David Hall Systems Ltd: Feedback on Digital Britain Interim Report

Further to our earlier message please find below more detailed comments on related to some of the action points.

Action 1
To some extent this action point is based on the results from other action points so we have concerns that the timescale may not be realistic.
We consider that more than one scenario should be considered with a number of differing approaches used for the analysis and then a composite of the results should be developed. We feel that this methodology will produce more appropriate results than a single scenario and approach. However whatever approach is selected the analysis will be critical in ensuring the objectives of Digital Britain are achieved.

Action 2
Apart from the proposed wholesale market in duct access, we consider that a possible wholesale access market to wireless networks could develop, and with the projected increase in community schemes there is a need to consider how these systems will fit into the overall structure for the provision of broadband services. Thus we take the view that a new policy and regulatory framework will be required to accommodate these changes in the market structure. We expect that the wholesale market will become much more complex so that new business models are likely to be required and Government and/or Ofcom may have a role in developing these models. This is an issue that requires further consideration.

Action 4
We consider that it is essential that the full and wider direct and indirect benefits of next-generation broadband should be taken into account when making a decision on the use of public incentives to promote the development of next generation networks.

Action 6
There is a need to ensure that any new spectrum policies do not result in unintended consequences. Unfortunately there are several examples of previous spectrum policy having unintended consequences. The award of the 900 MHz and 1800 MHz spectrum bands was intended to achieve certain policy objectives though there have been some unintended consequences, particularly with the current proposals for re-farming this spectrum to more appropriate uses. A different process was used for the award of the 2100 MHz spectrum band which was intended to achieve certain policy objectives but again there have been unintended consequences. These unintended consequences appear to be a result of trying to achieve a policy objective without considering longer term implications of the policy such as changing to a different use at some later stage. Thus there is a need to ensure that the policy objectives associated with the provision of spectrum for mobile broadband does not result in similar unintended consequences. There is also need to find a means to address the existing unintended consequences and resulting difficulties without making the current situation worse to ensure that there is appropriate spectrum available for mobile broadband services. We consider it is unlikely that these issues will be resolved by voluntary agreement.
Already there appears to be some unintended consequences from the policies being developed for the re-farming of DDR spectrum resulting in Ofcom having to revise

the policies so as to address these unintended consequences. We consider that to meet the ever evolving spectrum requirements associated with fast changing technology there is a need to develop a system of awarding spectrum that is capable of accommodating changing technology while at the same time providing appropriate security to the spectrum user and placing an appropriate value on the spectrum. We are not convinced that the current market based technology neutral approaches fully meet these requirements and we believe that further development of the spectrum award and management procedures is required to achieve an optimum solution which will also avoid unintended consequences.

Another factor that may need to be taken into account when assessing spectrum demand requirements is that with voice mobile is a substitute for fixed service though with broadband mobile is currently an addition to the fixed service. We consider that this different usage scenario is due to the cost and ease of use factors. We feel that there is a need to consider how these factors will change in future and the implications of this on spectrum demand. To some extent the demand for spectrum depends on whether mobile broadband become a real substitute for fixed broadband or will it continue to be an additional means of access secondary to the fixed line. Additionally the relationship between mobile access and fixed access could change as a result of the differing wholesale market that may develop so this also needs to be taken into account.

Action 16
We wonder if this action point is addressing the correct issue.
We consider that next-generation broadband is likely to cause significant change in both the broadcasting and delivery of content sectors. The changes will affect many aspects of the current systems and these changes will all have to be considered. However one factor already apparent is the significant reduction in advertising revenue in the traditional broadcasting sector together with increasing advertising revenue in the online sector. We consider that trends such as this could result in a significant transfer of content from traditional broadcasting to online delivery as a means of reducing cost and to reflect the changing market condition and the implications of such transfers need to be fully understood.
Thus there is a need to develop a framework and new business models that are sufficiently flexible to accommodate these changes.

Action 17
The objective of a Universal Service Commitment to be provided by a mixture of fixed and mobile, wired and wireless with a target rate of 2 Mbit/s by 2012 is an objective that must be supported and more importantly achieved. We consider that this achievability is closely linked to action point 1. However the proposal does raise various issues.
The current fixed BT copper wired networks can support 2 Mbit/s but there is a significant proportion of the population currently on a lower data rate or not connected. Therefore there is a need to consider how the BT system will cope with this significantly increased demand for higher data rate services and any possible implications resulting from this. There may be a risk that the BT fixed network is unable to cope with this increased demand so there is a need to consider if the wireless networks could absorb the excess demand. It appears that the wireless networks could absorb some of this excess demand though there is a risk that all the

necessary networks will not be available within the required time scale and so the implications of this needs to be considered. Another option for meeting the excess demand is the cable network where Virgin Media is now deploying a high data rate network though again there is a need to take into account the capacity of this network. We feel that there may even be a need to consider a scenario where all the networks combined together cannot cope with the increased traffic load and there is a need to consider the implications of such a situation.

Action 18
Generally for consumers it appears that mobile broadband is in addition to or secondary to their fixed line broadband so there is a need to consider if it is appropriate for the mobile operators to contribute to the Universal Service Commitment (USC) fund. This is based on the view that mobile broadband is not providing the main means of connectivity. However in some countries, such as Finland, some of the copper network is being replaced by long range mobile systems so if a similar policy is adopted here this could change the basis for determining who contributes to the fund though to some extend this would depend on who provided the long range mobile service, BT or the mobile operators. We consider it is appropriate for the Fixed Wireless Access providers to contribute to the fund as this is a primary means of access. However such systems only have a limited market share with a risk that any additional cost could seriously damage their business case.
There is the difficult issue of community schemes contributing to the USC fund. These schemes are providing primary access and on this basis should be contributing to the fund. However any such contribution could have a significant impact on the viability of such schemes so there is a need to question if the community schemes should be required to contribute. There is also a need to consider the competition aspects so that if the community schemes do not contribute will this distort the market.

Action 22
The digital technologies will continue to evolve and convergence will bring other changes so the required media skills will be constantly evolving. Thus there is a need for a flexible National Media Literacy Plan to accommodate this changing environment. We also consider that there should be a greater emphasis on the increasing the number of people that are online and this should form an important part of any new Plan.

If you have any queries or require any additional information please contact me.

regards
Dave Hall

David Hall Systems Ltd