

# **LGA submission to Ofcom's - Call for inputs on the design of the broadband Universal Service Obligation**

June 2016



# **Submission**

## **1. About the Local Government Association**

- 1.1. The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government.
- 1.2. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

## **2. Introduction**

- 2.1. Local government has been a key player in the roll-out of improved digital connectivity across the country, working closely with industry to extend coverage to local communities via the Superfast Broadband Programme. Councils maintain the best overview of local areas' digital connectivity needs and provide an important link between communities, mobile operators and broadband infrastructure suppliers.
- 2.2. The LGA welcomes the creation of a broadband Universal Service Obligation (USO) as a safety net for those residents and businesses with poor connectivity, and will continue to push Government and Ofcom to design a scheme which can effectively tackle the country's digital divide.

## **3. Specification and scope of the USO**

### Download speed

- 3.1. The LGA believes the specification of a 10Mbps minimum download speed is a step in the right direction, but only as a short term aspiration. Over the next five years, commercial roll outs in our towns and cities (such as Virgin Media's Project Lightning) will almost certainly see national average download speeds rise sharply. By 2020, it is likely that over 60 per cent of residents will be able to access services of 300Mbps and faster, with over 95 per cent of premises being able to access at least 30Mbps.
- 3.2. However, despite these commercial roll outs, there will still remain a significant amount of premises in rural, and remote rural areas with sub-standard connectivity. Given the pace of change in urban areas, there is a real risk that the digital divide faced by rural areas will become insurmountable. For the USO to tackle this divide, its minimum speed should be linked to the capability of current market speeds and lock-in an obligation on Government to continue to raise broadband speeds amongst the hardest to reach. Specifically, in partnership with the communications industry, the Government should stipulate the USO

minimum download speed as a percentage of average national download speeds.

### Upload speed

- 3.3. It will be imperative that the USO has specific obligations on upload speed. Fast and reliable upload speed is a growing requirement for rural businesses which utilise cloud services, video conferencing and send large data files. However, a survey conducted by The Federation of Small Businesses found over half of businesses (61 per cent) were dissatisfied with the upload speed they were receiving from their connection.<sup>1</sup> Furthermore, a report for The Broadband Stakeholder Group highlighted that the upload speed needs of the median small business employee in Britain (if all employees were ranked by the bandwidth need of their workplace) will over double to 4.7Mbps by 2025.<sup>2</sup>
- 3.4. For farmers, key stakeholders in the local rural economy, fast upload speeds are a requirement to utilise the Government's online compliance system. However, according to the National Farmers' Union, only 20 per cent can achieve an upload speed of 2Mbps or more.<sup>3</sup>
- 3.5. Despite these factors, average upload speeds for rural connections between 2Mbps and 10Mbps, are poor (0.5Mbps) and have remained static since 2012.<sup>4</sup> According to ThinkBroadband data, the top 10% of premises in the country which receive the highest speeds have seen average upload speeds rise from 0.7Mbps in 2009 to 10Mbps in 2016. This contrasts with the bottom 10% which have only seen a rise from 0.2Mbps in 2009 to 0.3Mbps in 2016.
- 3.6. With this in mind, the USO specification should obligate suppliers to provide consistent uploads speeds at a minimum of 2Mbps with the aim of doubling that figure over the next 10 years.

### Reliability

- 3.7. To prevent residents and businesses suffering from long term broadband outages, there should be a specific obligation within the USO for Universal Service Providers (USPs) to fix faults with connections within appropriate timescales. The USO must also fall under the broadband compensation scheme the Government will introduce as part of the Digital Economy Bill, which will see users reimbursed when their broadband fails.

### Monitoring of and adherence to the USO specification

- 3.8. Ofcom must monitor the performance of connections delivered under the USO to assess whether USPs are adhering to its specifications, especially during peak hours. At present, broadband suppliers only need to ensure their advertised headline speeds are available to 10% of their customer base.<sup>5</sup> This must not apply to those suppliers providing USO connections. All outlined specifications must be an absolute minimum requirement for all users.

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<sup>1</sup> FSB – [A two-speed digital economy](#)

<sup>2</sup> Broadband Stakeholder Group - [The Broadband Requirements of small business in the UK](#)

<sup>3</sup> NFU – [Spotlight on Farm Broadband and Mobile Networks](#)

<sup>4</sup> Ofcom - [UK Home broadband performance: The performance of fixed-line broadband delivered to UK residential consumers](#)

<sup>5</sup> ASA - [Research into consumer's understanding of broadband speed claims in ads](#)

- 3.9. To help in the monitoring of USP performance, Ofcom should continue to support consumers to improve the connection quality in their homes, and provide them with tools to easily monitor their speed, and report back poor results via a simple feedback process.

#### Uniform pricing

- 3.10. Inevitably, there will be variance on cost and affordability between places depending upon economic, social and geographic characteristics. It is important that any cap or uniform pricing takes into account local circumstance to avoid disadvantaging those areas, particularly in remote rural locations, where residents might be asked to incur above average expense to be connected and, as a result, continue to be digitally excluded.

