Future broadband

Policy approach to next generation access

Dougal Scott
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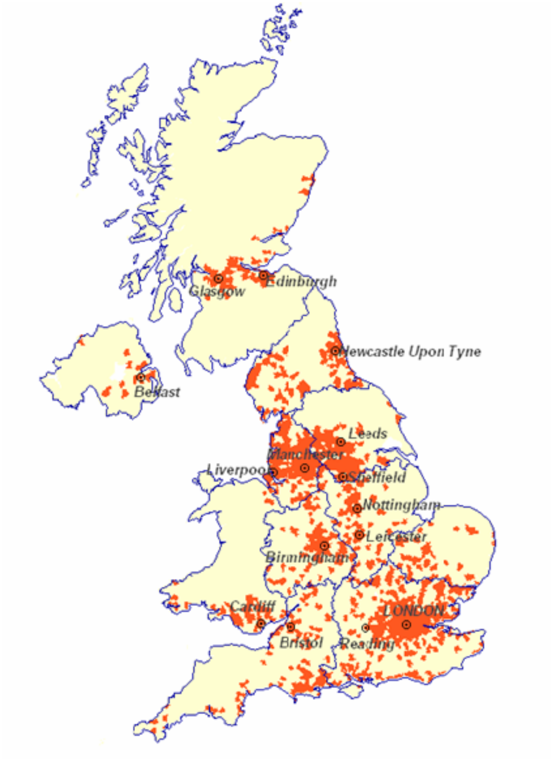
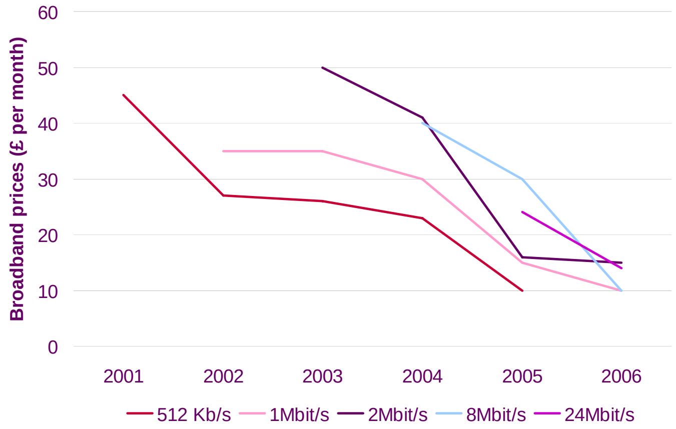
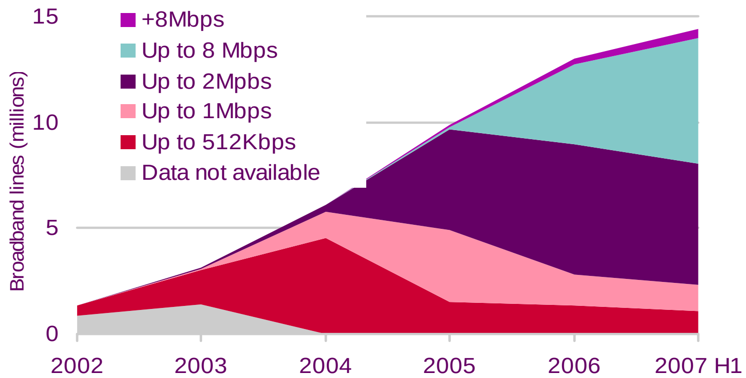
More than 60% of homes can choose from four or more network providers…

