



**Ofcom: Designing the broadband Universal Service Obligations -
Call for inputs**

PID Reference: PD20010 2585

1. Introduction

- 1.1 The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order 1984. Our principle statutory duty is to promote and safeguard the interests of consumers in Northern Ireland.
- 1.2 The Consumer Council has specific statutory duties in relation to energy, postal services, transport, and water and sewerage. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers.
- 1.3 We welcome the opportunity to respond to Ofcom's consultation to provide technical analysis and recommendations to support the design of a broadband universal service obligation (USO).

2 Specification and scope of the USO

How should the minimum technical performance of the USO be specified?

- 2.1 The Consumer Council supports the Government's plan to introduce a broadband USO. We believe access to broadband should be viewed in the same way as basic utility services.
- 2.2 An Ofcom report¹ refers to 10mbits being the appropriate level at present for a broadband USO and sets out why a household might need 10 Mbits as a minimum. By way of illustration, the report highlights that film streaming in HD can use up to 6Mbits, catch-up TV can use up to 2Mbits, video call and web browsing can use up to 1.5Mbits and basic web browsing can use up to 0.5Mbits.
- 2.3 However, as stated in the consultation on the design of the broadband USO, there are other factors to consider when designing this.
- 2.4 Over the past few years, how we watch movies and TV have changed now that we use services such as 'catch up' or streaming services from connected devices, set-top boxes, smart TVs, portable devices (mobile phones and

¹ OFCOM - UK Home Broadband performance: A consumer summary of fixed-line broadband performance provided to residential consumers, published 24 March 2016.

tablets) and games consoles. Consumer Council research² has identified that nearly one in four NI consumers (24%) are downloading/streaming music, films, books etc. This is likely to increase as advances in technology mean homes are becoming smarter and consumers have more choice.

- 2.5 Often members in the one household are using different devices for a range of online activities at the same time which could impact the speed and quality of service.
- 2.6 With this in mind, we would recommend a review period be set out for the USO to assess if this minimum speed of 10Mbits needs to be increased.

How should we make sure the USO is affordable?

- 2.7 The Consumer Council is encouraged with the ongoing Government commitment to closing the 'digital divide'. However, for this initiative to succeed, consumers must have access to affordable internet services.
- 2.8 Whilst we acknowledge the UK has some of the lowest pricing structures within the telecommunication sector among major European nations, it is concerning that all the major landline providers have imposed rises significantly above inflation over the past five years³. The Consumer Council is concerned at these rising costs, particularly for consumers on a low income.
- 2.9 The Consumer Council would recommend all broadband providers offer uniform pricing or capped charges for a basic broadband tariff. These options could allow consumers to make informed choices about different broadband providers and at the same time, ensure USO is offered at an affordable price.
- 2.10 The Consumer Council welcomes Ofcom's strategy⁴ on transparent information on service quality and automatic compensation for consumers when things go wrong. We recommend this strategy should go one step further by giving consumers the option of terminating their contract if the service quality continues to be compromised in terms of connectivity and speed. Consumers should not be disadvantaged by being locked into a

² Consumer Council - A consumer proficiency report for 2015-16 from the Consumer Council of Northern Ireland. This is based research of a representative sample of consumers who were interviewed during November and December 2015. The research covered issues in relation to consumers' knowledge of their rights with a particular focus on their online shopping habits.

³ OFCOM – Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications, published 25 February 2016.

⁴ OFCOM – Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications, published 25 February 2016.

contract for a period of time and paying for inadequate service. Nor should consumers be charged penalty fees for leaving if the service does not work properly.

Should there be a social tariff for broadband services?

- 2.11 The Consumer Council would recommend introducing an industry wide social tariff⁵ to combat digital exclusion for consumers on a low income or consumers with additional support needs.
- 2.12 A broadband USO for all consumers must be supported by a commitment from all the broadband providers to assist consumers with low cost options such as a social tariff. However, we appreciate this may require a further consultation to determine how this can be implemented.
- 2.13 In addition, Ofcom may wish to consider introducing a support package and register for vulnerable consumers who might need additional services from their internet provider. For example, a home visit when the service fails because they are unable to attend to the problem themselves over the phone or internet. This could be offered by all internet providers in addition to a social tariff.

