

RESPONSE TO DRAFT OFCOM PLAN 2007/8

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Introduction

In general, my responses will be directed at Telecommunication issues that are relevant to Scotland.

Consultation Questions

The following responses are set-out in order of priority.

Drive a market - based approach to Spectrum.

I am in general agreement but would wish to be satisfied that sufficient safeguards are included in Licence conditions to prevent abuse. In addition, 1) Licence implementation timescales should be reviewed every five years (or less depending on the type of use) and 2) Coverage conditions should be applied to some spectrum bands. In these selected bands an incentive could be to return a proportion of the auction price for coverage in designated areas - eg where wired broadband services and competition are poor.

Develop new ways to deliver public outcomes as platforms and services converge

Most of this section deals with broadcasting issues.

However, in section titled "**Promoting Access and Inclusion**" (pages 31 and 32) the issues are related to communications.

I consider this section to be extremely important as it clearly states ---- "Ofcom will carry out research to understand better the nature of concerns about access and inclusion".

In regard to research aspect, Ofcom must increase the number consulted in their Consumer research "population" in the Regions compared to the low numbers used in the recent Communications Market Report for the Nations and Regions. Otherwise, Ofcom will not achieve a true objective outcome to quantify the variations between areas of a Region. This is particularly important in Broadband inclusion during the next few years with the implementation of Next Generation Broadband (up to 8 Mb/s and above).

In the draft document there are no references to SDSL products or availability. For business applications SDSL is an important service. Do Ofcom have a policy for SDSL and are there any statistics regarding availability in Scotland ???

Promoting competition and innovation in a converging markets.

In the section "**Promoting competition in converging markets**" Ofcom considers that by ensuring that BT provides competitors with equivalent access to wholesale products, that this in it self will lead to greater competition in a range of markets. Whilst this is logical to assume that this could be the outcome, the benefit of lower prices and increased choice in ALL AREAS will, however, require to be proved by Market Research.

Indeed, other researches consider "that without infrastructure - level competition in rural areas, BT's existing wholesale revenues will face little competitive price threat" ("Next Generation Broadband in Scotland Report" commissioned by Scottish Executive - published 21 January 2007).

The above raises the following questions -- what **value** accrues to true **price** competition??? and what is the true **value of choice** ??? in rural areas.

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In the same section - I thoroughly endorse “**promoting competition in broadband markets, including completion of the review into wholesale broadband and sustaining our commitment to LLU**”, as very important issues.

However, the way LLU is measured (as illustrated) in Figure 4.6 (page 18 of Draft Ofcom Annual Plan 2007/8) by “percentage of premises connected to a LLU exchange” is **totally misleading**.

The results expressed in this way **give a false impression to the general user and could increase the level of frustration in “NOT - LLU” areas**.

The best approach is to use Maps showing areas with and without LLU on a per postal district area basis. A separate Map for each of the broadband categories - eg up to 0.5 Mb/s; up to 8 Mb/s; above 8 Mb/s:

In the Communications Market - Nations and Regions Report Figure 22 illustrates Broadband availability on a basic Map (page 37). Again in the same report (Region - Scotland) the 3G coverage (Figure 9 page 17) gave a true perspective of the situation for users and perspective users. The data by postal district associated with number of operators clearly shows the advantage of this type of presentation over other methods.

In the broadband context, for example, the proposed Maps could be associated with a table showing the number of LLU lines, the number of operators and number of BT exchanges involved on a postal district basis together with the “percentage of premises connected to a LLU exchange for the appropriate area.

The information presented in this way would be extremely useful to Local Authority Development officers in promoting areas for business growth.

Figure 12 (page 20) in last years Draft Annual Plan showed a result for Scotland of 29 percent. The equivalent Figure 4.6 (page18) in this years document gave a result of 34 percent. Hence, using this method of presentation, an increase of 5 % in LLU connected lines over the year.

What does this increase of 5 % represent ??? Did the total LLU lines increase??? Are there more exchanges with LLU connected lines??? Have the number of Operators implementing LLU services increased???

Using West Lothian Council (WLC) area as an example, the number of BT exchanges in WLC is 14. The number of LLU lines available in both 2005 and 2006 was **ZERO**.

The population of WLC is 164,240 representing 3.2 percent of the Scottish population total (mid - year 2005 figures).

The Scottish figures for Population; Enterprises and Households are: -

Population : 5,094,800 (mid - year 2005)

Businesses: Scottish Corporate Sector Statistics -- as at March 2006.

