

## **Hull City Council - Response to Ofcom Consultation**

### **Introduction**

Hull City Council recognises the importance of the digital economy and digital inclusion is a key feature of Hull's City Plan. The needs of a complex city means that we have to have all our citizens and residents having an option of connectivity, which will aid residential development as well as business development throughout the City.

To progress the digital agenda the council has formed a cross-service Digital Initiatives Group at a senior level within the Council and has commenced a Digital Programme which includes the creation of new posts to manage the process of bidding for funding from central government to improve connectivity within the city and the formalisation of and embedding of a full digital strategy for the city.

The aim of this programme is to build on the work of the Digital Initiatives Group and progress the initiatives to create a city that can deal with today's challenges and address future needs by:

- creating a future-proof city that is attractive to citizens, business, visitors and investors alike
- making the city adaptable and knowledgeable about itself
- having the means to assign scarce resources in the most beneficial way
- enabling a culture of innovation and collaboration

The Council therefore welcomes the opportunity to respond to the Ofcom consultation and puts forward the following responses:

#### **Do you agree with our proposed market definition? Please provide reasons and evidence in support of your views.**

Yes the Council does agree. Given the unique telecoms market environment and the fact that KCom's stated goal is to deploy FTTP across the City (<https://www.kcomhome.com/news/articles/kcom-reveals-next-phase-of-ultrafast-rollout/>), traditional service definitions will become redundant and we agree that differences between WLA and WBA will become redundant and the markets are rapidly merging.

Any regulatory model for Hull must address fibre access products and services.

#### **Do you agree with our proposal that KCOM holds SMP in the supply of WLA and WBA products in the Hull Area? Please provide reasons and evidence in support of your views.**

Hull City Council agrees that KCOM holds significant market powers in both markets in Hull. This is evidenced by:

- there is an absence of national service providers in the City (e.g. Talk Talk, Sky) due to the high set up costs.
- There is an absence of competitive equipment in local exchanges and competition is largely restricted to a small number of radio access providers

The consequences of this are that retail prices are higher than across the rest of the UK.

In addition Hull consumers are unable to access bundles of broadband, media and mobile services typically offered across the rest of the UK.

KCOM does not currently offer wholesale services on its Lightstream FTTP service which is rapidly covering the most commercially attractive areas of the City. Other providers such as MS3 and City Fibre currently have limited footprint in the access market

**Do you agree with the remedies that we propose to impose? Please provide reasons and evidence in support of your views**

The consultation does not seek to specify the access products to be provided and leaves this to the market. However, given the lack of competitive activity in Hull there is a risk that the wholesale service portfolio may be slow to evolve. Service providers may be reluctant to request provision and the incumbent is not incentivised to do so. We would wish to see service providers in Hull having access to a comprehensive portfolio of wholesale services comparable with that seen across the UK. This should include access to passive infrastructure (ducts, dark fibre) as well as active services. We are content with the withdrawal of regulation of the copper access market as it is increasingly redundant in Hull.

We agree that KCOM should provide transparent costs and procedures to enable service providers to access wholesale products and would be keen to see KCOM's actual performance against the planned KPIs published on a regular basis. Wholesale prices should be benchmarked against comparable products elsewhere in UK.

Hull City Council welcomes the significant investment made by KCOM in the City, notably in fibre provision and we would not wish for there to be a disincentive for further investment. Ofcom's proposal for transparency in relation to costs (and hence wholesale pricing) should ensure that KCOM is not penalised or deterred from further investment, whilst at the same time facilitating a healthy wholesale service market that will encourage retail service provision in the City.

We would like to see some time limit for review of the efficacy of the proposed remedies. If there has been no resultant positive impact within two years on the downstream retail market, we would like Ofcom to review again whether further intervention is required, in either the wholesale or retail markets, as its statutory powers allow.

## **Further information offered following discussion with Ofcom 7<sup>th</sup> August 2017**

We would like to see work to aid users at the lower end of the economic scale. Details from a Customer Services consultation in the autumn of 2016 shows that 20% of people said that it was cost that stopped them accessing services online (see Appendix A for details)

Hull City Council has been working in partnership with KCOM conducting some pilots in the Orchard Park area of the city, around customer internet connectivity and its impact on online transactions with the council.

The pilot mainly involved households in the customer insight segment groups C (Young families with dependent children in public rented properties) and D (Low Income families in public rented and owner occupied houses). These households have a tendency to contact the council by face to face or telephone. When asked, through the Councils Customer Panel, the reason for this 45% said this was because they couldn't afford broadband in the home, 24% said it was because of lack of education and 24% said it was because of a lack of equipment to allow connection to the internet

The aim of the pilot was to have 150 households participating from the Orchard Park area. Over 800 households in three phases were invited to express their interest to join the pilot to receive free broadband in the home for 6 months. A door knocking exercise was also carried out to encourage take up. The total number of households who joined the pilot was 97 with Phase 1 of the pilot going live on 25 July 2016 and extended to end with Phase 2 on 31 March 2017.

When asked why they were not taking up the offer of broadband, households responded that:

- many households thought the letter was a hoax therefore did not apply to join the pilot
- they did not want a landline
- they did not want to get tied into a contract with KCOM
- they were worried about going over their data allowance and then receiving a large bill each month
- KCOM's perceived broadband delivery and service (poor and slow)

The findings of the pilot were:

- that many of the households already had broadband capable devices but didn't have broadband in the home
- only around 25 households so far have needed a laptop on loan from HCC
- households used a mobile device which gave them enough data allowance
- households used free public internet access at HCC buildings such as Libraries and CSC's

Further details can be found in Appendix B.