

CWU Response to Ofcom's Draft Annual Plan 2007/2008

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.

We welcome the opportunity to respond to Ofcom's annual plan 2007/2008, which we believe sets out a positive strategy for encouraging innovation and investment as well as protecting and empowering consumers in the communications sector. However, as we said last year, we are concerned that Ofcom has overlooked some important issues especially in relation to workforce training and telecommunications universal service provision.

1. What are your views on Ofcom's proposed priorities for 2007/2008?

We welcome and support Ofcom's priorities for 2007/2008. As a trade union representing telecommunications workers, we are particularly interested in those areas that deal with the telecommunications industry. However, with the growing trend towards the convergence of the broadcast media and telecommunications industries, issues relating to broadcasting are of increasing importance to us.

The CWU welcomes Ofcom's commitment to securing competition and efficient investment in next generation networks as outlined in section 6.6. NGN will be a key driver of growth in the telecommunications market, integral to the provision of new products and services such as broadband television, VoIP, wireless broadband among other services. The right incentives are instrumental to securing investment in the development of NGN which promises major benefits for the citizen and consumer as well as boosting the UK's economic competitiveness.

We would suggest that those incentives should include allowing interconnection prices to be set at a level which allows a return on investment. They should also include provision to withdraw regulation where agreed and appropriate for BT in return for providing real equality of access for its competitors in the 21st Century Network into which the company is investing £10bn over a 3 year period until 2009.

The CWU is of the view that the communications industry's greatest resource is its people so we regret that the plan fails to take account of the interests of the workforce and the need to secure quality skills and training, whilst promoting decent labour standards and practices

throughout the industry. It is clear that one of the essential elements that will enable the swift and successful development of the market, and NGN in particular, is the need to guarantee adequate training and skills in the telecoms sector.

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. The rapid convergence and proliferation of new platforms alongside the merging of boundaries between broadcasting and telecoms heightens the need for sufficient high-quality workforce training across the entire unified sector.

In paragraph 4.14 of the plan Ofcom states that convergence is 'exposing the differences between the frameworks under which we regulate radio, TV and fixed and mobile telecoms.' Pursuant to this, the CWU believes that the gradual merging of platforms and services highlights more than ever the need for a more strategic and concerted approach to workforce training, so essential to ensuring the growth and development of the industry all stakeholders wish to see.

We propose that Ofcom addresses the skills gap by facilitating discussions with stakeholders in order to define the skills required to deliver maximum economic and consumer benefit from NGN. We further suggest that Ofcom supports and promotes training amongst the 250,000 strong telecoms workforce who are key to delivering quality telecoms services and world class next generation networks. Promotion and co-ordination of such training can be most effectively driven in conjunction with the e-skills UK Council.

It is not only skills within the telecommunications sector that are lacking, but technological skills in the business sector as a whole. We believe that Ofcom can help to generate interest and growth in the take up of new telecoms products and services by promoting the business benefits of telecoms technology in order to dispel perceptions of a 'lack of need or benefit' in the business community, especially amongst SMEs.

In addition to the points made on convergence we believe that the time has come for a review of the SMP in satellite broadcasting and how carriage costs and access to popular channels/programmes may hinder the development of services by Virgin Media and innovative ISP providers such as Tiscali TV.

2. What are your views on Ofcom's proposed priorities for 2007/2008? In particular:

a. What are your views on the work Ofcom should do in 2007/2008 to drive a market based approach to spectrum?

The CWU supports Ofcom's strategy to release and liberalise spectrum, which promises to encourage the development of innovative emerging technologies such as WiMax. Such wireless technologies have the potential to extend broadband services to those people in remote areas who are out of reach of DSL and Cable networks. While there are still high costs involved in this technology we believe this approach could help drive costs down.

b. What are your views on the work Ofcom should do in 2007/2008 to develop new ways to deliver public outcomes as platforms and services converge?

We welcome Ofcom's commitment to delivering public outcomes as platforms and services converge, particularly its consideration of the role of public intervention in extending availability of broadband services.

The CWU shares Ofcom's view that public intervention is needed to improve business compliance or realise a public outcome. From a communications perspective there are few more important policy goals than ensuring that all citizens have access to broadband, an increasingly important means of participating in the information society which facilitates access to new broadband services such as online public services and broadband television. Such public outcomes can produce a more inclusive market bringing social and economic benefits with heightened participation in e-commerce, e-democracy, e-education and e-health.

