

New Approaches to Regulation: The Role of Ofcom in Wales

Executive Summary

For Wales, a country with a high percentage of rural communities and an average household income 15% below the UK average, considerable challenges remain in deciding how to tackle the significant issues of availability and access to broadband services – now considered an essential utility rather than a desirable commodity.

Since its inception, Ofcom has had a clear remit to support market-led development, promote competition and drive innovation. As a result, the availability of broadband services has improved, prices have fallen, speeds have risen and take-up has surged, delivering immediate benefits to individuals and businesses alike.

However, take-up rates and the level of PC ownership have flattened out and the market-led roll-out of first generation services is likely to have reached its commercial limit. There is also the question of how far market-led investment will take us in the deployment of next generation networks and services.

Currently, 40% of all households do not have basic internet access.

- 55% of those households have decided that they do not want it at all, even though they can afford it – the **'self excluded'**.
- 30% are restrained by financial resources but would like to be online – the **'financially excluded'**.
- 15% don't want it and don't have the resources anyway – the **'dual excluded'**.

Indeed, according to the Bevan Foundation's report entitled "Digital Wales, Divided Wales", "the key question facing Wales is [...] engagement".

The Digital Participation Consortium aims to maximise the use of digital technology, offer outreach to people who need support and promote the economic and social benefits of digital participation.

The Welsh Assembly Government is also in the process of producing its own Digital Inclusion Action Plan.

- Finally, 1% of households want internet access but cannot access the network because the service is not available where they live – the **'geographically excluded'**.

This figure is based on 512 kbps. If one raises the bar to 2 Mbps (as per the proposed Universal Service Commitment in the UK Government's Digital Britain Report), the percentage of households which are 'geographically excluded' rises to almost 15%.

A Universal Service Commitment for Broadband would make a significant difference in providing a good level of basic service to the 'geographically excluded'. However, we are becoming 'bandwidth-hungry' and 2 megabits per second will not be sufficient to satisfy our future long-term needs.

In its Digital Britain Report, the UK Government has set out its stall and has made the case for the roll out of next generation networks to a large majority of the UK population. It proposes to do this by creating an independent Next Generation Fund, based on a levy of £6 per annum on fixed copper lines.

The Queen's Speech will contain a Finance Bill and a Digital Economy Bill, both of which will set out the proposals contained in the Digital Britain Report.

Ofcom's future role is clear - to focus regulatory intervention on clear objectives which support market-led development and promote competition to ensure the long-term future investment in Wales' communications infrastructure.