

## OFCOM

### WRITTEN SUBMISSION

Ofcom is the independent regulator and competition authority for the UK communications industries. Ofcom has a duty to secure the availability throughout the UK of a wide range of electronic communications, television, radio and postal services. Whilst we do not have the ability to deliver on this duty through the use of public funds, we have some important levers at our disposal, including for example the ability to impose licence obligations on communications providers.

We have a good working relationship with the Scottish Government's telecoms team, responsible for taking forward the government's Digital Scotland agenda. We ensure the team are aware of relevant consultations and research data across the realm of telecoms activities, including broadband, NGA, mobile, 4G, white space, and spectrum auctions. Our annual Communications Market Report for Scotland provide a rich picture of availability, take-up and use of communications services.

Ofcom's report 'The availability of communications services in the UK', published in May 2013, examined how and why the availability of communications services varies across the UK, and how it could be improved, including the role of markets, Ofcom as regulator and Governments, central and local. The report covered the availability of seven communications services: fixed voice, fixed broadband, mobile voice, mobile broadband, digital television, radio and post. <http://stakeholders.ofcom.org.uk/market-data-research/market-data/economic-geography/>

Here is the data for Scotland on those services targeted in the Scottish Government's Digital Strategy and draft 2014/15 budget, compared with the UK average.

<b>Measure</b>	<b>Scotland</b>	<b>UK</b>
Standard broadband % households	95.3	95.3
Urban	98.0	98.3
Rural	85.9	80.1
Superfast broadband % households	47.6	67.9
Urban	72.3	86.0
Rural	6.3	21.2
2G % premises served by at least 1 operator	99.2	
99.7		
Urban	99.7	99.9
Rural	97.9	99.1
3G % premises served by at least 1 operator	97.0	
99.1		
Urban	98.9	99.7
Rural	91.7	96.9

The availability of communications services matters because of the increasing integration of digital communications within daily life. Communications services provide consumers with access to vital political, educational, cultural and economic resources. They provide businesses with the opportunity to increase efficiency, develop new services, and to reach new markets. And they make possible new and more effective means of providing public services to citizens. At the heart of this change is widespread use of the internet. Broadband access to the internet, both fixed and mobile, is critical to ensuring that these benefits can be maximised and enjoyed by as many members of society as possible.

Fixed telephony is subject to a Universal Service Obligation and therefore available across almost all the UK. However, the availability and speed of fixed broadband internet access is subject to much greater variation. This is partially because of variability in the speed provided by current generation broadband, and partially because the deployment of superfast broadband is still underway, especially in more rural areas. The same is true of mobile services, both voice and data. Even where the outdoor mobile coverage delivered to households is good, there can be particular challenges associated with providing coverage inside buildings, on roads and on rail.

The variations are most evident between urban and rural areas, and also between the different nations and regions of the UK. Most of the variability between nations and regions is essentially due to parts of the UK being more rural than others. Once factors such as population density and the nature of the landscape (hills, valleys and buildings) are taken into account, the probability of good coverage is relatively similar between different parts of the UK.

Ofcom's approach is to promote well functioning, competitive markets as the principle means through which to deliver low prices, choice and quality for consumers and spur innovation among providers. The dynamics of competition can also deliver high levels of availability, particularly in more urban areas, as is illustrated by the recent rapid deployment of superfast broadband to roughly two thirds of the country.

However, where markets do not deliver optimal outcomes for society as a whole, different public bodies can and do take action. Our May 2013 report looked at several case studies, in order to consider the effectiveness of such interventions.

The analysis suggests that well designed and delivered interventions can make a very significant difference in a short period of time. The Department of Enterprise, Trade and Investment's (DETI) intervention to deliver super fast broadband in Northern Ireland stands out as a particularly clear example of this. DETI estimated that next generation broadband would only reach 50-60% of businesses in Northern Ireland without intervention. As a result of intervention, 95% superfast broadband coverage has been achieved. This provides an early indication of the potential outcome of the UK-wide programme being managed by BDUK.