#### A social tariff

- 3.11. In order to prevent further digital exclusion, a social tariff should be put in place, in a similar manner to the telephony USO, for those who would face undue hardship having to pay for broadband services. Research commissioned by Ofcom in 2014 demonstrated “marked relationships between socio-economic deprivation and [poor] broadband availability in cities”.<sup>6</sup> Our members also report similar correlations in rural areas potentially signalling that demand amongst the low income demographic could be high. A social tariff will also be important considering some technological solutions can have high monthly costs with expensive data caps and local government services received by those who might qualify for a social tariff, like universal credit, are increasingly shifting online.

### **4. Likely demand for the USO**

- 4.1. Councils are still rolling out superfast broadband coverage and do not have conclusive data yet on which premises will qualify for a USO. Although take up of superfast broadband rolled out as part of the Superfast Broadband Programme remains conservative, there is still evidence that demand for a USO will be high amongst those premises that will qualify. For example, the take up of the Broadband Delivery UK (BDUK) voucher scheme was high and has led to some councils looking to roll out similar business focussed schemes.
- 4.2. Additionally, there is evidence that when well-funded demand stimulation programmes have complemented efforts to extend publicly subsidised superfast broadband, our members have seen a marked improvement in the take-up of broadband services from both residents and businesses.<sup>7</sup> With this in mind, Government needs to fund a national campaign to raise awareness of the USO amongst residents and businesses, and ensure users can easily find out whether they qualify. This campaign should run in tandem with a renewed campaign on superfast broadband to raise take up in areas where provision has been extended via public subsidy. Increased take up of superfast broadband would also have the added impact of triggering further “clawback” funding to be reinvested by councils into further provision.

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<sup>6</sup> Analysys Mason - [Impact analysis of socio-economic factors and broadband availability](#)

<sup>7</sup> CMS Committee Inquiry into Establishing World Class Connectivity throughout the UK - [Supplementary written evidence submitted by the West Yorkshire Combined Authority](#)

## **5. Ensuring efficiency and proportionality of the USO**

### Transparency

- 5.1. Universal Service Providers must be transparent when calculating their per premise costs, allowing them to face wider scrutiny. To provide greater clarity, it will also be beneficial for providers to publish guidance for consumers on how these costs are calculated. Where possible, Ofcom should benchmark costs for standard services provided by USPs as an aid to better competition and lower costs.

### Aggregation

- 5.2. Local communities should be allowed to aggregate their demand and make a collective request for a service to share costs. Where local authorities wish to aggregate demand on behalf of communities they should also be able to do so.

### Alignment with 4G roll out, backhaul and other regeneration schemes

- 5.3. The USO must align with the commercial roll out of 4G and opportunities for the sharing of backhaul sites. As part of this, it would be helpful if Mobile Network Operators (MNOs) improved their sharing of commercial roll out plans with councils to help with efforts to provide better connectivity to residents.
- 5.4. If provided with USO roll out plans in advance, councils can also help realise saving efficiencies by joining up planned street works and other developments, carried out by utility companies or other parties, with works related to delivering the USO. There is also the potential to explore whether such works could include the installation of new ducting that would be beneficial to USPs. An appropriate mechanism, such as a national register of provision from all operators, could help join up these efforts, whilst also ensuring that there is no risk of existing commercial or community broadband networks delivering the required USO standards being unintentionally undermined through overbuild.

## **6. Designating one or multiple providers of the USO**

- 6.1. Since 2012, local government has worked in partnership with BDUK and delivery partners to roll out superfast broadband to residents. The rate at which councils are using alternative network providers is rising. An LGA survey of councils that are part of the Superfast Broadband Programme in December 2015 found that over half will be using or procuring services from alternative network providers in the coming years.
- 6.2. Our members have made clear that a market with a wide array of suppliers helps them procure at better value for money, driving down supplier charges. In order to encourage competition in the market and secure value for money for the consumer, Ofcom should allow multiple suppliers to provide the USO. It might be helpful for smaller alternative network suppliers if the procurement process was broken down regionally.

## **7. Funding of the USO**

- 7.1. The LGA believes an industry-funded scheme is the most suitable for the USO. The public sector has already committed over £1.7 billion of public money to catalyse suppliers to connect hard to reach residents. Of that

funding, councils have contributed over £700 million.<sup>8</sup> Local government finances are under significant pressure and there remain significant financial challenges ahead. As such, local government will not be able to make further contributions beyond that already committed to the Superfast Broadband Programme.

**8. When, and on what basis, should the USO be reviewed?**

- 8.1. In order to ensure consumers relying on the broadband USO do not fall far behind the rest of the UK, the USO minimum speed must be linked to the capability of current market speeds. In partnership with the communications industry, the Government should stipulate the USO minimum download speed as a percentage of average national download speeds.
- 8.2. There should also be a mechanism for Government to report annually to Parliament on the success and take up of the Universal Service Obligation. The annual report should include information on:
  - 8.2.1. the number of premises that have been supplied with 10Mbps+ connections as a result of the Universal Service Obligation including:
    - 8.2.1.1. the number of premises that have been required to cover some of the cost of connection
    - 8.2.1.2. the average cost of connection per premise
- 8.3. Government should also aim to review the USO's specifications every three years and upgrade them appropriately.

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<sup>8</sup> [Department for Culture, Media and Sport written question – answered on 12th May 2016](#)