In addition the issue of public intervention raises the question of whether the Government might need to invest to allow competitive tendering to supply broadband in remote areas where it is not economically viable or attractive to do so. We would welcome Ofcom's observations on this point.

We will continue to follow Ofcom's ongoing implementation of the USO closely, particularly the review of the costs and benefits of fulfilling the obligations. Point 1.7 of the plan raises the question of BT not being solely responsible for future USO provision but this is not developed elsewhere. The CWU's view is that because BT's market dominance and market share has diminished with the growth of competition, it and Kingston should no longer be solely responsible for the funding of the USO. Moreover we believe that mobile and broadband services should be included within the scope of the USO.

The argument has been made in some quarters that USO cannot be introduced for broadband because EU policy says that there is not rationale for a broadband USO at present. The CWU's position is that EU policy does not prevent national governments from funding wider access to broadband if necessary; a good example of this is the question of government funding for better access to broadband in remote areas. It should be the objective to have a more inclusive and cohesive society and that the benefits of e-commerce, e-democracy, e-education and e-health should not be solely available to areas of high population density.

Furthermore, the preeminence of mobile and broadband services in the market place has now reached the stage where Ofcom should be looking to encompass them within the scope of the USO. We urge Ofcom to make representations to the European Commission in this regard.

c. What are your views on the work Ofcom should do in 2007/2008 to improve business compliance and empower consumers?

The CWU endorses Ofcom's support for citizens and consumers as well as the distinction it makes between the two. A key factor in achieving business compliance and consumer empowerment is facilitating access to broadband services and ensuring provision is made for those sections of society for whom the costs are prohibitive or for whom high-speed services are simply not available. This applies to consumers or citizens with less market power such as those living in remote rural areas, those on low incomes and those with disabilities.

It is also essential that we maintain and develop the current universal services that exist for those with disabilities. One such service is Typetalk, the text relay service operated by BT, which is constantly available with some 300 operators on shift at any one time and around 2 million calls handled each year. Typetalk continues to see a slow but steady growth in traffic, and as the costs of providing universal services increasingly outweigh the benefits, it is essential that sufficient funding is in place to allow it to continue.

Furthermore, it is important that such services keep pace with developments in technology, and the introduction of a video relay service represents a possible progression, which again will require sufficient funding. It may not be realistic to continue to rely on BT to provide

this funding, and we believe an alternative mechanism needs to be introduced, such as a USO fund or a process of competitive tendering for the USO, supported by Government funding.

We were encouraged to see that Ofcom intends to address concerns we raised in our response to last year's plan regarding consumer protection, particularly in relation to switching easily and quickly to new providers. We hope that Ofcom's activity in this area will apply across all the many products and services in a converged marketplace whether fixed, mobile or broadband. We would also like to see Ofcom investing in its own comparable price and quality comparison tool, perhaps along the lines of Uswitch, and not rely solely on the market. In addition we believe that there is a citizen-consumer 'trust' issue with regards to security and privacy in communications, particularly over the use of the internet and we would urge Ofcom to encourage those interested parties trying to address the issue of 'Identity Management'. Studies have shown (Guerra et al 2003) "that the collection and availability of data can create problems of trust in privacy....which is repeatedly identified as a concern that prevents consumers from using the internet for transactions."

The CWU is encouraged by Ofcom's plans to promote a greater knowledge of communications tools and media literacy. Despite this there is a lack of detail on precisely how Ofcom will promote this enhanced understanding. In addition to media literacy we believe there is a need to promote technological fluency amongst consumers. This will in turn drive both demand for and use of new communications technologies. As we did last year, we suggest Ofcom endeavour to promote collaboration between telcos and educational establishments to develop e-skills courses and qualifications.

We believe there is a role for Ofcom to help create a broad vision for e-learning using broadband technologies. Ofcom can encourage the development of a more technologically fluent society by promoting collaboration between telecommunications companies and educational establishments to develop e-skills courses and qualifications.

d. What are your views on the work Ofcom should do in 2007/2008 to promote competition and innovation in emerging markets?

The CWU agrees that a key determinant in realising competition and innovation in emerging markets will be Ofcom's continued commitment to ensuring BT complies with its Undertakings, thereby giving its competitors equivalent access to the wholesale products they need to provide services to consumers which in turn will increase choice and lower prices. We also recognise the need to create a long term financial framework for Openreach

to deliver efficiency and high-quality services to consumers and citizens and in respect of this concur with Ofcom's decision to temporarily allow a number of BT Global Services engineers to assist Openreach.