Areas that have not previously benefited from commercial rollout are more likely to experience market shortfalls in the future. Consequently, public bodies that have intervened to extend availability in the past may expect to face the same pressures to do so again in the future. If this can be successfully anticipated, it may be possible to plan interventions at a sufficiently early stage that those areas do not always have to plan catch-up with the rest of the UK.

Where public bodies do intervene the key challenge is to ensure sustainability and value for money. Interventions should be carefully targeted at areas where the market will not deliver availability, without distorting competition in areas where the market functions well.

Interventions do not always have to be about spending public funds. Changes to planning laws, for example, can also reduce the costs of building communications networks, improving availability as noted in the report published on 16 September by Red Review, and supported by The Scottish Government ('Mobile performance and coverage in Scotland'; <http://www.scotland.gov.uk/Publications/2013/09/6141/0>

The frameworks for addressing universal availability remain best set by elected representatives. Ofcom's role in this context is to ensure that the necessary information is available to inform the debate, and we recognise the importance of this role by researching regularly the markets we regulate and publishing reports on availability and take-up (eg. The May 2013 report and the annual Communications Market reports for Scotland, eg. see <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr13/> as well as Ofcom's infrastructure reports which provide data for each local authority area in the UK. See <http://maps.ofcom.org.uk/> and <http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/broadband-speeds/infrastructure-report-2012/>

There are a variety of UK and Scottish Government initiatives to improve the availability of mobile and broadband services across the UK/Scotland.

- Commitments to provide superfast broadband to (i) at least 95% of premises in the UK by 2017 and 99% by 2018 and universal access to standard broadband with a speed of at least 2 Mbit/s (UK Government) including rural broadband schemes (ii) over 85 per cent of premises across Scotland by the end of 2015-16 and around 95 per cent by the end of 2017-18, as well as rural broadband schemes (Scottish Government).
- The UK Government is also providing funding of up to £150m to address the 0.3% of premises in the UK that currently have no mobile coverage, under DCMS's mobile infrastructure project (MIP). MIP should ensure that around two thirds of these premises will receive a mobile service from 2015, and is expected to raise total 2G coverage to 99.9% of premises. MIP is also seeking to improve coverage along at least 10 of the busiest roads within the UK that still have poor coverage.
- In order to reduce the costs of rolling out new infrastructure the UK Government have also announced a number of reforms to planning laws. These include measures to reduce the administrative burdens faced by

companies when installing broadband street cabinets and when laying cables on public and private land. The UK Government is also working with mobile operators, local government and other interested parties to streamline the planning process to speed up the deployment of mobile infrastructure.

- The recent 4G auction is an example of Ofcom using coverage obligations in licences to accelerate and expand roll-out. One of the lots of 800 MHz spectrum - which is particularly well suited to providing high levels of coverage - carried an obligation to provide indoor coverage to 98% of UK premises and 95% of the premises within each nation. This licence was awarded to Telefónica (O2) and we anticipate this will deliver outdoor coverage of around 99.5% of all premises and 98-99% of the premises within each Nation. We expect this obligation will drive improvements in coverage in a number of ways:
- Because Vodafone and Telefónica have reached an agreement to share infrastructure, Telefónica's coverage obligation should also improve Vodafone's coverage and thus reduce partial not-spots. Consumers who care strongly about coverage will know that there is at least one operator that provides particularly good coverage across the UK. Telefónica's coverage advantage is likely to spur other operators to extend their own coverage to broadly similar levels in order to be able to compete effectively for consumers. There is likely to be an increasing deployment of combined 2G/3G/4G equipment by the industry. Therefore wherever 4G networks are rolled out, we also expect 2G and 3G equipment to be installed alongside, reducing voice not-spots.

In combination, we believe these measures will lead to material improvements in coverage and consumer experience for broadband and mobile services over the coming months and years.

**Ofcom**

**11 October 2013**