... and competition has driven take-up, price reductions and increased bandwidth

UK LLU coverage, June 2007



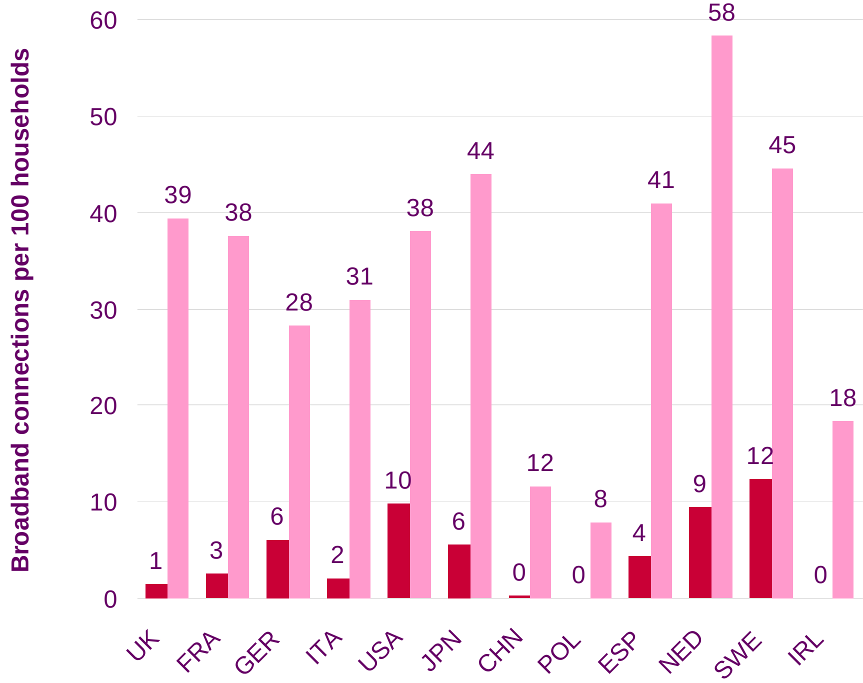




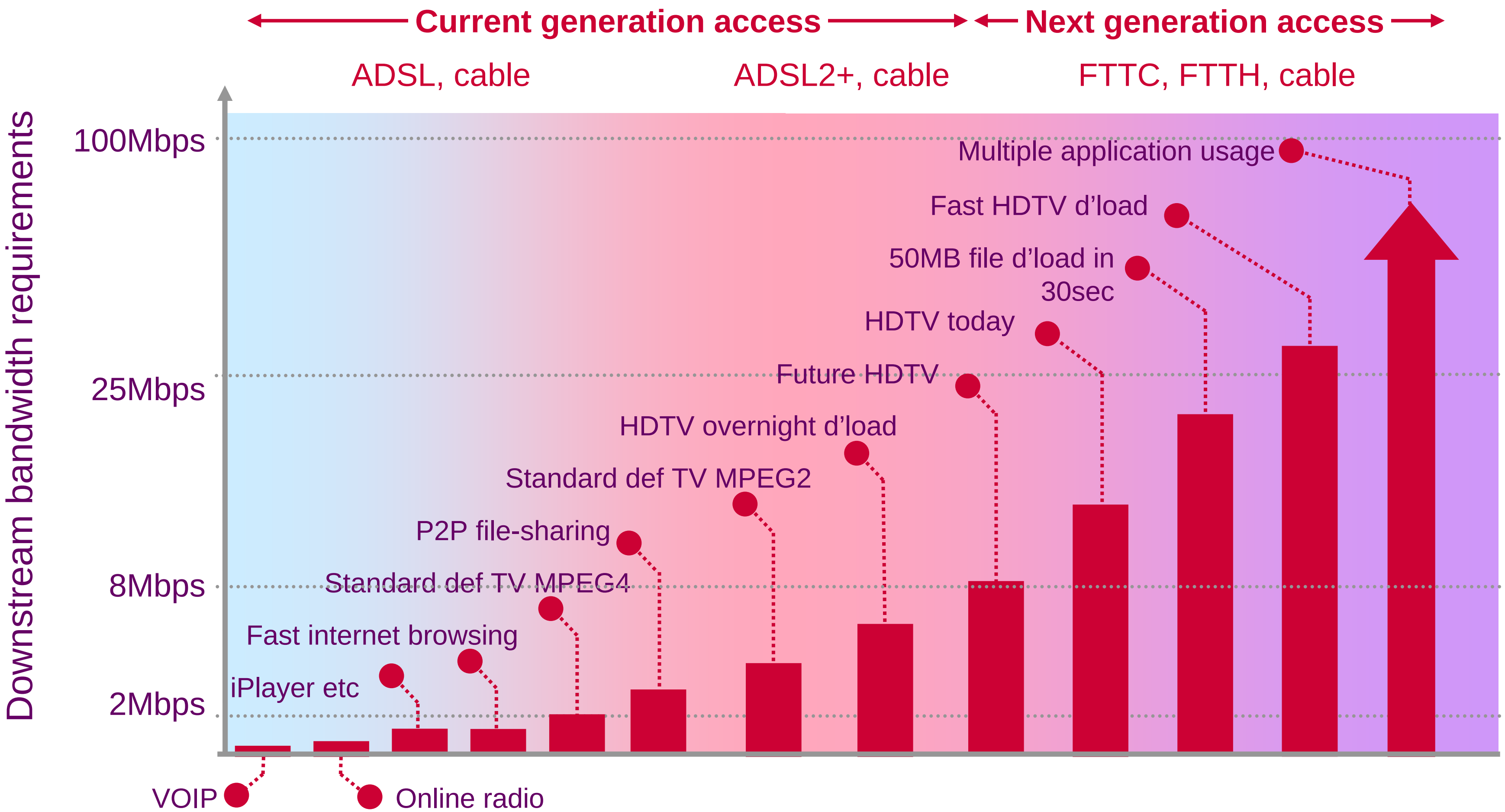
… and continues to compare favourably with our international peers

