

Speech to the CMA conference
Tuesday 24 February 2009
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Thank you for inviting me to address you.

As some of you may know, I am making this speech today not only at the invitation of your chairman but also of my predecessor David Currie who suggested to me that this would be an excellent start to my chairmanship! I know that David has been a good friend to CMA over the years and I hope that I will be, too.

I have a particular interest in starting to understand your issues and concerns. During the period 2004 – 07 I was the chairman of the Ofcom Consumer Panel - which despite its name was not concerned exclusively with retail consumers, but also had under its wing the interests of small business consumers.

Although we and others made strenuous efforts, I was never sure we had really got our heads around the issues for these business users.

So I am planning during my time in the Ofcom chair to see if we can find better, more effective ways of understanding the needs and issues of business users of communications. So, thank you for the invitation to be here.

What I'd like to do in this short session is give you the flavour of some of the big, business user relevant issues coming up for Ofcom. I will touch on broadband speeds; next generation access – and the universal service commitment. And I'll finish up with a word or two about the wider issues around why all this is so important for all of us.

So, beginning on the question of your needs and issues.

In March Ofcom will start a new project to understand the experiences of business users of telecoms services.

The questions we are seeking to answer are how well competition in telecoms is serving business users, whether Ofcom's policies are well calibrated to serve business needs, and what might need to change.

We will, via the CMA, be picking your brains at length.

We want to know what your top issues are, how usage and spend are changing. We'll want to know about procurement practices, the impact of contract lengths and bundles.

And we'll also want to know your candid views on our performance over the past few years.

I know you are all busy and stretched. But I very much hope you will find time to participate in this project which we are attaching a lot of importance to.

Making sure we are in the right place on the impact of regulation is, of course, more important now than ever.

As I believe the last session discussed, this is a period of serious, and, in my view unprecedented, global economic turbulence.

You have already touched upon some of the implications for the sector, and I am sure there is lots more discussion to come today.

It is undoubtedly a very serious juncture for our economy, with many jobs and indeed businesses at risk. But it does seem to me that there are, in amongst the gloom, some real opportunities for the UK's communications industries, and for those who in turn use them to drive their own businesses.

Of course you are all aware of the Digital Britain project – in which as you may know Ofcom is playing a big part – and which is putting the development of the sector firmly up the Government's agenda. I very much hope that with the impetus being given to a number of issues which, in the end, only a Government can deliver on, we can make some real progress on some of the big and difficult problems that we need to crack.

In a moment, I want to say a word about our regulatory approach to superfast broadband. But before I do, I'd like just to draw your attention to some important moves we are making on the somewhat vexed question of broadband speeds available on the current generation of broadband.

You may have seen our research last month on this topic. It is really important as it gives the first extensive picture of peoples' actual experience of actual speeds, and I'd like to highlight a few points from it.

The headline figure is that, across the piece, we get an average, blended speed of around 3.6Mb/s.

And, as you know, this is way below the speeds most people are paying for.

You may well all feel, so what's new – but I am soberly rather pleased that Ofcom has produced a definitive piece of research that anchors the feeling that many of us have had, that the “up to” so prominent in the marketing of broadband, is a for many of us at best an aspiration.

And, rather helpfully, our research doc sets out the reasons why this might be so. None of which will be news I imagine to you as professionals, but is enormously useful to people who are not experts in this field and just feel great frustration with the deal they are getting as against the one they paid for

We'll follow up this interim research with much more detailed data in the next few months, and that will also show the relationship between speed and satisfaction with the service.

But information on speeds, while important, is only part of the picture.

The other part is making sure that all participants in the industry are abiding by the same rules

So last year Ofcom introduced a new Code of Practice, obliging ISPs to be clear about the speeds that will actually be supported, explain the factors that drags speeds down, advise consumers on the things they can do to speed them up, and provide for redress if the user is not getting what they should.

About 95% of broadband customers are now covered by this code. That's a major step forward, but not the end of the story. We need to ensure that ISPs are sticking to the code.

If they are, there is every reason to suppose that users can have confidence in the advice they get when they take out a contract.

If not, and we see little prospect of the voluntary approach sticking, it may be necessary to move to mandatory measures.

It is now two years since Ed Richards first raised the issue of whether the UK should have a commitment to universal service in broadband. And it is something that I have long believed is vital for the UK to move forward into becoming a truly digital society.

I realise even as I say that phrase that it sounds glib and rather like a fashionable soundbite. But I really do believe that all that is implied in that short phrase is important – and I can't think of a less glib way of saying it. I'll say more in a minute about why I think it's an important idea.

