

## **Digital Britain: The Interim Report, January 2009**

The publication of the Digital Britain interim report in January 2009 has generated considerable debate. Rather than repeat what has already been stated, it is our intention to focus on three areas that so far have been overlooked. In all cases, our starting point is the desire to ensure that businesses and households located outside the major urban areas, where the market is already beginning to deliver faster speeds, are catered for.

### *Issue 1: Local Loop Unbundling*

On page 1 of the report it is stated that local loop unbundling (LLU) has been a success. Although the number of unbundled lines has increased, this has not been without its problem as the regular reports of The Office of the Telecommunications Adjudicator have shown.

Our concern is that a significant proportion of Scotland does not enjoy the competitive benefits that LLU has brought elsewhere in the UK. Across Scotland there are many small exchanges located too far apart for LLU to be economically attractive. As a result only about half of Scotland's premises are able to benefit from competitive LLU.

Rather than creating new schemes to expand broadband access, we feel that renewed efforts are needed to ensure that existing initiatives such as LLU are adopted. Ensuring that LLU is fully available across Scotland would deliver immediate benefits; both financially as well as in ensuring that businesses and households located in remote areas have broadband access with all that this entails. We are concerned that ensuring the widespread availability of LLU would be overlooked as attention is focused elsewhere on the newer, and perhaps more exciting initiatives, associated with the Digital Britain report.

### *Issue 2: Minimum broadband speeds*

Section 4 of the report addresses the issue of universal connectivity. It is proposed that by 2012 a digital universal service commitment will be effective. The 2 Mbps that is

proposed is a result of a trade-off speed, the number of homes connected, the type and capability of connection and cost (page 57).

Whilst it is arguably the case that 2 Mbps is able to deliver existing services offered by the government and private sector alike, this may not be the case in the future. New services may be developed that require faster speeds than would be available through broadband universal service. As a consequence, some users may only be partially able to enjoy the range of Internet services that are available.

That some will be unable to enjoy the entire Internet is, in the information society that is taking shape, unacceptable. The issue then becomes one of ensuring that minimum broadband speeds are sufficiently increased in future so that businesses and households in the universal broadband service areas are not excluded.

According to a recent Ofcom report '*UK broadband speeds 2008*' (8 January 2009), the average broadband speed of those surveyed was 3.6 Mbps. In other words, this compares relatively favourably with the 2 Mbps minimum broadband suggested in the Digital Britain report. To prevent the disenfranchisement of some in society, this 'favourable' ratio needs to be preserved. The existing universal service obligations that are imposed on BT and Kingston are characterized by their simplicity. However, these will be replaced by a potentially more complex set of arrangements that reflect the wider array of stakeholders and technologies and the greater level of funding that is required.

We are concerned that the 2 Mbps broadband minimum will not be increased in future and that the relative gap between those within and outside the universal service broadband area will widen. Major exercises such as the consultations conducted by Ofcom would provide a mechanism for the upgrading of the minimum broadband speed to ensure that the relative gap is maintained. These are, however, time consuming and likely to engender a degree of uncertainty among stakeholders not least when it comes to future investments.

Whilst Action 18 (page 58) states that detailed proposals for a broadly based universal service commitment will be developed, we feel that any such proposal also needs to ensure that the minimum broadband speed can be easily increased as more demanding

online services are developed. This is required to ensure that the broadband speed gap does not widen to the disadvantage of those in, say, rural and remote areas.

*Issue 3: Overlooked markets*

Perhaps due to the focus on universal connectivity, there has been a tendency since the publication of the report to categorise broadband markets as those where speeds are satisfactory and those where the 2 Mbps minimum requirement needs to be imposed.

We feel that such a dichotomy hides a third category of households and businesses, namely, those located in small towns or on the edge of large urban areas that receive neither the faster speeds nor the support offered to ensure the 2 Mbps minimum is available. Although the availability of broadband suggests that revenues can be generated from such markets, the lack of faster speeds indicates they are from the perspective of the operator less attractive.

Not only do broadband speeds in these areas need to be sufficient to enable functional access to the services presently available, but mechanisms need to be put in place that ensure speeds increase so that future, more demanding, services are also accessible.

Dr John Hunter  
Hunter Associates  
Prestwick  
Scotland

Dr Jason Whalley  
Department of Management Science  
University of Strathclyde  
Glasgow, Scotland