The UK is one of the leading countries in terms of both availability of broadband…

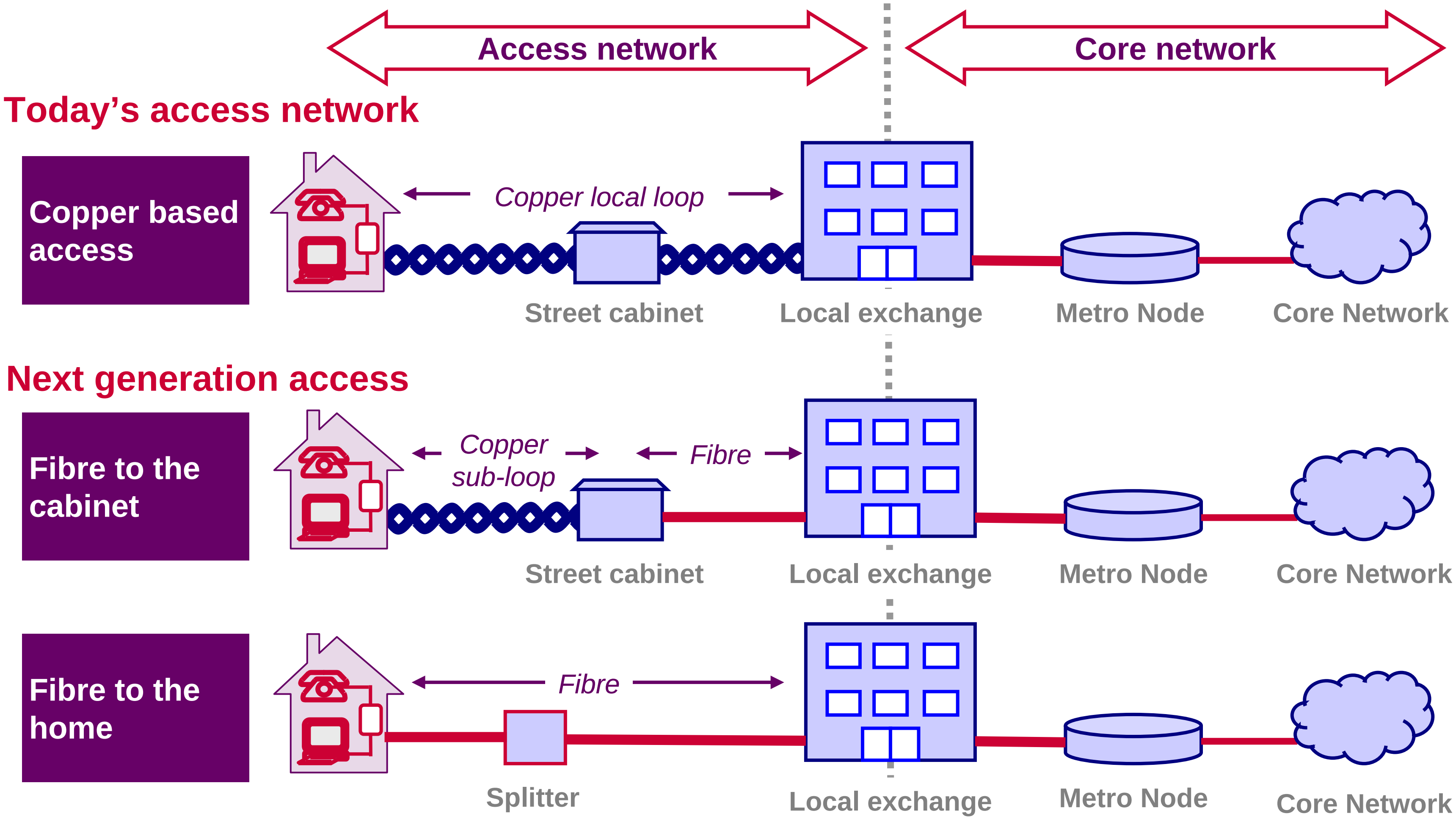
… and is climbing the international rankings on take-up