Although we recognise that one of Ofcom's duties is to encourage competition, we do not believe the development of competition should be a *raison d'être* in itself. Rather it should be a means to improving the quality and accessibility of products and services for the benefit of the citizen and consumer. The challenge, as we see it, is to encourage innovation and investment in a range of products and services to create a competitive market place that meets the needs of all citizen consumers, including groups with less market power such as those with disabilities or those living in remote areas.

We look forward to the completion of Ofcom's review of wholesale broadband access markets and support its sustained commitment to Local Loop Unbundling (LLU). In particular we draw attention to the role of CWU members in helping Openreach achieve 1.5 million unbundled local loops by February 2007, a 640% increase since the BT local network was separated in January 2006.

The CWU welcomes Ofcom's intention to take a more strategic view of the development of wireless platforms such as mobile TV and wireless broadband in 2007/2008 to understand how they will contribute to further convergence. Market realignment is likely to bring much consolidation, particularly in 3G markets, and we would call on Ofcom to monitor the impact of convergence in these sectors.

3. Are there any other areas where Ofcom should reduce regulation and minimise administrative burdens? Please provide specific examples.

We support Ofcom's aim of maximising its impact on international policy development particularly its continued contribution to debates on EU policy such as the Regulatory Framework for Electronic Communications and Services. The current regulatory regime is highly uneven across the European market and as a result some operators are experiencing barriers to market entry in some countries.

It is in the interest of UK operators wishing to expand across Europe that Ofcom argues for greater powers to be retained at an EU level – while ensuring appropriate powers remain at national level – with the objective of ensuring a more consistent and transparent approach to regulation across Europe. This should involve a significant social dialogue element and wide

consultation with a focus on investment in new networks, user access to services and universal service.

Conclusion

In conclusion the CWU welcomes Ofcom's priorities for 2007/2008 and we support its decision to encourage innovation and investment in the telecoms market.

We note Ofcom's plan to consider the role of public intervention in extending availability of broadband services. The CWU's view is that public intervention is necessary to create wider access to high speed broadband, an increasingly important tool for participation in the information society while Government investment will be required to encourage the supply of broadband in rural and remote areas where it is not economically attractive for the market to operate.

We regret that Ofcom does not raise the issue of workforce training. We believe that for the benefit of the industry, Ofcom should promote workforce training and development in the telecoms sector, as it is required to do in the broadcasting sector. The industry's greatest resource is its people, investment in whom is vital if we are to create and maintain a world class telecommunications infrastructure and services. Increased convergence between broadcasting and telecoms underlines the need for sufficient training across both sectors so essential to ensuring the growth and development of the communications industry all stakeholders want to see.

The plan raises the prospect of BT not being solely responsible for USO provision, but does not develop this idea any further except to say that it will look at the costs and benefits and continue to respond to European Commission proposals about how the USO should evolve. We believe that as BT's market dominance and market share has diminished with the growth of competition, it (and Kingston in the Hull area) should no longer be required to shoulder the burden of cost alone. We suggest that this could be solved with a USO fund contributed to by all operators (fixed and mobile) or a process of competitive tendering for the USO, supported by Government funding for services that would otherwise not be economically attractive to provide universally. We are also of the view that mobile and broadband services should be included within the scope of the USO.

We are encouraged by Ofcom's plans to address the concerns we raised in our response to last year's annual plan around consumer protection, especially in relation to switching easily

and quickly to new providers. We urge Ofcom to ensure that its activity in this area applies across all the different products and services in a converged marketplace, whether they are fixed, mobile or broadband.

We support Ofcom's strategy to promote media literacy which we agree will help to empower and protect consumers. We believe that Ofcom can also help to promote technological fluency amongst citizen consumers, which we believe will help drive both take up and usage of innovative new services. One key component of this will be the issue of 'trust' and how 'Identity Management' solutions may remove barriers to greater use of the internet by citizen-consumers.

We accept Ofcom's assurances that it will create the right conditions for efficient investment in the industry taking the view that efficient investment is vital for the development of NGN, which promise major benefits for the citizen consumer whilst enhancing the UK's economic competitiveness. We believe that the right incentives should include continuing to withdraw regulation where agreed and appropriate for BT in return for providing real equality of access to its competitors in the 21st Century Network.

We support Ofcom's intention to maximise its impact on international policy development, including negotiating on the review of the EU Framework Directive for Electronic Communications and urge it to argue for a more empowered EU regulatory role which can achieve more consistent regulation across Member States.

February 19th 2007

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