ISPA response to Gigabit Take-up Advisory Group Call for inputs

About ISPA

ISPA is the trade association for providers of internet services in the UK. ISPA has approximately 150 members, 90% of which are SMEs as well as large multinational companies. We are proud to be an organisation which covers the whole Internet value chain, including companies that provide access, hosting and other online services. We represent the full ecosystem including communications providers that serve consumers and businesses, those that build their own networks and those that resell services via the fixed and wireless networks.

Introduction

ISPA is pleased to contribute to this important consultation and continues to work with its wide membership to feed into the advisory group. Understanding demand is critical as our members accelerate their digital infrastructure deployments across the country. The industry and Government are committing large scale investments to upgrading our existing connections, yet take-up remains low. A great deal of research has already been done into the drivers of take-up which is a key element to securing long-term investment in the sector.

Whilst understanding this area and drawing on as much evidence as possible is clearly imperative to the GigaTAG's mission, it is important to understand the nuances of the debate ensuring terminology is consistent and clear. For example, this group is looking at the take-up of gigabit capable connections, rather than gigabit connections, and the needs of consumers and businesses as well the different types of consumers and businesses clearly differ and must be considered.

Furthermore, the specific market environment in the UK need to be clearly considered, and while lessons can be learned from other countries and regions, they cannot necessarily be directly transposed to the UK, meaning the group should keep the unique composition of the UK market front of mind in their recommendations.

Additionally, we would encourage the advisory group to avoid too much generalisation in their approach given the very different circumstances and drivers of take-up within the various consumer and business customer groups. This might require the adoption of targeted and parallel interventions to avoid a lowest common denominator approach.

Finally, we believe that there is no single intervention that will solve the issue of gigabit-capable take-up. Instead, a mix of interventions will be necessary to complement the already extensive efforts of providers to encourage gigabit capable networks. Support will also be required from national and local government's consumer organisations and price comparison websites.

1. What existing evidence are you aware of in relation to the demand for, and take-up of gigabit connections?

A number of research reports have been published in recent years to track trends across the sector, and measuring the levels of take-up of new services as they emerge. One key report was completed by WIK Consult for BSG[1] and takes a comprehensive look at the challenges of boosting take-up and particularly what can be drawn from international comparisons. This highlights the need to increase clarity for consumers to aid making informed decisions about their connections, the expansion of existing voucher schemes by Government to public institutions like schools, hospitals and GP surgeries, and the role of central and local Government in marketing, including where gigabit connections are deployed through state aid programmes.

Ofcom's Connected Nations data shows that only 57% of those with access to at least a superfast broadband take it up, and only 5% of those that could do so take-up ultrafast connections.[2] INCA's Metrics for the UK independent sector report also gives an indication for the current take-up of superfast and ultrafast connections from alternative network providers. Their latest report indicates that of the 1,223,168 premises passed by the end of December 2019, only 366,746 connections have been taken up – accounting for 30%.[3] This is similar to Ofcom's estimation for take-up of full fibre services. Whilst these estimates are useful indicators, ISPA would call on Ofcom to do more to collate and present these findings regularly on an anonymised basis, with a deeper understanding of how the rates of take-up for gigabit capable connections differ depending on what products are available. However, given the commercial sensitivity of this information, the reporting would need to be designed in such a way that prevented any reverse engineering that would reveal the take-up figures for individual operators.

2. What do you believe to be the key challenges in relation to ensuring consumer and business take-up of gigabit capable connections?

There are a several factors that impact the choices of consumers and businesses where gigabit-capable connections are available. Naturally price is a key influence for many, especially when they are already able to access superfast broadband or a service that meets their needs. Additionally, basic understanding of the benefits of a gigabit-capable or FTTP connection is quite low among most consumer groups and small and medium-sized enterprises, who are often also the most price sensitive. Characteristics such as symmetrical download and upload speeds and increased bandwidth are not necessarily commonly understood or valued by those who may benefit from them most, including SMEs. Greater understanding of who in households and businesses are making decisions on their connectivity would also give greater insight for the advisory group in targeting their recommendations further.

The key challenge for the UK is that the existing networks are, for the majority of households and businesses, working well. Despite changing demand levels, the networks have coped well during the COVID-19 pandemic and superfast speeds are available to most customers in the UK. Given the fact that there are many consumers who have not yet made the switch to superfast speeds highlights the importance of segmenting the various consumer and business groups to ensure that take-up inventions actually address the needs to these different

[1] http://www.broadbanduk.org/wp-content/uploads/2020/06/WIK-report_BSG_02062020_final.pdf
[2] https://www.ofcom.org.uk/__data/assets/pdf_file/0023/186413/Connected-Nations-2019-UK-final.pdf p18
[3] https://www.inca.coop/sites/default/files/reports/INCA-Point-Topic-Report-Spring-2020.pdf

segments as well as ensuring short term benefits are derived from moving people off ADSL, and giving them the skills and capability to get online at all.