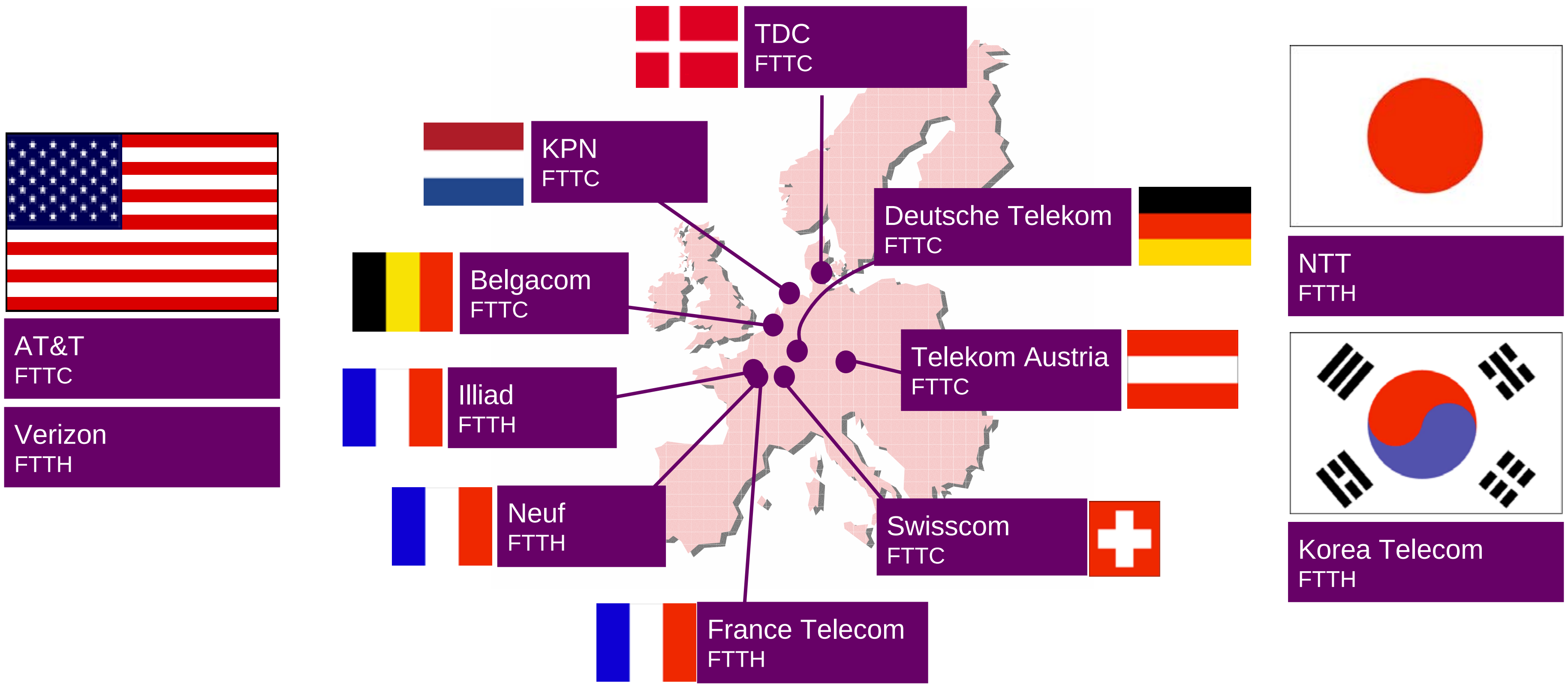
There will come a time when existing access networks can no longer meet increasing customer expectations



