

### Ofcom Call for inputs: Designing the Universal Service Obligation

#### 1.0 Introduction

- The NFU represents 47,000 farm businesses in England and Wales. In addition we have 40,000 countryside members with an interest in farming and the countryside. The delivery of any Broadband Universal Service Obligation (USO) is of particular interest to the NFU for the following reasons:
  - NFU members represent consumers, without superfast and sometimes without any broadband provision.
  - With 70% of UK land overall within farming use, many members host digital infrastructure on their land.
- At this stage, given the limited information provided, we can only provide a narrow snapshot of some of the issues that a USO could raise and try and put them into the wider context for how this could impact on farmers and growers or other rural communities. We see this as the start of the debate, which has to go beyond the narrow remit of the questions posed in this initial consultation. However we believe it is essential to establish what the USO is designed to achieve, in order to understand what is needed in terms of technology and regulation to deliver it.
- The NFU has called upon the Government to keep its commitment to making the UK the best connected country in the world, by ensuring that there is the necessary targeted funding and positive regulatory framework to support the accelerated roll out of universal superfast broadband and a reliable mobile phone network. The [NFU Spotlight on Farm Broadband and Mobile Networks](#) document launched on 10<sup>th</sup> May sets out ten key ways to achieve this.
- The NFU Spotlight report also contains details of the NFU Farm Digital Communications Survey carried out in summer 2015, to which 850 NFU members responded by phone and online. The survey results confirmed that farmers are overwhelmingly within the last 5% of premises who are not benefiting from the current Government supported superfast broadband roll out programmes. This is commonly due to their location in isolated areas of scattered population and situated down private farm tracks. This makes farms more expensive and difficult to connect using conventional broadband delivery technologies such as cable and fibre networks. As a result, in summer 2015, only 4% of members surveyed had access to superfast broadband download speeds and 4% had no broadband connection (NFU 2015). According to 2015 Defra figures over 90% of farmers are family businesses; this means families who need superfast broadband connections for business and family use.
- The NFU are concerned that the USO alone will not deliver the broadband infrastructure needed for farming and rural communities. Access to superfast broadband is essential for the productive UK farming economy necessary to increase our food self-sufficiency to support our growing population and to support rural economic growth. Our farmers and growers need to compete in international markets where rural broadband will be delivered at super and ultrafast speeds. For example Germany will have universal coverage of 50 Mbps by 2018 and France 100Mbps by 2022 ([Europe's Digital Progress Report 2016 - Connectivity](#)). Getting broadband speeds fast enough to allow UK farming and rural communities to use digital technology to the full is essential, to achieve the ambitions of the Government's Rural Productivity Plan to close the gap between rural and urban economies. 25% of all businesses are located in rural areas according to the latest Defra 2015 figures, with 61% of farms having diversified businesses. However total farm income from farming fell last year by over 29% across the UK and over 30% in England so cost of connection and service will be a real issue.

- The NFU believe a more comprehensive solution is needed to target the last 5% of premises. For Ofcom, this means ensuring their ten year strategy can accommodate the growing demand for rural focused broadband markets. Therefore the NFU is interested in how the USO will fit into a wider targeted programme for getting rural farms and communities connected. We believe that the Government, as policy maker, and Ofcom, as regulator, need to develop a more coordinated approach to delivering superfast and ultra-fast broadband at the speeds our international farming competitors enjoy.
- This report sets out initial recommendations and reasoning behind those recommendations based on the information provided and under the headings provided in the Call for Inputs report. We would be pleased to continue the dialogue and attend further meetings with Ofcom, the Government and the digital communications industries.

## 2.0 Key recommendations for Ofcom:

### 2.1 The specification and scope of the USO.

#### Recommendations:

- This consultation should be the start of the process. The current consultation is quite difficult to find on the Ofcom website, and there appears to be no offline consultation aimed at those who may be the target audience for a USO.
- Ofcom should consult consumers, as the end-users, on the draft scope of the USO, to seek their views on how it could be designed to bring broadband to the household consumer or farm business. It is difficult to see how 10Mbps would be sufficient for effective business or household use in 2020, when long established EU targets are seeking to get universal coverage of 30Mbps for all and for 50% of all households to have 100 Mbps by this time. These should continue be the benchmark for delivering rural broadband.
- The NFU has identified the market failure for farmers and growers, but we believe there is a package of solutions that will help address their issues and we have outlined this in our NFU Spotlight on Farm Broadband and Mobile Networks report. A USO delivered four years in the future could be too little and too late for struggling remote rural farm businesses.

