ISPA Response to Ofcom USO response

About ISPA

The Internet Services Providers' Association is the trade association for the Internet industry in the UK. ISPA has over 200 members from across the sector, including a large number of access provider ISPs from small to large, content platforms, hosting providers, and others. Our membership consists of ISPs rolling out and operating networks on a national and local scale utilising a variety of technologies, to those that resell wholesale services or a combination of both.

Summary

ISPA supports the principle of broadband universality so that everyone in society can benefit from being online with a good, reliable connection. Our members have been and continue to roll out superfast broadband across the UK to meet the needs of customers. We feel that policymakers need to bring forward a clear plan on what exactly they want to achieve with the USO, as soon as possible, so that industry can respond and help shape and deliver this. We are at the early stages of determining universality and there may be more efficient and effective alternatives to delivering what Government is aiming for without creating a new legal obligation that should be explored.

We also feel that should the USO go ahead, it should not be funded through an industry levy. Given the wider societal and economic benefits of a USO, public funding should be a consideration. We would also highlight that if the USO is funded through an industry levy, this will end up being reflected in broadband prices, meaning the cost will end up being shouldered by the consumer.

Specification and scope of the USO

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

The specification of minimum technical performance will be hugely important in determining the timescales, cost, and rate of delivery of the USO. It is difficult to specify the minimal technical performance without understanding from Government how ambitious the USO is meant to be. If Government want to create a safety net solely based on minimum requirements this could be delivered now using a variety of technologies; more ambitious requirements would require a different specification. What is important is that the technical specification is technology-neutral so that a variety of technologies can be used dependent on the local circumstances. The specification should be determined to open up opportunities.

Should there be a social tariff for broadband services?

ISPA is supportive of the idea of the social tariff, as we strongly believe everyone should feel the benefit of getting online. However, whilst the current model included in the USO for fixed lines, in which BT offers a lower cost service, with a quarterly call allowance, has been successful in attracting low income customers, we would point out that broadband services are consumed in a different way to telephony services. Further work with industry is required to understand what a social tariff would look like for the Internet. We would also ask Ofcom to clarify whether the social tariff will remain the same in all parts of the country even if a number of providers are designated to deliver the Obligation.

Cost, proportionality, and efficiency of the USO

Cost evidence

As aforementioned, the specification of the USO will affect the cost of the USO. Ofcom have indicated that the cost of delivery of the USO should be efficient and proportionate, as the Directive sets out. ISPA does not have any data on the costs of shared network deployment or existing plans, but is important that Ofcom speaks to companies before the specification is determined.

Proportionality and definition of a 'reasonable request'

Whilst ISPA supports the principle of universality, we believe this must be within reason. The costs of installing broadband in hard to reach rural areas is often expensive and we favour an approach which takes this into account. Currently the USO for fixed lines has a threshold of £3,400, and where installation exceeds this amount the customer is required to pay the excess costs (plus a standard connection charge), we would favour a similar approach for broadband.

Universal Service Provider or Providers

How should the universal service provider be designated?

ISPA supports the idea of a technology neutral USO, which will open up opportunities to numerous players from within the industry to help deliver universality across the UK. As referenced in the call for inputs paper, there are a number of different technologies that could help deliver a USO. We believe that a competitive approach will be key in making sure that the public get both the most cost effective and high quality broadband provision.

To help achieve this, we recommend exploring a localised approach to the roll out rather than a one-size-fits-all solution, however, this will ultimately depend on the specification of the USO. We believe that, in line with the government-backed BDUK rollout, the most appropriate and cost effective solution would be for local councils or regions to be involved in administering local demand. This

would enable them to use knowledge from previous rollouts and take into account the individual factors of the area, such as topography. An approach that starts by looking at local need and has knowledge of the local market would be an effective way to minimise the potential for market distortions and provide broader opportunities.

We would further highlight the broadband connection voucher scheme that helped SMEs with connection costs when upgrading to superfast broadband. This demand-led approach proved to be success, with hundreds of suppliers registered for the scheme. Whilst we understand that this will not be directly comparable, we would ask Ofcom to explore the option of a USO scheme that mirrored the voucher scheme, allowing consumers to tailor the service specification to their own requirements and encourage competition within the market.

Funding of the USO and potential market distortions

Funding of the USO

We believe that a detailed cost benefit analysis should be carried out, which will show that the USO will stand to benefit society more widely than it will the market, allowing access to government services and other socio-economic benefits. Funding through an industry levy means our members will have to recuperate their costs somehow, likely by raising broadband prices. This will mean that in reality, the cost of the USO will be shouldered by the consumer.

We would also suggest that should Government move forward with an industry funded plan, and do not want the costs to be mainly shouldered by customers, this should be reflected in the level of regulation around broadband roll out. Wayleaves and the fibre tax, for example, are two areas in which our members spend large amounts of resources, if Government want an industry funded USO which will not result in higher costs for consumer they should consider streamlining the wayleave process, and look at other issues within the regulatory environment.

How could the market distortions of competition be minimised?

The creation of a USO may create uncertainty in the market over future investment decisions or rollout plans. This may particularly impact on rollout in rural areas, so it is imperative that Government works to industry to fully understand current and future network coverage and rollout plans. If an industry levy is considered, there is a potential for market distortion, impacting on existing networks and rollout. As set out above, one way to minimise market distortions is to look at a localised approach.

Review of the USO

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

ISPA believes that any future reviews of the USO should be enshrined in legislation, as this will increase our members' confidence in future investment decisions and prevent market distortion. We would also suggest that future reviews be undertaken regularly and in consultation with industry, to make sure policymakers truly understand the detail of what they may be asking industry to achieve. However, we would highlight again that without the specification or detail on what exactly policymakers are trying to achieve with the USO, it is difficult to comment on what exactly an appropriate time period for review may be, as the specification would change the lifespan of different technologies.