consumers find the best deals. We are giving further thought to this ourselves and increasing our policy focus on this area, but would welcome measures that result in more data being made available to consumers on the quality of services they are receiving and their experience.

For communications providers, levels of demand and users' willingness to pay are key considerations in investment decisions. I hope the review might consider how sustainable it is in the longer term for users to continue to expect increased capability and better levels of service for the same or lower prices.

Quality of user experience is increasingly important. As you reflect in your document, quality can be defined in a number of ways. However the work that was done in developing our Digital Communications Infrastructure Strategy suggests that speed should not be the main determinant of what future networks should deliver, reliability, resilience and security will also be vital. I therefore would encourage the more holistic and strategic approach you refer to in the document.

The outputs from this area will inform our approach to the issues of consumer choice and protection in the forthcoming EU Electronic Communications Framework review.

Deregulation and the Electronic Communications Framework Review

You are aware that the Government is seeking to reduce the regulations faced by business and so opportunities to deregulate or deliver more focused regulation would be welcome. In that context, I would ask that you share with my officials where you believe changes to the Electronic Communications Framework might be considered to support a better regulation approach.

I welcome your examination of how over the top services (OTT) can impact on regulation. These services are often innovative and have the potential to create additional competition and the development of new business models. I would also welcome Ofcom working with us to develop UK's approach to over the top services (OTT). There are clear signs that regulating these services will be a hotly debated topic in the Framework Review. As you know our initial view is that we should avoid any blanket approach and consider each on its merits. We will need to ensure our arguments are backed up with evidence.

I hope that these comments are helpful and I was pleased that we were able to have a preliminary discussion at the Ofcom Board Meeting on 20 October. I look forward to discussing in more detail at our future meetings. Ed Vaizey will also take advantage of his regular meetings with you to discuss the outcomes of the Review, as will officials.

Yours ever

John

Rt Hon John Whittingdale OBE MP
Secretary of State for Culture, Media and Sport