

CWU Response to Ofcom's Draft Annual Plan 2008/2009

The Communication Workers' Union (CWU) has over 70,000 members working in the UK telecommunications sector. Around three quarters are employed in BT, with the remainder spread over 30 telecommunications companies.

The CWU agrees that Ofcom's central three year strategic framework continues to be relevant and sets out a broadly positive strategy for protecting and empowering consumers in the communications sector. However, as we have argued in our responses to Ofcom's annual plan for the last two years, we are concerned that some important issues have been overlooked, especially in relation to workforce training and telecommunications universal service provision. These are issues which we feel are becoming ever more critical given the speed at which convergence is taking place.

What are your views on the continued relevance of Ofcom's three-year strategic framework for its work in 2008/09?

The CWU believes that Ofcom's strategic framework continues to be relevant in regulating for convergence, and in our view Ofcom gives a sound analysis of the communications landscape and the market changes that are relevant to its strategic activities.

As noted in Ofcom's market review, convergence continues to accelerate and an increasing number of consumers are using converged communications services. However, it is important to reflect that nearly half of all UK households still do not have a broadband connection and many broadband subscribers do not receive their service at sufficient speed to support quality converged services, such as live television streaming.

This is indicative of the challenges that convergence clearly raises for delivering broader public interest objectives, especially with respect to access to new digital platforms, and delivery of suitable content over those platforms. Consequently, Ofcom's objectives of encouraging innovation and investment, and promoting access to high quality communications services in all parts of the UK and to all user groups, are all extremely important areas of focus. The CWU's view is that providing access to converged services for all UK citizens and consumers should be a priority for Ofcom, and this should include those with less market power such as those living in remote rural areas, those on low incomes and those with disabilities.

The CWU has argued for several years now that broadband should be included within the scope of the USO, and that public intervention is required to enable this to happen. As broadband is delivered at ever greater speeds and becomes more pervasive, now with more than 50% take up amongst UK households, this aspiration becomes increasingly compelling and hard to ignore. Access to broadband communications services is now a prerequisite for full participation in the information society and broad engagement in economic activity.

Whilst EU policy says there is no current rationale for a broadband USO, it does not prevent national governments from funding wider access to broadband if necessary. As Ofcom acknowledges, funding models may need to be adapted to find new public service delivery mechanisms that reflect the challenges presented by convergence. One such example of this might be for the Government to invest to allow competitive tendering to supply higher speed broadband in areas where it would not otherwise be economically viable or attractive for the market to do so.

We support the view that legal and economic frameworks will have to evolve to reflect a converging communications industry, with implications for regulating content over the internet being an important area. A key issue for the CWU, is how the requirement for employers to provide training in the broadcasting sector will feed through into the telecommunications sector as the two industries converge. We will contribute to and observe with interest the emerging thinking from the Government's Convergence Think Tank about the future evolution of legislation in this area.

We recognise the importance of maximising the efficiency and value of spectrum for UK citizens and consumers, and we support Ofcom's strategy to release and liberalise spectrum, which promises to encourage the development of services that extend broadband to remote areas out of reach of cable and DSL networks. However, in liberalising and trading spectrum, it is important that spectrum resource for the delivery of key public interest objectives, such as communications for the emergency services and public service broadcasting, is not reduced or adversely affected in any way.

Empowering citizens and consumers is crucial to meeting consumer interest in a converged world and we agree with Ofcom that promoting consumer awareness, the ability to easily switch between services, protecting consumers from scams and harmful content, and encouraging media literacy are all important objectives.

What are your views on Ofcom's proposed priorities for 2008/2009?

It is the CWU's view that one of the most important enablers of a swift and successful development of converged communications networks and services, would be a guarantee of adequate training and skills in the communications sector. The CWU has repeatedly called for a regulatory requirement for employers to support training in the telecoms sector as it is required to do in the broadcasting sector. To date this has not been forthcoming and does not feature in Ofcom's priorities, but as convergence accelerates, the merging of boundaries between broadcasting and telecoms heightens the need for sufficient high quality workforce training and skills across the entire unified sector.

