

## **CBI response to Ofcom's Draft Annual Plan, 2009/10**

### **Introduction**

1. The CBI welcomes the opportunity to comment on Ofcom's Draft Annual Plan for 2009/10. 2009 will be a year of considerable economic difficulty for business and consumers in the UK. Against this backdrop Ofcom's role over the next 12 months will be even more important in several key areas:
  - Maintaining a commitment to competition and a market based approach.
  - Providing regulatory certainty to enable necessary investment.
  - Assessing and balancing the demands of businesses (as consumers as well as providers of telecoms), with those of citizen-consumers.
  - Promoting the UK's future lead in the global telecoms market.
2. We understand that the protection of citizen-consumer needs is a crucial task for Ofcom. But we believe that the needs of businesses as consumers and the effects of the current economic environment on the telecoms industry should also be given proper consideration, and this should be reflected in Ofcom's forward plan. This approach is ultimately in the longer term interests of consumers as a whole.

### **Restating the importance of market-led competition**

3. Amidst intensifying adverse economic conditions, various National Regulator Authorities (NRAs) throughout Europe are facing growing pressure to protect the interests of incumbent telecoms operators and limit competition.
4. Such pressures, however, are driven by a short-term populist agenda and would hinder future innovation and competitiveness in the telecoms sector. Against this background, we believe Ofcom must reassert a market-based approach to telecoms not only as one of the pillars of its narrative, but also as a tangible deliverable. The route to this is creating the appropriate regulatory environment in which businesses can thrive, allowing competition to provide the best solutions to consumers.

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### **Creating a regulatory environment that fosters investment**

5. British businesses, whether providers or users of telecoms, are suffering the serious effects of the economic downturn.
6. This downturn changes the circumstances under which companies (including the telecoms sector) operate and invest. Getting the regulatory framework right in order to enable investment has always been important but is now more crucial than ever as the other determinants of company investment decisions are being rapidly revised.
7. In the current economic climate, there is a risk that the creation of a regulatory framework to encourage much needed long-term investment could be put aside in favour of a short-term vision of the consumer agenda. This would be a mistake, as it would hinder future innovation and competitiveness of the UK, ultimately to the detriment of consumers. Ofcom should take account of the need to provide certainty in the regulatory environment, to ensure that businesses have sight of a potential future return on their investments.

### **Constructing a more balanced agenda**

8. The CBI welcomes Ofcom's recognition that "the needs of businesses and residential consumers can differ substantially, and that it is important for Ofcom to tackle issues that affect both groups." Regrettably, the business user perspective has not always remained a priority for Ofcom. An overly residential consumer-driven agenda has focused on protecting citizen-consumers at the expense of attention to the needs of businesses. Under the current economic circumstances, widening this focus is vital.
9. Specifically, we believe that more research could be done to gain in-depth understanding about the needs and priorities of businesses as consumers of telecoms services. Ofcom's role is crucial to understand the drivers of demand for telecoms, particularly but not solely in relation to next generation broadband. As we pointed out in our submission to Ofcom's consultation on NGA last year, some of the findings in our CBI report on *UK competitiveness: the role of IT services* reveal the difficulty of quantifying this demand. As a consequence, the role of business users as a driver of demand for NGA has been significantly overlooked.

### **Reinforcing the UK's global competitiveness**

10. Going forward the UK's competitive advantage will be defined increasingly by high value added knowledge based industries. The digital and telecommunications infrastructure will be a crucial enabler of economy activity as well as being an important sector in its own right. Ofcom's role in promoting investment in this sector is essential to guarantee the future economic growth and competitiveness of the UK. This is in line with Ofcom's stated aim to maximise the UK's international presence, which the CBI fully supports.
11. In particular, we believe that a crucial mid-term goal should be consolidating a position of leadership within the single market for telecoms. In this respect, the CBI believes that priority

should be given to the need for investment and innovation in telecoms, in order to foster the future competitiveness of British industries. Investment in next generation broadband is an important example.

12. Finally, we believe Ofcom has a major role to play in promoting a market-based level playing field across the EU. This requires careful consideration of the factors that determine business profitability in relation to other economies (such as cost of doing business and regulatory efficiency, among others). The UK market is more open to those wishing to provide communications services than are other countries in the EU. We believe that the interests of UK businesses would be served by the creation of a truly competitive market for communications across the EU.

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The CBI is the UK's leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce. With offices across the UK as well as in Brussels, Washington and Beijing, the CBI coordinates British business representation around the world.