



Department
for Culture
Media & Sport

Government response to the Ofcom Strategic Review of Digital Communications and Business Connectivity Market reviews

1. Ofcom's recently published the findings of their first strategic review of the UK's digital communications markets for 10 years as well as their Business Connectivity Market Review. The Government welcomes the key themes raised: the right incentives being in place for private sector investment, maintaining strong competition that ensures markets work effectively for consumers and deregulating where possible.
2. The Government's ambition is to ensure that the UK has the right infrastructure to meet the needs of business and consumers and enable the UK to remain a leading digital nation. It continues to consider the ownership structures around national infrastructure and the level of infrastructure required including speed of access, reliability and resilience.
3. The potential benefits of harnessing this digital transformation are clear, the digital economy has spread into every sector, as well as driving growth in the digital sector which now contributes £118 billion gross value to the UK economy in 2014, an increase of 7.2 per cent since 2013. Access to high quality, high speed networks are now considered vital and consumer expectations about the services they receive continues to rise.
4. Ofcom has recently published its initial conclusions on its digital communications review. It has set out a long term vision for regulating the future of the UK communications markets. Proposed steps aim to cement the UK's position as a world leader in advanced digital communications networks with more fibre into networks – including fibre to the home – are an important step forward. The announcement on leased lines and dark fibre is also important, particularly to business users.
5. The Government notes Ofcom's analysis and welcomes their determination to tackle these issues. Early action will be necessary to ensure the UK has the digital infrastructure it needs now and in the future.
6. The Government agrees with Ofcom's view that the current relationship between BT and Openreach will not deliver the country's needs for more competition, better innovation and better service.
7. The Government notes Ofcom's analysis of why the current model, negotiated then adopted in 2005, is no longer fit for purpose in securing the best outcomes for UK consumers and businesses. Ofcom's review set out ways in which better outcomes could be secured, ranging from proposals for

greater functional separation of Openreach within BT's existing structure, to full structural separation.

8. The Government believes Ofcom should be firmly focused on taking whatever action is needed to correct the competition problems identified, and to promote the growth of the digital economy, however radical a change that might be.

9. The Government urges Ofcom to confirm a clear and speedy timetable for decision-taking on the necessary changes to resolve the issues identified.