The CWU is broadly supportive of Ofcom's strategy for fixed telecoms, and we agree with the commitment to ensuring that BT implements its undertakings effectively. However, Ofcom makes no mention of the provision to withdraw regulation where agreed and appropriate for BT in return for equivalence. This provision will be of continued importance in incentivising BT's ongoing investment in its 21st Century network which will be essential to supporting the UK's future economic competitiveness and bringing benefits to both the citizen and the consumer.

Ofcom's strategy in preparing for next generation core and access networks appears to be a fundamentally sensible approach. We agree with the need to look at regulation to this important area in a considered way, mindful of the risks involved. As we said in our response to Ofcom's Next Generation Access review, there is currently no clear business case for a national NGA network. Consequently, there is a danger in overestimating demand and encouraging over investment and over capacity in network provision, which would place a huge and unnecessary cost burden on CPs and would have serious consequences for both the industry and the workforce.

Equally though, we must not underestimate demand, and Ofcom is right to be considering how to regulate so that efficient investment is not discouraged, and so that we are prepared to meet demand when the time comes, allowing us to take full advantage of the social and economic benefits brought by a high speed digital communications network.

A national NGA network will require significant funding, estimated at between £11bn and £16bn to replace the entire copper network with fibre. As demand for services over NGA networks becomes apparent, it will be essential for Ofcom to formulate a method of incentivising the necessary investment and allowing for an adequate return on investment in

recognition of the 'risk' factor. This will need to encompass not only the high value urban areas but also the more remote and rural areas, if we are to avoid exacerbating the digital divide. In the first instance, Ofcom can help to create more certainty and sustainability in investment and help drive value back in to the industry by placing less emphasis on reducing prices, and by giving communications providers more freedom to set prices.

We support Ofcom's work to promote access and inclusion, especially in looking at options for funding and providing universal service as competition develops. However, as we have stated, we believe that there is already a compelling case for broadband to be included in the scope of the USO.

It is also important that we continue to maintain and develop the universal services that exist for those with disabilities, and it was encouraging to see that as a result of representations made last year, Ofcom set up an advisory panel for text relay communications services. We look forward to seeing Ofcom's forthcoming analysis of possible developments to the text relay service, which we trust will reflect current developments in technology and present a serious examination of the case for a video relay service.

The CWU supports the work Ofcom has been doing to promote the media literacy of all sections of society and it is encouraging to note that education providers and other support networks will help to reach those not yet online. In addition to media literacy we believe there is a need to promote technological fluency amongst consumers, which will drive demand for and use of communications technologies. Ofcom could achieve this by promoting collaboration between telcos and educational establishments to develop e-skills courses and qualifications.

We are encouraged by Ofcom's work on empowering and protecting consumers, particularly on switching and mis-selling issues to ensure customers can change providers easily. Whilst we regret that Ofcom has no plans to develop its own independent price comparison tool, it is reassuring to note the implementation of an accreditation scheme for price comparison websites. Finally, we welcome Ofcom's extension of quality of service information to consumers under the Topcomm scheme to include broadband and mobile services.

Summary

The CWU believes that Ofcom's strategic framework continues to be relevant in regulating for convergence, but there are some specific areas where we think more action is necessary to both encourage and respond to a converging communications market.

Ofcom's requirement to support training in broadcasting but not in telecoms has led to asymmetry and inconsistency in respect of training between sectors of the communications industry. There is now a compelling case for Ofcom to introduce a requirement for sufficient high-quality workforce training and skills across the entire unified sector which will be a key enabler of the swift and successful development of the market.

Broadband has reached a stage in terms of access speeds and market density where it has become an essential tool for full participation in the information society, and we believe it should be included within the scope of the USO. Public intervention will be required to enable wider access to high speed broadband, and Government investment will be necessary to encourage the supply of broadband in areas where it is not economically attractive for the market to operate.

There is currently no clear business case for a national NGA network. Therefore, it is important not to encourage over investment and over capacity in network provision, which would place a huge and unnecessary cost burden on CPs and would have serious consequences for both the industry and the workforce.

Equally though, we must not underestimate demand for NGA, and Ofcom is right to be considering how to regulate so that efficient investment is not discouraged. Ofcom can help to create more certainty and sustainability in investment and help drive value back in to the industry by placing less emphasis on reducing prices, and by giving communications providers more freedom to set prices.

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Billy Hayes
General Secretary, CWU
150 The Broadway
Wimbledon
LONDON
SW19 1RX