This is an example of the kind of issue that, as I said a moment ago, is not within the power of Ofcom to deliver on. We can do research around it; we can, as we do, continually stress its importance – but in the end only Government has the power to make it a reality. Which is why it is of great significance to note that the Government has, as part of its first Digital Britain report, proposed a Universal Service Commitment to be in place by 2012. .

This clearly requires work to examine what barriers exist to universal broadband, and what can be done to about them.

That includes the role that all technologies have to play, including mobile, fixed wireless and satellite, as well as what funding mechanisms should be put in place to provide financial support for such a commitment.

All in all, although there is a lot to do we are going in the right direction on this and we at Ofcom will be doing our utmost to support the work on making this a reality.

But the other side of the market, the demand side, is just as important to get right. Without high take up, the benefits of wide availability are, obviously enough, diminished. And of course it is much harder to influence. At least by regulators.

Nevertheless, unless the challenges to universal take-up are confronted, including from within that very sizeable chunk of the population for whom broadband is already an option, the impact of universal availability will not bring the benefits it should, either to consumers or to citizens.

Until now, these consumers have been at the margins of the debate. The discussion has focused on availability and quality - the not-spots and the not great spots.

But with the gap between availability and take-up in excess of one third of premises, it is clear that a rapid move to universal broadband cannot only be about the pipes.

Some of the take-up barriers are intuitive. They are about fears over the costs, anxieties about the contracts and uncertainties about the technologies.

But even these kinds of barriers are only part of the story. A much more fundamental part of the picture is the need to get the applications, services and content right.

Tens of thousands of users – both in the home and the workplace – have yet to find that thing that turns broadband from a vaguely interesting, slightly frightening, proposition into something they really want in their lives.

So this is a challenge for the ISPs, content providers, network operators, you as professionals, and us as regulators.

I know that the CMA has been very closely involved with the debate about how the UK invests in the infrastructure to move beyond the current generation of broadband, into networks that will serve businesses and other consumers for the fully digital age.

Before too long, we will see the mass market emergence of services and applications that need the speed that current generation broadband cannot deliver. Our infrastructure should be ready for them.

We have got this far through a strongly competitive commercial environment. And competition can do much more to stimulate the creation of networks that meet your needs, and the needs of other consumers.

Ofcom's regulatory approach will therefore continue foster competition as deep in the network as possible.

And it must also do more than simply clear the way. It should allow investment, by incumbents and new entrants, when the circumstances are right for them to do so.

We've said already that wholesale pricing freedom is a key element. But I can't say much more in detail about this today in advance of Ofcom's work in this area, which is still to be completed. But we hope to be making our regulatory position clear in pretty short order and we will be looking to engage closely with the CMA on our next round of consultation on NGA. It is at the moment in my mind one of our most important issues, if not the most important.

There is much more that I could talk about today, certainly as far as Ofcom's brimming in-tray is concerned.

From spectrum release to public service broadcasting, I'm unlikely ever to run short of topics.

But, important as these individual components are, they are only ever part of a broader picture.

As I focus in on the Ofcom in-tray, it becomes more important to keep in mind the thing that brings us all together for a conference like this.

Communications services are more than just a driver of economic growth. They are more than a key UK sectoral strength, or a source of innovation. They do more than employ thousands of people.

When we talk about NGA or the USO, we are talking about things we need to secure the more important ends.

Communication is the essence that glues people together. The services we all spend our lives working on are the conduits through which we do business, meet friends, keep in touch with loved ones. And our not so loved ones.

These are the means by which we catch up with events, learn about the world, entertain ourselves and our children.

Increasingly, our choice and array of communications at our disposal is more varied and more mobile. With that comes greater choice, but also greater complexity, confusion, and the potential for sharp dealing.

The content we can access is now richer than ever, from radio stations from the most distant parts of the world, to micro-localised information. That increases the sheer range and diversity of stuff at our fingertips, but means that we need to be more aware of new and potential risks, and do more to secure content that we value as a society.

As I get ready to take the Chair of Ofcom, I want to make sure that we keep these essential ends in mind in all that we do.

That does not mean a retreat from robust, hard-headed economic analysis. It does not mean smothering commercial innovation and freedom in the name of consumer protection.

It does mean a determinedly resolute focus on the end user. It means a constant interrogation of what we do, always framed by the very straightforward question: how does this decision or proposal improve the ease with which people are able to communicate with each other?

You and your organisations are a key part of the dialogue that we as a regulator need to maintain in very good working order – so I hope to be seeing a lot more of you over the years – and that I can be as accessible to you and as alive to your concerns as I know David Currie has been.