



Ofcom DCR: Progress and Prognosis

A presentation to FCS Comms Provider 16 Conference

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Ofcom Digital Communications Review: “*Making Communications work for everyone*”

Key proposals in DCR statement of February 2016

- A strategic shift to large scale investment in more fibre – DPA, lighter regulation
- A step change in quality of service – more demanding requirements on Openreach, automatic compensation
- Empowering consumers to make informed choices – simplified information, switching of mobile, TV bundles to follow
- Deregulate whilst protecting consumers – voice services, BB, leased lines, GCs
- The right to broadband – broadband USO
- Reforming Openreach – legal separation, threat of structural separation

I’ll focus my comments on the last two proposals

Next steps – mostly through planned market reviews

So far:

- Switching Condocs (March and July 2016)
- BCMR Statement (April 2106)
- USO Condoc (April 2016)
- Automatic Compensation Condoc (June 2016)
- Strengthening OR independence (July 2016)
- Access to infrastructure guidance Condoc (July 2016)
- QoS WLR & MPF Condoc (August 2016)

Key market reviews to come:

- WLA (Wholesale Local Access)
- WBA (Wholesale Broadband Access)
- NB (Narrow Band)

Broadband USO

- Consultation in April, summary of results – opinion divided
 - Expansive: performance across all UK to be that delivered commercially
 - Conservative: better ways to deliver ubiquity, safety net, constraints on specification and costs
- What is the broadband USO trying to achieve?
 - Is broadband coverage/availability (supply side) the real problem?
 - What about demand side barriers? Without use, no social or economic value is achieved.
 - Affordability is an issue for some – how best to address this and fund it?
 - What about the current voice USO?
- How to set a minimum level of broadband connectivity?

Determining the minimum level of broadband connectivity to be universally available (1)

Proposed 7 step approach to trading-off affordable high quality broadband for all and cost of subsidy

1. Define the broadband services which should be accessible to all:
 - such services would already be in use by a substantial majority of the population;
 - lack of access to these services would lead to social exclusion; and
 - providing access to these services would lead to a net benefit to society as a whole.
2. Consider critically whether, on the basis of these criteria, access to high-definition video is in scope.
3. Set a minimum download speed and data download capacity.
4. Define affordability of universal broadband in terms of what is affordable by the average household.

Determining the minimum level of broadband connectivity to be universally available (2)

5. Consider whether the proposed subsidy required to achieve the specified broadband connectivity meets the net-benefit test.
6. Review the scope of universal broadband services and the minimum broadband speed required every 3 to 5 years.
7. Tackle the challenge of affordability by low income households separately.

Overall:

- Design Universal Service policy around the idea of an **Opportunity** rather than an **Obligation**
- Subsidize (as now) through direct **government funding** rather than an **industry levy**.

Strengthening Openreach independence (1)

The problem according to Ofcom: Incentives remain for Openreach to discriminate against its competitors through strategic decisions on investments, because of:

- retained control over strategy by BT Group;
- insufficient consultation by Openreach with its customers;
- lack of independence from BT Group in its governance and operations; and
- inability to undertake own research and development, independent of BT.

Strengthening Openreach independence (2)

Ofcom preferred model has 11 main features, with key ones being:

- Legally distinct and separately incorporated company.
- Independent board appointed by BT with Ofcom approval, CEO appointed by Openreach Board.
- Flexibility to set strategy and operate independently within financial envelope (set by BT Group).

BT proposal still has BT Group retaining a high degree of control.

Industry 10 point plan similar to Ofcom's model but goes further, proposing:

- Greater freedom for BT's other businesses to procure inputs from suppliers other than Openreach; and
- Openreach would need to publicly justify an overbuild of an alt-net FTTP network.



Questions?

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