

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: OfCom Proposed Annual Plan 2017/18 Consultation

To (Ofcom contact):

Name of respondent: Grace Peacock on behalf of NI Policy Chair, Wilfred Mitchell OBE

Representing (self or organisation/s): Federation of Small Businesses (FSB)

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What do you want Ofcom to keep confidential?

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Name Grace H Peacock

Signed (if hard copy)



7th February 2016

Email: Consult@ofcom.org.uk

Dear Sir/Madam,

FSB Northern Ireland's Response to the Consultation on Ofcom's Proposed Action Plan

The Federation of Small Businesses (FSB) welcomes the publication of OfCom's Proposed Annual Plan and this opportunity to respond.

FSB is the UK's largest business organisation with around 170,000 members, including 6,000 here in Northern Ireland. Our members are business owners and self-employed people, many of whom own more than one business. Our members come from across all sectors and industries. FSB's aim is to promote and protect the interests of smaller businesses and, to that end, we work with decision-makers to create a better business environment.

Almost all (94%) small businesses already view a reliable internet connection as vital to the success of their business and as business practices and technology evolve, their dependence on high quality, superfast broadband will only increase in future - regardless of the sector or industry in which the business operates.

Small businesses and domestic customers located in rural areas in Northern Ireland are disproportionately impacted by poor broadband and mobile coverage in comparison to the rest of the UK. These issues have been highlighted in the following consultation response.

Yours faithfully

Wilfred Mitchell OBE

FSB Northern Ireland Policy Chair.

FSB Northern Ireland's Response to the Consultation on Ofcom's Proposed Action Plan

Ofcom has a similar composition to the FSB as a national organisation, with offices located and staffed in devolved areas to highlight the unique characteristics of the respective nations of the UK.

FSB Northern Ireland welcomes the statement below, within the Proposed Action Plan 2017/8:

OfCom recognises that providing fixed broadband, mobile, and postal services that meet the needs of consumers and SMEs in rural and remote areas presents particular challenges, given their economic geography. These areas fall disproportionately within Northern Ireland, Scotland and Wales, as well as some English regions. ¹

The following response looks at the disproportionate impact of communications coverage on small businesses in Northern Ireland, and in response sets out a number of recommendations in relation to broadband and mobile coverage.

Changing consumer and business needs

FSB agrees that connectivity is increasingly important for UK businesses. Our research shows nearly all (94 per cent)² of small business owners rate a reliable broadband connection as critical to the success of their business.

Many of our members make innovative use of better connectivity to deliver real savings, better productivity and new growth opportunities. Nevertheless, some business owners are frustrated with the quality of service they receive. In some instances this has led to small businesses disengaging from the market, missing out on business to business contact, development of innovation and sales to increasingly connected customers.

Northern Ireland is a predominately rural economy which is the only part of the UK to share a land border with another EU country. To be able to compete on the global stage, local businesses require the infrastructure to be able to innovate and develop new technologies and processes to which broadband is vital.

Furthermore, as an increasing number of public services are being transferred online to include ongoing plans for complete online submission of tax information as set out in the current Making Tax Digital programme by HMRC. Superfast Broadband access that enables downloading and

¹ https://www.ofcom.org.uk/__data/assets/pdf_file/0027/94743/Proposed-Annual-Plan-2017-18.pdf

²FSB, 2015: Broadband: The Fourth Utility. <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/policy/assets/fsb-the-fourth-utility-paper.pdf?Status=Master&sfvrsn=0>

secure completion and return of forms is essential as well as the ability to quickly access a wide range of information online.

Goals and Highlights

Enabling competing operators to invest in super- and ultra- fast fixed line networks.

FSB welcomes the commitment of Ofcom to enable competing operators to invest in super- and ultra-fast fixed line networks for broadband provision. However, it is important that obligations on the provider to commit to investing in the rural broadband infrastructure be included in any licensing agreements.

While upload and download speeds are important to small firms, reliability and quality of service are also critical. FSB found widespread dissatisfaction amongst our members with both the upload and download speeds and the quality of service available to both urban and rural businesses.

Ofcom's report published in December 2016; *Connected Nations: Northern Ireland*³ highlighted that only 52% of rural premises in Northern Ireland are receiving superfast broadband. Of the 63,000 premises that cannot get a download speed reaching 10Mbit/s, 94% of these are located in rural areas. On average, broadband speeds for rural businesses are half of those achieved in urban areas.

The rural population in Northern Ireland is more evenly spread than the rest of the UK, meaning that there is a disproportionate effect as fewer local small businesses are able to have the same access to improve efficiency and make savings through broadband connectivity in comparison to their competitors based in more urban areas and in the rest of the UK.

