

Next Gen 08 Conference

4 November 2008

Roger Darlington, Ofcom Consumer Panel - SPEAKING NOTES

In the limited time available to me, I want to address very briefly three key questions:

First, what will be the pattern of NGA roll-out if it is left solely to market forces?

Second, does this really matter? Third, how might the situation be changed?

What will be the pattern of NGA roll-out if it is left solely to market forces?

The Broadband Stakeholder Group commissioned Analysys Mason to produce a report entitled "The Cost Of Deploying Fibre-based Next Generation Broadband Infrastructure". Lots of assumptions and a mass of detail but headline figures:

For fibre to the cabinet, costs per premises constant for around 58% of the population, then slight increase in costs until reach 84%, then costs increase again.

For fibre to the home, costs per premises much higher than for fibre to the cabinet, but roughly constant for around 68% of population, then a steep increase in costs until reach 92%, then costs soar.

At the moment, fibre to the cabinet seems to be the preferred option for the UK. Working with that technology and Analysys Mason figures, we can reasonably assume that a market-led approach to the roll out of NGA would probably take it to three in five of the population (leaving 40% excluded) and possibly to nine in ten of the population (leaving 10% excluded).

These are figures for population. The Analysys Mason report has colour-coded maps for the various options. If we look at Figure 5.4, the red areas are those most unlikely to get NGA under market conditions – almost all of the land area of Scotland, most of the area of Wales, a lot of Northern Ireland, huge parts of south-west and north-east England, and rural areas throughout the length and breadth of England.

Does this really matter?

It matters enormously at both a technical level and a social level.

At a technical level, overlooking for moment that some people simply cannot get broadband at any speed, today's headline debates around whether one is getting 8Mbit/s a second paying for. Many are not getting anything like this – even in urban areas. I live in north-west London, an urban area, but located at the top of hill some way from the exchange and pay for 8 meg but never get 3.

Today's debate about missing out on 5 meg will in a NGA world be debates about losing out on 25, 50 or even 100 meg. If roll out of NGA simply predicated on market forces, today's digital divide could become for many a digital chasm.

At the social level, debate will not be about loss of a particular speed but lack of access to a plethora of services – the ability to run a business outside the urban conurbations, access to tele-medicine and on-line learning, new relationships with local and national government, involvement with peer-to-peer services that need high upstream speeds, and access to services which we cannot envisage now because there is simply not the infrastructure to make their development commercially viable.

As a hint of what such a digital chasm would mean for individual consumers, go to YouTube, type in “Ofcom Consumer Panel”, and watch a short video comparing today's broadband experience of UK consumers with those with NGA access in Utah in USA and Nuenen in Netherlands.

How might it the situation be changed?

The Panel recognises that the extent and speed of roll-out of both infrastructure and services must depend on sound and sensible business cases and that, in the main, the market will deliver such carriage and content when it makes economic sense to do so. It is not our wish – and indeed it would not be in consumers' interests – for the private or public sector to make investments that involve excessive risk.

While we accept that any large-scale investment programme by the private sector will be predicated on a roll-out to significantly less than 100% of homes, we believe that provision of next generation broadband to homes likely to be outside such private sector investment plans cannot be left hanging until some indeterminate point in the future; instead we must debate these issues now.

We are clear that the market alone will not deliver next generation broadband to a number of homes or to a timescale that we believe is necessary in an equitable society that empowers consumers and citizens. Therefore we want to encourage exploration of a range of new business models, including public sector and other non-private interventions, and of a range of technologies, including radio, even at this very early stage of development.

Francesco Caio's report mentions 300 local schemes across Europe and the report commissioned by the Broadband Stakeholder Group from Analysys Mson sets out models for efficient and effective public sector interventions in NGA.

Indeed we see a case even now for introducing next generation broadband in those areas which are at present struggling to obtain satisfactory performance levels of current generation broadband. Even though these are generally more rural areas, the incremental value in jumping to NGA now could be considerable; we could use the new technology to leapfrog over a generation for those who are currently most disadvantaged.

The UK needs to learn – and learn quickly – from a variety of business models, a range of technical options, and deployment of new tariff structures and service packages in an exciting new world of next generation broadband.