3 Demand for the USO

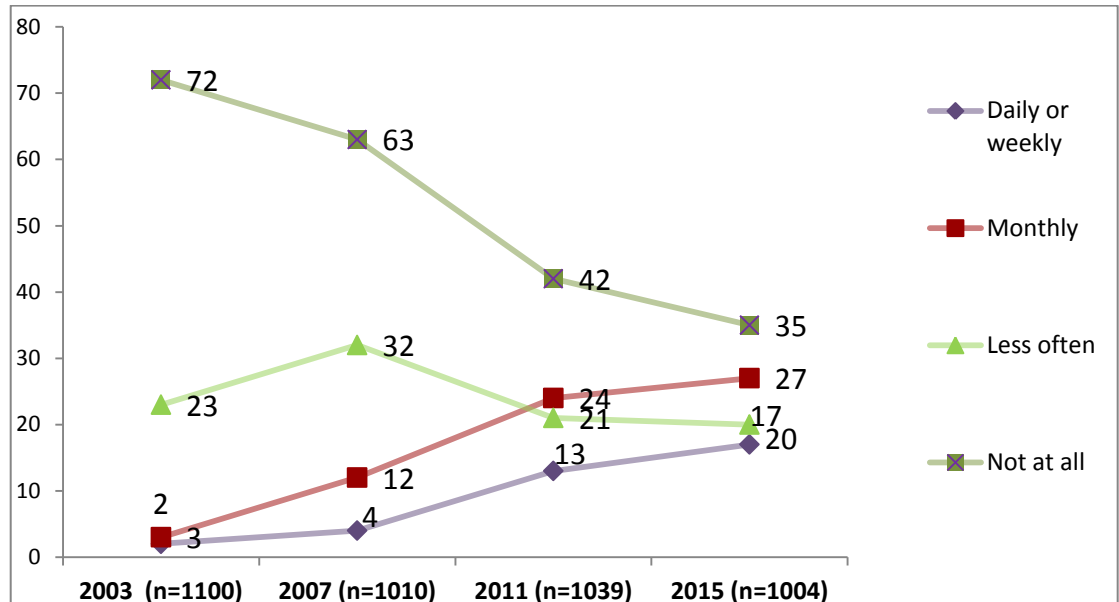
What might the potential demand for the USO be?

- 3.1. The Consumer Council undertakes research⁶ into consumer proficiency levels in NI every four years. The trend analysis of online shopping frequency from 2003 show how there has been an increase in the number of NI consumers shopping online on a weekly and monthly basis.

⁵ A social tariff could be offered to consumers on a low income or consumers with special social needs by a way of providing cheaper broadband bills.

⁶ Consumer Council - A consumer proficiency report for 2015/2016 from the Consumer Council of Northern Ireland 2016. This consumer proficiency research measures consumers' knowledge of their rights; explores their shopping behaviours and experiences and also finds out where consumers go for help and advice if things go wrong.

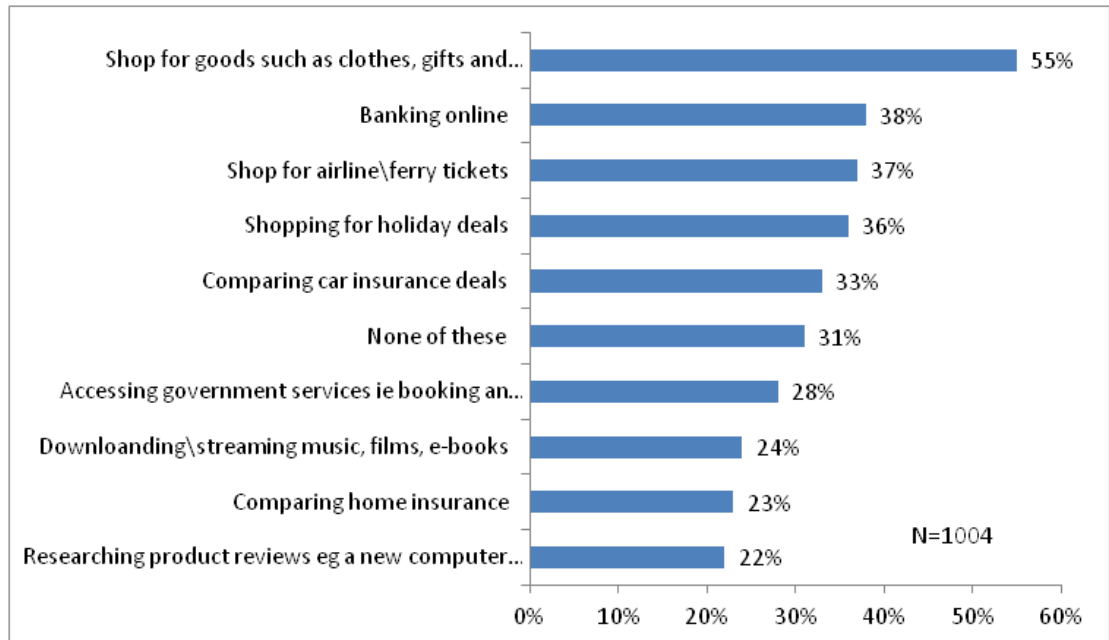
3.2. Trend analysis of online shopping frequency since 2003