Size of Enterprises	Number of Enterprises	Percentage	Number of Employees	Percentage	
0 - 49	141,755	96.1	608,840	34.8	SME - small
50 - 249	3,480	2.3	243,800	13.9	SME - medium
250 +	2,255	1.5	898,380	51.3	Large
Totals	147,490	100.0	1,751,020	100.0	

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Scottish figures continued:

Businesses : Corporate Statistics by Local Authority area -- as at March 2006

Local Authority	City of Edinburgh	Glasgow City	West Lothian	Other 29 Councils	Scotland
Enterprises	15,360	15,750	4,110	112,270	147,490
Percentage	10.4	10.7	2.8	76.1	100.0

Note: The above number of enterprises DO NOT include Local Authority Councils or Central Government.

In terms of the number of registered enterprises, Edinburgh and Glasgow cities only represent 21.1 % of the Scottish total. Refer also to the results for Households.

Households: as at June of 2005 (source Table 1 Households for Scotland by Local Authority area)

Local Authority	City of Edinburgh	Glasgow City	West Lothian	Other 29 Councils	Scotland
Households	211,731	274,676	69,309	1,712,153	2,267,869
Percentage	9.3	12.1	3.1	75.5	100.0

In terms of Households, Edinburgh and Glasgow only represent 21.4 % of the Scottish total. LLU appears to being concentrated in these areas.

From the above tables the number of premises (households plus enterprises) can be shown.

Local Authority	City of Edinburgh	Glasgow City	West Lothian	Other 29 Councils	Scotland
Households	211,731	274,676	69,309	1,712,153	2,267,869
Enterprises	15,360	15,750	4110	112,270	147,490
Totals	227,091	290,426	73,419	1,824,423	2,415,359
Percentages	9.4	12.0	3.0	75.5	100.0

Because of the dominance of the number of Households there is very little difference in the percentages by adding in the number of enterprises.

Using the LLU results of last year - ie 3093 number of lines spread over 53 exchanges gave a result of 29 percent. Extrapolating these figures one obtains the number of premises included in the measure as those connected to the 53 exchanges ----- **10,666 premises. This figure represents 2.0 % of the combined Edinburgh and Glasgow city totals and 0.4 % of the Scottish total. I repeat what I said in my last**

years response -- LLU implementation in Scotland is a complete failure and Ofcom must investigate and target assistance in a greater number of exchange areas.
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Ofcom's proposed three - year strategic policy framework may well have to be radically amended to include more intrusion and direction in the light of recent research findings.

“Confirmation that a new “broadband divide” has already opened between urban and rural areas.” And “The prospect of a much more persistent divide emerging in the (up to 50 Mb/s plus) from 2007 onwards.” (“Next Generation Broadband in Scotland Report” - Coverage in Section 3; Take - Up in Section 4; Paragraphs 3 to 6 in Executive Summary)

In another report for the Scottish Executive ---“There are two technical options to provide broadband services: either by wired means or by wireless. Wired broadband is reliant on the provision of DSL over BT's copper local loop: ---- If the local loop will not support this service, ---- then the only option is for BT to replace part, or all, of the copper local loop serving that customer. ---- Without investment in improving the local loop to these customers, they will not receive ADSL services.”

“Broadband reach issue exists because the commercial operators have not provided a solution due to the commercial limitations involved and because of the lack of knowledge where the “NON - SPOTS” exist.”

“We conclude, therefore, that the following technical options are potentially available for consideration: improve the BT copper loop, or implement WiFi based networks with suitable cost-effective backhaul, and with satellite possibly as a fallback. If implemented, these options are likely to need public sector support at some level, with wireless and satellite requiring substantial resources -- approximately £20 million for wireless coverage in the non - served areas and much more using satellite.” (“A Study into Broadband Reach in Scotland” for Scottish Executive - published December 2006)

Improving compliance and empowering consumers.

Generally agree with the proposed statements and objectives. However, consumer research must always include businesses as well as the individual. The business as a consumer may well have a different attitude to the individual and also in relation to their social implications. Market research populations must be representative of ALL consumers and the sample size large enough to ensure that variations between areas are captured. Note: in the above tables, the Scottish Enterprises ratio to Households is **1 : 15.4**.

Reducing regulation and minimising administrative burdens.

Generally agree with the Plan and for the proposed projects likely to be involved for this area.

Maximising our impact on International policy development.

As the UK Regulator, it is in your own interest to maintain a continuing commitment in this area.

The CMA members have for many years benefited from membership and involvement in INTUG.

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Date: 16 February 2007.

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