PET(4)-08-12 : Tuesday 15 May 2012
P-04-364 Fibre Optic for Rural Areas

Correspondence from Ofcom

Dear Mr Powell,

Thank you for your letter relating to Petition: P-04-364 – Fibre Optic for Rural Areas. Please find below comments which I hope will be helpful to the Committee.

It is worth noting in particular that the Welsh Government is currently in the procurement phase of delivering Next Generation Broadband for Wales (at least 30 Mbps). To assist the delivery of this commitment, the UK Government has also announced a £56.9 million contribution towards the rollout of superfast broadband (30 Mbps) to 100% of the Welsh population by 2015.

Furthermore, we are currently consulting on proposals for the award of spectrum licences (800 Mhz & 2.6 Ghz) to support the rollout of 4G mobile broadband technology, which is set to deliver significantly faster mobile broadband services to rural areas.

Please do not hesitate to contact us if you require further information on these issues or any other Ofcom matter.

Kind regards

Elinor Williams

Director Wales, Ofcom

Rural Broadband

Typically (though not always), the reason for slow broadband (or none at all) over a fixed telephone line is the length of the copper wire from the house or business to the telephone exchange. Unlike conventional telephone calls, a broadband DSL signal reduces with distance from the exchange to a point where the broadband service will not work at all (generally at around 5 km). Other factors also impact on fixed-line broadband availability including poor home wiring or other network issues such as the presence of line concentrators and aluminium cabling, which do not carry a broadband signal as efficiently as copper.

Such locations are known as not-spots and are a particular problem in Wales as a greater proportion of rural homes and small and medium-sized enterprises are situated a long way from exchanges compared to other parts of the UK. Approximately 18% of premises in Wales are situated further than 5 km from an exchange compared to the UK average of 14%.

In July 2010, the then Deputy First Minister, Ieuan Wyn Jones AM, announced a new £2 million Broadband Support Scheme that aims to provide consumers in rural not-spots with a grant of up to £1,000 to enable them to gain access to broadband by approaching alternative service providers directly. In July 2011, the Minister for Business, Enterprise, Technology & Science, Edwina Hart AM,

extended the scheme to those consumers living in “slow-spots” (receiving less than 2 megabits per second).

There are a number of alternatives to fixed broadband. Satellite broadband is available almost anywhere in the UK using a dish. Companies such as Avanti and BeyonDSL offer a range of satellite broadband packages.

Companies such as TFL and Exwavia specialise in the deployment of wireless broadband solutions by placing its first wireless distribution node at or near the telephone exchange. This is used to “send” the broadband to where it is required. The distribution of broadband to users is then a simple case of feeding the wireless signal to each premises using the same wireless technology.

However, BT is also in the process of upgrading its fixed network. In June 2008, BT announced a £1.5 billion programme over four years to replace major parts of its copper access network with fibre, at least to the street cabinet, connecting 10 million UK homes. BT has since announced that it will spend a further £1 billion to extend coverage to two-thirds of UK homes by 2015, using a combination of fibre to the cabinet (FTTC) and fibre to the premises (FTTP).

BT has published an initial list of exchange areas across the UK in which it will roll out superfast broadband services, based initially on a fibre to the cabinet solution. However, the business case for investment in Wales’ telecommunications infrastructure is challenging, and BT’s current investment is focused primarily on commercially attractive areas. Indeed, industry and economic analysis has concluded that there is no obvious means whereby the market, unaided, will serve the final third of the UK population.

In an effort to reach the final third, the Welsh Government is currently in the procurement phase of delivering Next Generation Broadband for Wales (at least 30 Mbps). To assist the delivery of this commitment, the UK Government has also announced a £56.9 million contribution towards the rollout of superfast broadband (30 Mbps) to 100% of the Welsh population by 2015.

Ofcom has also recently announced measures which may incentivise the rollout of broadband services to those areas in which there is no or little competition to BT. In our recent review of the Wholesale Broadband Access Market, we proposed that BT should continue to be required to provide bitstream services in a non-discriminatory manner and on the basis of cost-oriented prices to address the potential competition problems posed by BT’s dominance in Market 1 (areas where there is no competition) and Market 2 (areas where there is insufficient competition). These proposals are designed to ensure consumers benefit from competitive services provision at the retail level. The changes may lead to better quality services by enabling ISPs to allocate more bandwidth per customer which could deliver faster broadband services. Ofcom also expects the level of the charge control to incentivise efficient investment by ISPs to roll out their own networks in these areas and enable them to compete with BT Wholesale. It will also incentivise BT Wholesale to upgrade ADSL2+ services as Ofcom has exempted ADSL 2+ technology from charge controls. ADSL 2+ is capable of supporting faster broadband speeds than ADSL, with a maximum possible speed of 24 Mbit/s over the copper network.