Broadband policy remains dispersed across both the UK government and Northern Ireland Executive. Small pockets of funding for broadband and the wider digital connectivity agenda are being levered nationally by several departments, including Defra and the Cabinet Office whilst the Northern Ireland Assembly is currently dissolved. This situation arguably undermines the Government's ability to align its priorities and provide policy clarity for businesses and investors.

FSB have called on both the UK Government nationally and, more locally, the Northern Ireland Executive, to address the issue through increasing the Universal Service Obligation – the legal entitlement to a basic service

³ Connected Nations 2016 – Northern Ireland. Published 16 December 2016 (hard copy).

– to at least 10Mbps⁴, as well as requiring providers to advertise minimum speeds, instead of the current practice of advertising maximum possible speeds.

Publishing better, more granular information

An FSB member who runs a consultancy firm for the Health Sector in County Antrim presented us with a broadband report from his business address showing that he attains a broadband download speed range of 0.95 to 1.57Mbit/s and upload speed range of 0.40 to 1.10 Mbit/s. This speed does not allow for reliable multiple usage without serious difficulties, downloading large files nor video conferencing and enables only the most basic of internet browsing. In terms of comparative pricing for broadband contracts in urban areas this is a poor offering.

Information available prompted the business owner to attempt to improve his broadband speed by installing Satellite Broadband, which it is claimed is available right across the UK with a respectable connection speed up to 22Mb. The setup costs hundreds of pounds to include equipment and installation and there can also be high running costs. Despite investing in Satellite Broadband, the business owner has not experienced an improvement in his average speed.

In FSB's 2015 Report *Reassured, Optimised, and Transformed: Driving Digital Demand among Small Businesses*⁵, we recommended that broadband providers should advertise their minimum, rather than maximum, broadband speeds available to business customers so they will have a more realistic expectation and not spend money trying to improve their broadband speeds when a successful outcome is uncertain.

It is vital to small businesses that the availability, speed, quality of service and pricing be accurate for their areas. Therefore FSB Northern Ireland welcomes OfCom's commitment to publish better, more granular information.

Improving the coverage of fixed and mobile communications services to meet the needs of people and businesses across the UK.

According to OfCom's 2015 Communications Report⁶ – Northern Ireland has had a high uptake of mobile devices over recent years. This is

⁴ <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/policy/assets/fsb-the-fourth-utility-paper.pdf?Status=Master&sfvrsn=0>

⁵ [http://www.fsb.org.uk/docs/default-source/Publications/reports/fsb-telecoms-report---september-2015\(2\).pdf?sfvrsn=0](http://www.fsb.org.uk/docs/default-source/Publications/reports/fsb-telecoms-report---september-2015(2).pdf?sfvrsn=0)

⁶ <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2015/cmr-ni-2015>

another solution that business owners and homeowners use to increase their access to better quality broadband and speeds.

However, again, mobile internet falls victim to coverage and Northern Ireland faces a unique issue beyond poor rural coverage, and that is sharing a land border with a different country. Use of mobile broadband can be expensive to a small business owner, particularly in areas of Northern Ireland located close to the border, where devices drop in and out of coverage providers and unrealistic roaming charges may be applied, without the user actually having moved out of their territory.

Inadvertent roaming occurs when the signal from a domestic UK mobile phone provider is weak or unavailable and the phone then picks up a stronger signal from a mast located in the Republic of Ireland. In these instances, mobile phone users are charged higher international roaming rates leading to unexpected high phone bills. Mobile phone owners living or travelling near to the Republic of Ireland have an ongoing daily problem with this and it is of paramount importance that this be resolved.

In 2012, OfCom estimated that roaming costs charged customers an additional £300 annually, as they have made calls and gone online without realising their signal was being provided by a company located in the Republic of Ireland. Since 2012, there has been a marked increase in the amount of mobile devices used, including smartphones and tablets, meaning this figure is likely to have increased.

FSB Northern Ireland welcomes OfCom's commitment to support wider mobile coverage by assessing and implementing new regulatory approaches, particularly the recommendation to implement coverage obligations for new licences for the 700MHz spectrum band and would recommend that the rollout of this be monitored in terms of rural and border coverage in Northern Ireland.

Increasing the capacity of mobile networks by ensuring sufficient spectrum is available.

Mobile broadband services are often expensive at the premium package rates required for business purposes, while coverage is often unreliable, particularly in rural and semi-urban areas⁷.