3.3. The findings from our research highlight the growing importance for the USO across NI. Our report also demonstrates the type of activities NI consumers do online. 55% of consumers shop online for clothes, gifts and household goods. This was followed by banking (38%), booking air/sea travel (37%), shopping for holiday deals (36%) and comparing car insurance deals (33%).

3.4. Nearly 1 in 3 NI consumers (28%) access government services online. Government services are increasingly being moved to and promoted online. This includes the ability to book an MOT or order a replacement passport as well as accessing government information.

3.5. Activities conducted online



4. Cost, proportionality and efficiency of the USO

Proportionality and definition of a 'reasonable request'

4.1. We are concerned about aspects of the Digital Economy Bill, which was announced in the Queen's speech on 18 May 2016. In particular, we have concerns regarding the possibility of properties in the 'remotest areas' having to contribute to the cost of installation.

4.2. The Consumer Council acknowledges the requirement to find a balance between ensuring as many consumers as possible benefit from the USO whilst ensuring the costs of delivery are not disproportionate for some consumers wishing to access the connections they need.

What would be an appropriate cost threshold for the broadband USO?

4.3. The Consumer Council does not have sufficient information to comment on whether the current cost threshold of £3,400 is appropriate, or how this should be determined. However, we have made a number of recommendations below in relation to rural consumers.

Rural Consumers

- 4.4. The Department of Culture, Media and Sport (DCMS) estimates the number of households that will not be able to access a 10Mbits service by 2017 is approximately 1 million, with 100,000 in remote rural areas. Ofcom's report highlights that poor rural availability disproportionately affects Scotland, Wales and NI.
- 4.5. We acknowledge a USO will protect rural and remote consumers by having access to the internet for a range of online activities. However, the government's intention to introduce a broadband USO for every UK household may have disproportionate financial impacts on consumers living in rural areas.

Option One

- 4.6. We would recommend the development of a framework to facilitate the initial cost of the installation being spread over a period of time for consumers living in remote rural areas. This extension period could offer these consumers the opportunity to have access to the internet and at the same time, fulfil the obligations for every UK household to have legal right to a fast broadband connection.
- 4.7. By way of comparison, NIE⁷ Networks Statement of Charges for connection to the electricity network explains how a consumer may be entitled to a partial refund of the capital contribution if another consumer (s) is connected to the line or plant which will be provided to supply the consumer's premises.
- 4.8. In NIE's case, the period of time which a refund may apply is five years from the date the original line or plant was installed. There are certain terms and conditions that apply in this instance but this option means consumers in rural areas can benefit from having access to the USO and the possibility of re-couping the initial costs. This could be a mechanism Ofcom may like to consider when designing the broadband USO for consumers living in rural areas.

Option Two

- 4.9. By way of further comparison, NIE offered a 40% subsidy for new domestic and smaller commercial connections. Under this scheme, the

⁷ Northern Ireland Electricity Networks Limited (NIE Networks) is the electricity owner of the transmission and distribution infrastructure in NI.

60/40 policy meant a new customer was charged 60% of the connection costs 'up front' with the remaining 40% being recovered over the assumed 40-year connection life.

- 4.10. Whilst this subsidy has since been removed in 2012 by NIE, it encouraged rural electrification and the expansion of the electricity network from the 1970's. The subsidy was paid for by the majority of customers through their electricity bills.
- 4.11. This may be an option for Ofcom to consider when setting a reasonable cost threshold for consumers living in rural locations across the UK. Rural consumers should have the same access to essential services regardless of their location.

5. Conclusion

- 5.1. The Consumer Council welcomes the opportunity to address the concerns of NI consumers as part of this consultation to provide technical analysis and recommendations to support the design of the broadband USO.
- 5.2. Whilst the Consumer Council supports the plan to introduce a broadband USO, we have concerns about the cost implications for consumers on a low income. We also have concerns for rural consumers and how a reasonable cost threshold might be determined. We wait with interest the outcome and recommendations from Ofcom following this consultation on the design of the broadband USO.



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