#### Reasons:

- The current consultation appears to have a very narrow industry focus rather than seeking to engage the consumer to find out what a USO needs to achieve to be effective.
- The USO should be tested to ensure that it can work for all the services and regulations that will be going online only by 2020. For example if doctor's surgeries will be skyping patients in the future rather than making visits, the USO needs to be able to accommodate this technology.
- It is also necessary to identify more accurately who would be able to benefit from the USO, in order to understand how it should best be designed and delivered. The development of the USO should be informed, therefore, by business and demographic information. The NFU can help to provide information in respect of the agriculture sector.
- The USO should be cross referenced to ensure it supports wider Government policy. Access to rural broadband is a key requirement of the Rural Productivity Plan and the USO could be the only means of access for some rural businesses and families.

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

### Recommendations:

- The USO should be benchmarked against international comparisons; the EU Digital Strategy for Europe targets includes universal access to 30Mbps by 2020 and 50% householder subscription to 100 Mbps. Many companies have far higher standards and for farming this could be our international competitors and markets within which we need to compete. Technical performance should take into account business requirements and should be future-proofed.
- There are a number of technologies and solutions available, with technologies becoming more widespread and hopefully cheaper as they continue to innovate. Ofcom can use its wider regulatory role to help ensure the USO complements a competitive rural broadband market.

### Reasons:

- The USO needs to be future proofed; otherwise it could just end up as being the equivalent of dial up speeds today by 2020 and hence not fit for purpose.
- In reality it needs to meet 2020 technological requirements for farmer and growers, rural businesses and families and to meet the needs of the specific technologies and services they will be required to access. Hence Ofcom needs to assess what will be required in 2020 and beyond to ensure a service is delivered that will achieve it.
- There are a number of different models of broadband delivery, some nationwide, some based on specific states or regions, which offer benchmarking opportunities for how technological performance by the digital industries could be regulated. Consumers need to be able to choose what works best for them whether that be cable, fibre, wireless, satellite or a combination of these. More than one digital company may be involved, as well as community groups.
- By 2020 websites will be carrying more interactive technologies; there will be expectations for more live streaming and face time with services providers. Cloud technologies should be accessible to all. Mobile devices will become more important, particularly for industries such as farming where information needs to be accessible across wider areas (not just the farm office). All the evidence points to the need for digital services to be delivered more quickly and reliably as other services are reduced and people depend more upon them. Both download and upload speeds are important and a constant signal is needed across a wider geographical coverage, not just at set points or locations.
- Farmers and growers more widely will need to be able to access real time technology about animal and plant health, as well as access to climate data and security systems for example. They will need to be able to remotely control gates and monitor building temperature and to operate renewable energy systems.
- Over 90% of farms are run by family businesses, which need broadband for their family life as well as business use.
- Compliance with public services will be focused on interactive mapping and live streamed information. Farmers will need to send technical datasets as well as being able to access and interpret data from other forms of digital technology (internet of things and cloud based systems for example), so this will also have a bearing on minimum standards.
- The farming businesses that have been able to embrace such technologies to date have had to pay a premium to get higher speeds to do so constantly and reliably. It is definitely not a case of rural communities needing lower speeds than urban ones. In fact, lower speeds have been imposed on rural communities by market failure in the digital industries and a lack of a concentrated investment plan.

- The role of the USO appears to be intended as a 'safety net' for those who have to start using broadband but will still need to access a service that makes practical as well as economic sense, for businesses and those seeking to develop businesses as well as families.
- The success of any USO will come from its ability to be delivered as part of a wider package of measures to boost the delivery of superfast and ultrafast broadband and other high speed data delivery. If successful it could act as a catalyst for getting the most remote online and to support the development of technologies to achieve this. This will however rely on wider Government and Ofcom support to provide the policy and regulatory framework to boost the new and emerging digital markets for farmers and growers and wider rural communities. How the USO would fit within such a framework needs to be considered as part of this consultation.

## 2.3 How should we ensure the USO is affordable?

### Recommendations:

The NFU has the following main suggestions.

- By benchmarking costs against those which urban dwellers on similar incomes pay and by carrying out consumer surveys of what families and businesses would actually be able to pay.
- By ensuring any assessment takes into account the detrimental effects of not having a USO would have upon families and businesses.
- By appreciating that there will be additional infrastructure costs that need to be factored in realistically, if access to broadband is to be treated as an essential service and a right, it does not make sense to make it too expensive to those in most need.
- By ensuring consumers have a choice of services (both providers and technologies) and can switch or choose wherever possible.
- By defining affordability early on in the process, to provide certainty for consumers and the digital industries.