Where there has been difficulty in locating rural businesses to the superfast broadband cabling, the Countryside Alliance⁸ has highlighted that mobile network 'not-spots' cost the UK economy £1.3 bn per year yet

⁷ Ibid

⁸ Countryside Alliance – Options for poor broadband in rural areas: <http://www.countryside-alliance.org/options-for-those-struggling-with-poor-broadband-in-rural-areas/> Accessed 27 January 2017.

also advise that increased access to mobile broadband could be an option to cover gaps in fixed line coverage.

Mobile internet coverage brings with it high costs. However this can be redressed particularly as there has been a high uptake in mobile devices in Northern Ireland, as reported in OfCom's Connection Nations report earlier this year. This trend underpinned with licensing conditions should lead to a fall in the high prices being charged to those using mobile broadband in rural and border areas presently, to provide an alternative redress to poor superfast broadband coverage speeds.

Improving the coverage of fixed and mobile communications services to customers located in border and rural areas therefore is a priority to meet the needs of people and businesses in both improving access to broadband and minimising inadvertent roaming.

Northern Ireland

This following section focusses on the commitments made under Section 4 of the consultation paper, entitled *Delivering our Goals across the UK*.

- (1) FSB welcomes OfCom's Commitment to work with the Northern Ireland Executive, Assembly and local councils in offering regulatory and technical advice, particularly in support of the improved broadband roll-out and mobile coverage. However, there needs to be target based delivery of the roll-out to 100% of all properties located in rural areas.

Presently, the Northern Ireland Assembly has been dissolved due to political instability. This impacts on business confidence, as engagement and decisions on vital issues such as broadband and communications are delayed.

As regulator for Broadband, FSB Northern Ireland call on OfCom to carry out their statutory duty to ensure "*the availability throughout the United Kingdom of a wide range of electronic communications services;*" to further the interests of citizens and of consumers, including enforcing competition law and regulatory rules (for example intervening on network access questions⁹).

Having the largest economic reliance on rural businesses in the UK, Northern Ireland has evidently been disproportionately affected by poor broadband and mobile coverage and as a result

⁹ <http://www.legislation.gov.uk/ukpga/2003/21/contents>

is at a competitive disadvantage compared to businesses operating in other areas of the UK.

- (2) FSB welcomes OfCom's commitment to ensuring that BT's Openreach reforms and/or benefits are also applicable to Northern Ireland. We would recommend however that business and domestic customers be provided with accessible information on what Openreach is and what it can mean to their communications, so that informed decisions and discussions can take place.
- (3) The border with the Republic of Ireland has been problematic in terms of roaming charges incurred by mobile phone users living, working and travelling close to the border. A stronger commitment should be made by OfCom to establish agreement with Irish Regulatory Authorities as well as to ensure stronger mobile coverage in border areas, so that mobile phones do not have to seek alternative signals from Republic of Ireland.

Workplan for 2017/18

In consideration of the projects raised, FSB would take this opportunity to reiterate the need for OfCom to promote competition in the broadband and mobile markets in order to provide better quality and coverage of services for both small businesses and domestic customers.

SME engagement is vital to ensuring that Northern Ireland, and more widely the UK, has a robust communications network that can enable global trade as the UK exits the EU.

OfCom must proactively utilise information gathered to ensure fair and transparent pricing of broadband products and services for all users (business and residential), encouraging new entrants into the market, and using its regulatory powers to investigate where there is significant evidence of anti-competitive practices, including access restrictions to passive infrastructure and that minimum speeds be made available to consumers from broadband suppliers.

Concluding comments:

Research conducted by The Guardian newspaper in 2012 identified that Omagh had the worst connected basic broadband speeds in the whole of

the UK¹⁰. In Omagh, 27.4% of homes with an internet connection are not getting above 2Mbps.

Which?¹¹ research conducted in 2014 revealed that residents Northern Ireland have phone signal for 93.6% of the time, but can expect to go without mobile internet (via 3G and 4G) 28.5% of the time – making it the ninth worst of the twelve regions in the UK.

This demonstrates that poor broadband and mobile services in Northern Ireland are a long-standing issue.

FSB research shows that the sector has been making progress, but that there is still a substantial gulf between customer expectations and the quality of service received, despite promises by suppliers. It is vital that these issues be redressed by OfCom, as the service regulator.

¹⁰ The Guardian: Rural Broadband halves speed of those reached in cities and towns.

<https://www.theguardian.com/technology/2012/nov/30/rural-broadband-speeds-half-cities>

¹¹ Which? Mobile Coverage Survey 2014. <https://blogs.which.co.uk/technology/mobile-phone-coverage-2/best-and-worst-mobile-phone-coverage-in-northern-ireland/>