Furthermore, one of the most fundamental challenges to take-up at the moment is the lack of consumer applications that require gigabit-capable connections and a lack of gigabit-enabled devices. Consumer demand and understanding will increase as more use cases become mainstream (such as advanced health technology or immersive VR gaming), and this in turn improves the investment case for the development of more gigabit applications that stimulates take-up of gigabit connections.

3. What has been done by other countries to encourage the adoption of gigabit capable connections? Are there lessons that we could learn from their approach?

As mentioned above, comparing the UK with other countries like for like risks overlooking the unique starting position we face in the UK on the road to nationwide gigabit-capable connections. As mentioned, the WIK-BSG report gives an interesting overview of other major European economies and their adoption of next generation services. The danger of drawing too many conclusions from international comparison is largely due to the strong prevalence of superfast services in the UK which are already delivering most consumer needs, whereas in countries such as Spain the fibre network was largely replacing much older slower ADSL services. Additionally, the technology mix (fibre, cable and wireless) and the market dynamics (multi-level competition) put a caveat on the direct transfer of some of the interventions that have been carried out in other regions.

That said, there are helpful insights to be drawn from the international comparison, suggesting that voucher schemes generally have a positive impact and that concerted efforts to improve consumer information and awareness work well. Advertising rules have been used in other countries to drive consumer awareness, including a traffic light system in Italy, and while we believe there is merit in exploring such an approach, it would again need to be adapted to the UK's specific market environment. This would need to consider the different pros and cons of the range of technologies on offer to be consistent with the technology agnostic approach Government have set out. Additionally, we have concerns that relying too much on UK advertising regulation, which is essentially focused on the prevention of mis-selling and misleading adverts, could risk limiting take-up or even add to consumer confusions.

Given the key differences between the UK and other European or worldwide economies, it is important that any recommendations based on international examples are appropriately targeted for the domestic market and not copied across wholesale.

4. What role do you think the telecoms industry, other organisations and the Government can play in helping to encourage take-up?

It is incumbent upon all those involved, both directly and indirectly in this debate to play an active role in encouraging take-up.

In general, there needs to be a greater emphasis put on the factors other than price and speeds for gigabit-capable connections to reframe the current conversations around consumer connections in particular. As broadband becomes increasingly seen as a necessity, and as gigabit-capable networks roll-out more widely, it will be critical to communicate the benefits beyond just an increase in basic speed – the importance of reliability for example. There is also a danger in focusing too much on technology and the minor differences between different network solutions that ultimately deliver comparable gigabit capable results.

Responsibility for ensuring the wider understanding of these features, and enabling better comparison between them is shared. Industry, Government and Ofcom must continue to work together to ensure broadband advertising is clear, and that consumers and businesses can find and understand what services are available to them quickly and easily. However, support also needs to come from consumer organisations and price comparison websites as information such as provider rankings or review forums clearly have an impact on consumer behaviour.

We have seen this recently through the Government's Smart Data Review looking at how to give better data on industries including communications. This could include metrics on those characteristics of gigabit-capable connections beyond just price and speed to allow consumers to make more informed decisions. There also may be a greater role for Government (at national and local level) in stimulating demand through marketing and advertising, especially as gigabit-connections become more ubiquitously available.

Further to this, existing schemes to stimulate demand, including the Government's gigabit voucher schemes have been effective. These should be expanded to allow public sector premises access to the schemes, including schools and GP surgeries for example to help rollout gigabit capable connections in harder to reach areas. Moreover, given the initially localised nature of the rollout of gigabit capable networks, a localised approach to encouraging take-up might be required. In areas where providers rollout networks, they tend to implement extensive marketing campaigns including via direct leafletting, door-to-door engagement and events. These could be complemented by activities from local authorities as they are often closest to specific issues and pressures felt in their communities so this might be a particularly effective way to ensure that vulnerable groups are not left behind. There may also be merit in linking this to the existing push for local authorities to engage digital champions to ensure digital connectivity is prioritised, and therefore ensuring this is appropriately funded by central Government is critical.

5. If you are building gigabit capable infrastructure, what level of take-up are you currently seeing from your customers?

There are other factors at play in determining overall take-up for new infrastructure, including the number of competing networks, such that average take-up estimates across our membership would not offer much insight.

Instead, ISPA sees a role for Ofcom to collate more data on take-up to be presented through their existing Connected Nations reports. Whilst basic data is included here, there could be more done to differentiate between consumers and businesses on the basis of what connections are available to them for example. This would be a more effective way to track conversion rates for gigabit capable and FTTP connections across the industry and country.

Conclusion

In conclusion, there are many factors for the group to consider in both the consumer and business markets given the heterogeneity of these groups, and the wide range of drivers across each. ISPA calls on the advisory group to ensure that their recommendations take this, and the makeup of the UK's market into account to ensure that interventions to encourage take-up are appropriately targeted at the different segments within the business and consumer markets.

Take-up is clearly an issue of critical importance as the UK expands its gigabit-capable networks nationwide, and one where industry, Government, Ofcom and consumer groups all have a role to play in stimulating demand and empowering consumers. Increasing transparency, clarity and educating customers about the benefits of gigabit capable and FTTP connections are all important to overcoming barriers of unengaged and price sensitive consumers and small businesses.