OFCOME DRAFT PLAN 207/8

Thank you for the opportunity to comment on the Ofcom draft plan for 2007/8. The next three years will be crucial to the development of converged services and if the UK is to benefit to the proper extent then secure foundations need to be laid now. I do not believe the Ofcom draft plan as it currently stands will make sufficient contribution to progress and UK citizens and consumers will continue to loose out in this area.

Since the formation of Ofcom the UK has slipped further down the international league table in deploying and exploiting modern ICT as a recent international review details (Evolution to Convergence 2007). While not suggesting a causal link, it is clear Ofcom is not addressing some core issues of competitiveness in the UK market. The prioritisations put forward in the draft plan will do little to improve the current situation. UK citizens and consumers will continue to be short-changed by technology progress, or rather lack of it, and will overpay, or worse be deprived of services.

Even the successes that have come have been at a significant cost to UK citizens in terms of delays, frustrations and missed promises yet there is hardly any recognition of this state in the Ofcom documents. To give just a few specific examples:-

? The roll-out of UK Broadband was slow and inefficient. There was inadequate national preparation and planning and there were enormous levels of consumer frustration as Providers sought ineffectively to get to grips with Broadband migration.
? The roll-out of 3G mobile networks and services, burdened by huge licence debts, was a general disappointment as Suppliers tried to deliver new infrastructure in unrealistic timescales, without the basics of network coverage or even handset availability. The rush to market in response to licence investments must be partly responsible for the poor user services, resulting in a lower than expected take-up and revenue from the new services, meaning both suppliers and consumers have lost out.
? Trials for new technologies for next generation access have been limited and under-funded leading to insufficient market research on consumer reactions to new technologies such as WiMx, Wireless Broadband (WiBro), TV to mobile and location based services. A few hundred test users are not an effective base on which to plan future advanced national services.

Ofcom is obviously not alone in responsibility for this state of affairs, but it should be a key player in improving the current situation. The lack of substantive progressive over the past three years, and the lack of vision in the current draft plan suggests the situation is unlikely to be improved.

It is one thing to debate the situation and explore issues. It is another to facilitate improvements. To give one small example, the current informal Ofcom consultation on next generation access issues shows a fundamental failure to get to grips with the real issues, challenges and opportunities. Our 2004 submission to Ofcom on the regulatory challenges of convergence could not have been clearer in spelling out the issues. Recent trips to Asia indicate the UK is not moving quickly or effectively on the world stage of international competitiveness with regard to next generation networks, access and convergence. Rather we seem to be content to muddle through and be in the middle or bottom of the international league tables, whereas our

historical strengths and early liberalisation in this area suggests we should enjoy a leadership position.

If we stand back and explore why this state of affairs exists there is one clear and uncomfortable conclusion which is it has been in the economic interests of the major players NOT to open up the market more aggressively but to move at the slowest possible place. Next generation networks and access should follow Moore?s Law in much the same way as computers and displays have, with continuing and substantial declines in prices AND improvements in performance. Yet in the area of networking, as with desktop software where there is a virtual monopoly, consumers and citizens have not seen these declines in price or improvements in performance. This failure to realise in a timely manner the improved performance and lower prices for citizens and consumers is at the heart of the Ofcom brief and challenge. Why should network and service providers move to a situation where their income drops while at the same time consumers enjoy higher speeds and lower contention rations any more quickly than they need to? A slow rate of change is in their commercial interests and their virtual monopoly positions means they can get away with it.

It could be argued the price reductions there have been have not been the result of the major incumbents deploying newer and more efficiently technologies, but are a competitive response to the small number of new entrants who have deployed new technology early and efficiently and so were able to offer higher bandwidth and better contention ratios at a fraction of the price of incumbents. Ofcom could be seen as having implicitly supported the status quo in this situation.

From a national perspective this has resulted in significant compromises which further slow the pace of development, and therefore delay the realisation of end-user benefits. The incumbents have been forced to lower their prices, whilst maintaining the inefficiencies of their legacy networks so consumers have suffered from delays and poor service, and poor quality of end-to-end solutions while service providers have the added complexity of managing dual networks.

Some think the UK should congratulate itself on having some 50% of the UK population on a broadband service, but this still leaves 50% on legacy narrowband solutions and in the current regulator environment there are few if any incentives for moving these users to a better service. Since the full benefits of newer technologies are only realised when the old networks are shut off we are in the paradoxical situation of being the in the worst of all possible worlds. Providers do not realise the savings and other improvements from the all new networks, and consumers do not enjoy the improved quality in end-to-end service provision. The Ofcom draft report shows little if any sign of recognising this ?Catch 22?. There are few signals about incentives for change, or penalties for preserving the status quo so citizens and consumers will fail to enjoy improvements in a reasonable timescale.

There is the opportunity in the next three years to dramatically improve the current situation for suppliers and consumers alike, without requiring massive new investments in infrastructure. New technology is disruptive, being cheaper to buy, install and maintain, as well as offering higher speeds and better end-to-end quality. The Ofcom draft report and current consultation show a dangerous level of ?either/or? thinking where there are assumed to be a few winners and many losers. What is

needed is a more inclusive ?and? thinking where a variety of solutions may offer what is needed, and the regulatory environment should encourage this, as the Hong Kong Regulator has done so successfully in recent years.

The previous approaches to bandwidth regulation have clearly resulted in suboptimal solutions for citizens and consumers, whether it was the auctioning of the 3G spectrum, the lassie-faire liberalisation of exchanges, or the short-sighted support of continuing to make consumers pay for copper in the ground with annual rental when the capital costs were repaid in full many, many years ago. Unless the current situation is improvement citizens and consumers will continue to be short-changed.

There are many potential solutions already available which are not been actively explored with the ?inclusive? not ?either/or? thinking mentioned above. Innovation, including the potential for some novel peer-to-peer or Opensource approaches, have not been given due consideration, and should be actively explored at the national level. This is not the role of Ofcom and this is one significant challenge. Unless there is clarity in the Policy Departments, and this means a National Vision and subsidiary visions within Individual Government Departments, Ofcom cannot perform a more effective role. An informed judgement estimates some 40 plus separate major Government ICT initiatives within and across different Departments, without any clear strategy, leadership or direction. Contrast this with those countries that are surging ahead in this area and it comes as no surprise that Ofcom has been unable to deliver more.

Despite the progress significant National Opportunities have been missed and considerable money has been wasted on isolated and ill-thought through schemes. The Ofcom draft report essentially legitimises the current situation and looks for slow and steady progress when the nature of the technologies is to produce discontinuous improvements for the end user. Unless there is a fundamental rethink of the issues and priorities, with a clear and holistic ?end-to-end? perspective and strategy UK Consumers and Citizens will continue to loose out from the absence of next generation networks and access and convergence.

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