



Department for Culture Media & Sport

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Sharon White
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CMS 281201/DC
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Dear Sharon,

As you know, in November the Prime Minister announced the Government's intention to introduce a new broadband Universal Service Obligation (USO), and our ambition to set this at 10Mbps. We are now considering options for legislation. This is a complex issue with a range of factors to consider, and requires further detailed analysis before we can more fully set out options for the design of the USO. I am therefore writing to ask you to undertake some detailed technical analysis to inform and support the specific of what to put in legislation.

Mindful of the requirements of the European framework, I would be grateful if Ofcom could develop and provide a report setting out its views, evidence-based analysis and, as appropriate, recommendations on the design of the USO, including:

1. **The level at which a USO should be set:** This should include an appropriate download speed, including analysis in the first instance of the Prime Minister's stated ambition that the universal right should be set at 10Mbps. It should also consider the appropriateness and level of other parameters, such as upload speed, latency and capacity, and include analysis of what is required for consumers and small business users to fully participate in the digital society;
2. **Footprint and potential demand for the USO:** This should include, to the extent that it is possible, an assessment of the number and location of premises that would be in scope of a broadband USO, including in rural areas, and how this will evolve over time. It should include an estimate of what percentage of premises might take up a USO and what factors may affect this demand, particularly in the most hard to reach rural areas;
3. **Aggregation of demand and efficiency:** Options for the most efficient design and delivery of a broadband USO, to ensure that the maximum number of people who want to get connected do get connected - particularly in sparsely populated rural communities.
4. **Reasonable requests and cost thresholds:** Possible factors for determining whether a request for connection is reasonable, including an appropriate cost threshold;
5. **Affordability and pricing:** Advice on pricing of connections provided under a broadband USO. In particular, how different options such as uniform pricing and other pricing rules might be applied in practice, and how the USO can be affordable; this should include consideration of a social tariff to ensure it is affordable to all;



6. **Costs and technologies:** A detailed preliminary estimate of costs arising from implementation of the USO based on different types of network architectures and technologies. This should include an assessment of the likely timescales over which these costs will arise, and the potential technologies that could support a USO;
7. **Providers and designation:** Options for the mechanism for designation which is competitive and delivers value for money. This should include consideration of possible different types of providers, for example, regional providers, and smaller providers using innovative technologies.
8. **Minimising market distortion:** Views on the extent of any market distortions arising from implementation of a broadband USO, and advice as to which aspects of the design of the USO could impact upon and minimise distortion. This includes limiting the potential for overbuild of existing networks, and minimising risks to retail competition;
9. **Funding:** The mechanism for industry funding the USO, including through an industry cost-sharing mechanism, the most appropriate mechanism and who should contribute to it. This should reflect the Government's preference for an industry-funded scheme, and include an assessment of the costs which industry potentially might be asked to bear. It should also consider the impacts on consumer pricing, including consumers who request a connection under the USO, as well as the wider group of consumers using broadband services.
10. **Review:** How often, and on what basis, a broadband USO could be reviewed in order to ensure that it continues to meet the needs of homes and businesses.

I would also welcome your advice on any other matters that it considers should inform decisions by the Government on the development of policy on the USO.

The Universal Service Directive and Communications Act 2003 assign specific roles to Government and Ofcom for the telephony USO. We will determine in due course which of these remain appropriate for the broadband USO.

Since the direction of Ofcom's work will be shaped by its research, I would like my officials to continue working with yours so that we can achieve this commitment. It would be helpful to see a progress report by 14 August and I'd be grateful for a final report to follow by the end of the year.

Yours
Lover

John

Rt Hon John Whittingdale OBE MP
Secretary of State for Culture, Media and Sport