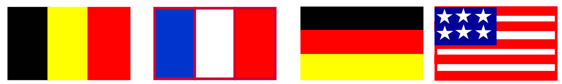
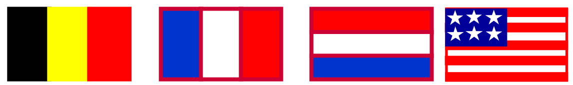
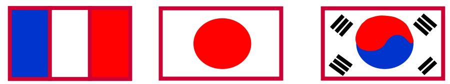
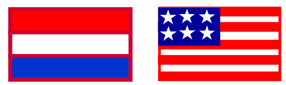
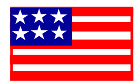
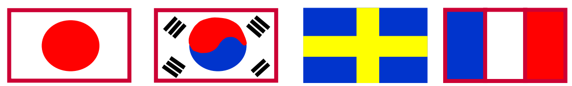
Evolving consumer expectations will require changes to the existing access network – next generation access



We're starting to see announcements from the market on next generation access in a number of countries



These announcements are as a result of a range of factors that vary between countries

Driver	Examples	Countries
New revenue opportunities	IPTV and video on demand services in less developed pay TV markets	
Broadband competition	Presence of competitive threat from cable or LLU investment	
Reduced cost build	Use of existing ducting e.g. sewers; use of aerial fibre	
Cost savings	Sale of local exchange buildings; operational cost savings	
Lower quality copper	Investment required to deliver higher current bandwidths	
Public sector intervention	Government or regulatory policy to incentivise investment	

The market and infrastructure characteristics are different in the UK

The UK's success last time was in part due to a clear regulatory framework based on well defined principles

Within the TSR, the three most relevant principles were:

