

Next generation access

Ofcom response to Consumer Panel advice note of 28 February 2007

Ofcom welcomes the Consumer Panel's advice note on the issues raised by Ofcom's public discussion document on Next Generation Access. We greatly appreciate the time and consideration given to the report by members of the Panel. We have reviewed the advice, and include responses to the panel's comments below.

Anticipating a digital divide

On your comments on the potential risk to a new digital divide resulting in variable availability of higher bandwidth broadband services, we:

- agree with the conclusions that consumer demand for services that require higher bandwidth broadband connections remains highly uncertain. This view is shared by a number of players in the market that we have spoken to. However, we need to bear in mind that, with possible developments in compression technology and evolutions of existing copper DSL and cable networks, new higher bandwidth services may be supported using existing local access networks;
- acknowledge that there is a risk of geographic variances in the availability of broadband services. However, in assessing any policy implications of such variations, we need to be aware of the potential sources of consumer disbenefits that could arise. To date, many applications and services that are consumed over NGA networks elsewhere are entertainment services where consumers consider the private benefit of these services outweighs the cost. So far, there is limited evidence of significant social welfare being derived from next generation access networks or services. However, this may change, and we will continue to monitor international developments and consumer demand to ensure that significant consumer or citizen disbenefits do not arise from the emergence of a higher bandwidth digital divide.
- understand the Panel's desire to anticipate any future digital divide. Whilst this may be easy to do for some areas of the UK, the real risk is those areas at the margins where commercial deployments may or may not result in NGA availability. We remain concerned about attempting to identify the potential future boundaries of a digital divide before widespread deployment of NGA given these uncertainties. Pre-emptive intervention is risky and could conceivably lead to potentially perverse results. One example of this would be the availability of NGA services in rural areas as a result of public intervention well in advance of those urban areas where deployment is left to the market.

Social policy intervention

On the issue of interventions aimed at delivering social welfare, it is important to distinguish between impact of current generation broadband on the UK economy and

society and the impact next generation broadband may have. There is increasing evidence that current broadband services do generate economic and social benefits. However, as the BSG recently outlined in its report on next generation broadband, there is to date limited evidence to suggest a linkage between social welfare and next generation broadband availability.

As a result, the majority of current public sector schemes, including the wireless cities developments are focussed on increasing the availability of current generation broadband services. However, we remain alert to the possibility that linkages between NGA and social welfare may emerge, and are considering our policy position in this light.

Regulating the new service architecture

We acknowledge the Panel's question on the risk of new bottlenecks emerging in the next generation access and services value chain. As part of Ofcom's annual plan for 2007/8, we outlined our ongoing intention to continue examining the potential for new sources of market power to emerge.

Equipment failures

Many of the issues cited here relating to equipment failures, service continuity and component equipment used to provide digital TV currently relate to BT's planned migration to a next generation core network, as opposed to next generation access network. At this time, no UK operators have announced any plans for the wide scale deployment of NGA outside of new build greenfield developments.

However, the consumer protection, service continuity and customer migration lessons learned from the move to a core next generation network will be relevant to any future upgrade to the local access network. Therefore, Ofcom is seeking to leverage its experience in this area from NGN into NGA as and when it is appropriate. This may be just before or once communications providers start to announce plans for large scale NGA deployments.

Key points for Ofcom

We also acknowledge the key points for Ofcom as outlined in the Panel's advice, and will use these points to further develop our thinking and work on determining the correct regulatory policy for next generation access deployments.

We hope that the Panel finds this response helpful, and we welcome any further contributions from the Panel on this subject.

4 July 2007