

Broadband Stakeholder Group Response
A New Broadband Universal Service Obligation Consultation



April 2016

Broadband Stakeholder Group

A New Broadband Universal Service Obligation Consultation Response

April 2016

The Broadband Stakeholder Group (BSG) is the UK Government's leading advisory group on broadband. It provides a neutral forum for organisations across the converging broadband value-chain to discuss and resolve key policy, regulatory and commercial issues, with the ultimate aim of helping to create a strong and competitive UK knowledge economy.

Executive Summary

The BSG welcomes this opportunity to respond to the Department for Culture, Media and Sport's consultation on a Broadband Universal Service Obligation (USO). The BSG strongly supports a goal of universally available good quality broadband access, at a price that allows everyone to connect to the internet and access the range of services enabled by digital connectivity. This is why we were one of the largest proponents of the Universal Service Commitment (USC) which we were pleased to see become reality at the end of last year.

In considering a USO, it is essential that Government is clear on the objective that it is seeking to bring about and retains an open mind as to whether a USO is the best or sole mechanism to achieve good quality broadband access in the UK. Any intervention creates the potential for unintended consequences and distortions to the market. A USO for broadband on the current scale being considered, risks being so complicated and onerous that it could result in fewer people being online. One way that this could occur is that the cost of a USO for a large number of premises is borne directly by 'industry'. This would be passed onto current users. Whilst the cost per individual may appear to be small it could have an impact on those users who are price-sensitive, leading to fewer people being online as consequence. Indeed 21% of those who do not have a home broadband connection already cite cost as one of the reasons¹ for not doing so.

In approaching how best to achieve the goal of universally available good quality broadband access (accessible at competitive prices), we believe that Government must concentrate on removing barriers so that commercial investments become viable and ensure that current BDUK schemes bring about the

¹ Ofcom, [Communications Market Report 2015](#)

greatest expansion of superfast broadband coverage possible. It should also seriously consider whether some form of Government subsidy is required to serve those premises which will not be passed even if barriers are removed and BDUK funds maximised. Once these avenues have been exhausted then we believe that there may be an argument to make for a USO that acts as a safety net for those premises which are in areas where it is extremely difficult and costly to deploy infrastructure. This is consistent with the principle of the Universal Service Directive, which is designed to provide a minimum ‘floor’, rather than be a mechanism to deliver more advanced services that risk more significant market disruption. A USO in this instance would then serve to empower consumers who are in areas of explicit market failure.

Q1: Do you have any concerns about the approach that has been set out here?

Although the BSG welcomes and shares the Government commitment to digital inclusion we are concerned that the proposed approach of addressing limited connectivity via legislation to introduce a USO is not the best way to deliver this commitment. Failure of the market to deliver in the remaining areas is an economic issue, therefore Government should seek to address the economic issues preventing deployment in these areas. Legislative change to introduce a right to receive a service “on demand” is not, in the opinion of the BSG, the best way of doing so.

To be clear, the BSG supports the Government’s underlying objective of universally available good quality broadband at accessible prices. It is hard to overestimate the importance of digital infrastructure and the applications that are delivered over them as they play a disruptive yet transformative role. The digital networks – fixed and wireless – that form this infrastructure not only deliver broadcast, entertainment, communications and emergency services, they are now increasingly important in the provision of healthcare, the stability of the energy sector, efficiency and safety in the transport, construction and manufacturing sectors, with new business models leading to new applications in new sectors.

Presently, the benefits gained from being connected for the citizen are largely additional to what can be accomplished in the non-digital, or paper, world. However, with the increasing digitalisation of Government services, the expansion of telecare and health, and even the possibility of additional charging for non-digital consumers, basic digital connectivity will shortly become a necessity. SMEs with high levels of digital maturity are more likely to have strong growth aspirations – indeed it is believed

that SMEs could unlock an additional £18.8bn of incremental revenue growth by optimising their use of the internet².

Ensuring that citizens and businesses have access – both in terms of network connectivity and ability to pay – to the internet, and the necessary digital skills to exploit that access to the full, is an important and complex problem for Government and policy makers. These issues are of course closely intertwined and should be regarded as being equally important, but clearly the first step is in ensuring that the underlying connectivity is available.

In seeking to ensure that everyone has access to a sufficient level of good quality broadband connection and in order to increase the number of people who use the internet, we must address a number of questions. These are grouped around what level of connectivity is needed for citizens and businesses to engage with the Government and be an active citizen and consumer. Indeed, this goes to the heart of what a what universal good quality broadband ‘floor’ should be – as discussed below speed may only be one part of this. Secondly, we have to consider what the current and planned future network deployments (both commercial and publicly funded) will do to provide that connectivity – and how to maximise this investment. We then need to consider whether to and how best to fill potential not-spots in a way that minimises the affects to competition and investment of any intervention.

The BSG appreciates that many of these questions requires detailed consultation with consumer and businesses groups as well as industry. Whilst we welcome Ofcom’s proposed role, and look forward to engaging with them on these issues, we hope that they also consider whether a USO is the best mechanism for delivering a good level of connectivity which increases the number of people who use the internet.

We support the Government’s aim to introduce a “sustainable” means of delivering its objectives and note that the Universal Service Directive requires Member States to minimise market distortion if they choose to introduce a broadband USO. Any definition of sustainability should explicitly include financial sustainability and the imperative of avoiding uncapped financial liabilities.

Q2: We do not propose to specify speed in primary legislation. Should speed be specified in primary or secondary legislation?

² Booz&Co, [The case for universal digitalisation](#).

We agree that USO characteristics, if they are required, should not be specified in primary legislation. Speed is clearly one of the factors in achieving good quality of experience for the end-user, and is likely to be the dominant factor. However, it is not the sole factor. Clearly there is a balance to be struck in ensuring that any legislation is not overly prescriptive the Government must ensure that it analyses other quality metrics. Further, download speed is just one part of the story, upload is also important. This is the case for application that may have wider societal and public benefits such as two-way video calling and telecare/medicine applications and for small businesses, as demonstrated in our demand bandwidth study³.

If deployed, a broadband USO must remain a safety net. Clearly though the connection to allow someone to be an active citizen and consumer is likely to evolve over time. Secondary legislation therefore seems to be the best vehicle to do so although there is a balance to be struck in allowing for the USO's evolution and certainty for any Universal Service Provider(s). In order to ensure that the USO remains sustainable and continues to minimise market distortion as it evolves, Government should consult with industry before changing the USO characteristics (such as the minimum speed). It is also important to consider that such evolution could impact the solutions that are needed as some current solutions may not be viable if requirements evolve.

Q3: In terms of giving the Secretary of State a power to direct Ofcom to review the USO, should Government have a continuing role in the USO, or should this be a matter for Ofcom?

There needs to be careful consideration of allowing the USO to evolve over time and providing certainty to industry and any Universal Service Provider(s). It is right that Ofcom are also analysing this issue and it is too early to state whether a minimum review period is preferable or not.

For further information please contact:

Samira Gazzane
Broadband Stakeholder Group
Samira.Gazzane@Broadbanduk.org

³ For evidence that 50% of small businesses already require more than 1Mbit/s upload see BSG, [Small Businesses' Connectivity Requirements Study](#)