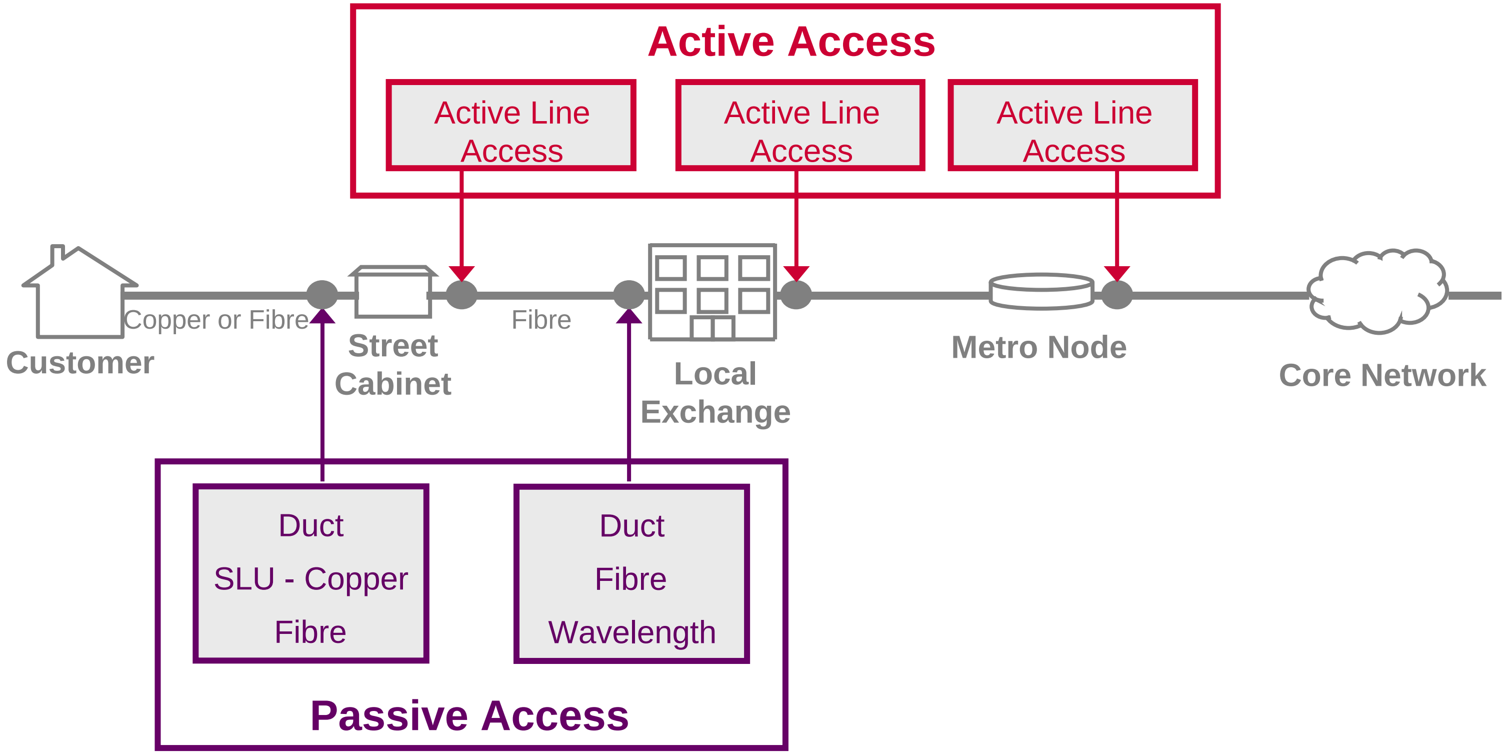
- *Contestable investments* – to ensure everyone can compete by making their own investments in their own time
- *Optimise the scope for innovation* to maximise consumer and business benefits from these new services; and
- *Require equivalence* where operators with market power must make their network infrastructure available to their competitors on the same basis.

These continue to be appropriate, plus two new principles specific to next generation access

- *Reflect investment risk in regulated access terms* to ensure investment is not disincentivised
- *Provide regulatory certainty* to allow investors to make fully informed decisions

We are consulting on the available approaches to implementing these principles

Options for competition can be divided into two main forms, active and passive, that apply at different locations in the network



Intervention to secure NGA investment today is premature, but should not be ruled out if circumstances change

- Next generation access network investments offer the potential for substantial benefits to citizens, consumers and the economy
- However, given the cost, to justify any public intervention in this area would require a lot of evidence in support
- We are yet to see this evidence emerge, but will continue to monitor the situation

"Government needs to take care not to pre-empt the market or to distort competition. But, if a government believes that gains from deployment of advanced networks are certain and that current services are inadequate, it can step in"
[Viviane Reding, 14 May 2007]

"Some might argue that, if Government believes next generation broadband is so important, why don't we pay for it? We shan't be going down that road. It would … run the risk of deterring private sector investment – duplicating investment that would have been made by the market, or undermining existing investment. The market must take the lead."
[Stephen Timms, 18 September 2007]

Next generation access is an incredibly broad issue, and it is vital that everyone becomes involved

- This is not just a debate for Ofcom, but affects a wide range of stakeholders:
  - Communications providers
  - Applications and service providers
  - Consumer groups
  - Business
  - Central government and the Devolved Authorities
  - Local government and regional development agencies
- Ofcom has a role to play both in ensuring there is certainty on the regulatory environment that will apply to next generation access, but also in promoting wider debate on this issue
- To guard against any risk that the UK may be left behind, Ofcom must remain actively engaged with all stakeholders on this issue