### Reasons:

- A universal service obligation should deliver to all, at a price all can afford; otherwise it won't meet its required purpose and will continue to perpetuate inequality.
- The Government has committed £1.7 billion to a superfast roll out, the scope of which largely excludes those who have been disadvantaged by the most acute market failure and hence we assume those who would be able to access the USO.
- It is not for the NFU to suggest how funding should be raised; we know from the Mobile Infrastructure Project that the offer of funding to meet capital costs does not guarantee success. However, this choice needs to be established at an early stage to establish certainty in the market.
- Affordability calculations need to be "rural proofed", to take into account access to services, to reflect lower densities and longer distances to reach backhaul using traditional technologies.
- When determining what is affordable, it would be useful to understand current barriers to access. NFU members have reported seeing a suggested service rate and infrastructure cost advertised for their postcode area, only then to actually find for their specific property the price is more expensive and service received would be lower in quality.
- There will be a lot of crossover between the USO and other forms of digital regulation, such as consumer rights. What issues this will create needs to be considered when scoping the USO. The fact that a business or family has to use the USO to access broadband should not stop them switch services to cheaper tariffs or services better tailored to their needs.

## 2.4 Should there be a social tariff for broadband services?

### Recommendations:

Any measure should be “rural proofed” based on consumer experience to ensure it available to all.

### Reasons:

- Indices of deprivation do not always translate well to reflect need in rural areas; many people on low incomes may not qualify for income related benefits, for example, and cannot walk or get a bus to local doctor's surgeries and council offices as an alternative to accessing services online. If they cannot access the service by telephone they often go without. This consultation therefore needs to be “rural proofed”.
- The consultation should take into account what would happen without a USO. How consumers would otherwise access medical facilities, schooling, social care and other essential services and what that cost would be to the consumer or public purse.
- A figure that may be defined by others as meeting the Ofcom definition of affordability for a consumer without suffering undue hardship, may not therefore translate in reality. Total income from farming dropped over 29% in the year 2014-2015 according to Defra 2015 figures. This is putting financial pressure upon farming families and increasing debt, which has to be serviced, before any bills can be paid.

## 2.5 Demand for the USO

### Recommendations:

- It is recommended that Ofcom engage target communities to get a true idea of demand.
- Demand needs to be defined taking into account geographical coverage (as the mobile networks are seeking to achieve).
- Actual delivery rates are a clearer reflection of what consumers can afford to pay.

### Reasons:

- The NFU Spotlight on Farm Broadband and Mobile Networks report provides useful background information for the need for superfast broadband and the need for any USO to be flexible enough for speeds to be higher and to increase. However there needs to be more work undertaken to define what a demand for a USO would be.
- The NFU agree that demand could depend on the range of services and technologies made available, but we would not want the USO to be used to curtail the developing rural broadband market.

## 2.6 Cost, proportionality and efficiency of the USO

### Recommendation.

- If the USO is to act as a ‘safety net’, this has to ensure costs can be accommodated rather than added and imposed upon the most vulnerable and isolated businesses and families who will not otherwise receive broadband to their homes. Hence those most difficult to reach, because of where their home or business is located should be able to make a ‘reasonable request’ and receive the USO by definition and not be subject to additional charges.

### Reasons:



- The submissions we have made in this consultation response highlight the importance of establishing what the USO is, and what it is intended to achieve, before assessing its cost, proportionality and potential efficiency. This has to take into account the financial benefits to the consumer and how they would otherwise access services and employment without broadband in 2020.
- It is understood from the autumn (Budget) Statement that the Government suggests major efficiencies could be achieved through the complete digitisation of Government services. What is less clear is what the cost would be for providing services for those who are excluded, by reason of lack of broadband access and how this has a bearing on delivering a USO.
- The NFU does not have a specific view on whether it should be for the digital industries or Ofcom to bear any additional costs. We are keen to ensure however that the competitive rural broadband industry, community groups and farmers and other people who are seeking to improve rural broadband without Government support are not affected by any decision taken in respect of the USO.

## 2.7 The Universal Service Provider or Providers

### Recommendation:

- The NFU would wish to avoid the creation of monopolies or restrictions on the choice of provider or technologies, as in the past NFU members have reported that this reduces choice and makes services more expensive. We would recommend, therefore that consumers should be able to switch between different providers and technologies, rather than being fixed into long term contracts that may impact on their ability to access affordable services.
- Such terms and conditions need to be established by Ofcom therefore in scoping the USO, so there is certainty for the digital providers and for the consumer.

### Reasons:

- As technologies change and advance, consumers who originally receive broadband via the USO may wish to change, for example so that they can receive different products needed for their business (for farmers and growers this means so they can use agri-technology or achieve a package that includes a mobile phone signal), so this also needs to be factored into the regulation. The USO should not impose undue restrictions on the consumers it is intended to assist.

## 2.8 Review of the USO

### Recommendation

- If introduced the USO should be designed to be future-proofed, and not to have such low targets that they would automatically require review.

### Reasons:

- We have provided comments as to whether the 10Mbps threshold would be fit for purpose in 2020 under the specification and scope section of this consultation response.