

Statement of Strategic Priorities:

ISPA submission

Final

The need for fast and reliable digital infrastructure has never been greater. Nearly all aspects of our everyday lives – education, employment, communication, entertainment and more – are made possible by the continuous expansion and upgrading of telecommunications networks. Since the last SSP in 2019, the UK has seen a significant improvement in its digital infrastructure¹, and the telecoms sector has demonstrated that it can provide market-led solutions that have supported customers throughout the pandemic and cost of living crisis.

Alongside supply-side reform measures such as increased barrier busting, the new SSP needs to build on these foundations and ensure that the sector can complete the rollout project by extending network coverage to the final third and by addressing the digital divide. Given the highly competitive and innovative nature of the market, this can best be done by:

- maintaining a growth-enabling and competitive regulatory system;
- supporting consumers and businesses via targeted and evidence-based policy; and
- improving the accountability and transparency of Ofcom’s decision making.

Support the sector via a growth-enabling and competitive regulatory environment

The telecoms sector has distinctive features compared to regulated utilities such as water and energy due to its high level of private investment, high levels of competition, and technological innovation.

Competition in the telecoms sector also provides for a greater degree of product and service variation for consumers and business. This allows for a differentiation of services in other characteristics beyond price, such as technology or multiplay offerings. This environment consistently delivers extensive choice for consumers and despite ever increasing data speeds and volumes, average prices have increased less significantly than in other areas of the economy, even though large parts of the telecoms sector are making significant investments into broadband infrastructure.² The previous SSP stated that “promoting investment should

¹ 80% of the UK covered gigabit capable coverage and coverage set to increase to over 96% by 2027 ([Ofcom, Connected Nations - Planned Network Deployments 2024](#))

²[Enders Analysis, UK telecoms price increases: Not as good/bad as they seem](#)

be prioritised over interventions to further reduce retail prices in the near term“ and the new SSP should continue to recognise the need for continued commercial investment.

The presence and importance of competition and investment and low pricing need to be more strongly reflected in Ofcom’s regulatory approach to consumer and market interventions. They often feel like isolated interventions that do not fully take account of their impact, fail to allow new measures sufficient time to bed-in, and do not fully account for knock-on impacts and trade-offs between the different duties to which Ofcom should adhere. With this in mind, we believe that the regulator needs to take a more proactive and proportionate approach in considering where market intervention is necessary to prevent harm, including a clearer assessment of costs and benefits and more active monitoring of how the existing measures are having effect.

Stronger guidance from the Government around how Ofcom should balance competing duties would be appreciated, particularly when it comes to measures that affect competition and consumer interventions and ultimately impact the sector's ability to provide a foundation for growth across the economy. A stronger direction on how Ofcom can support economic growth and productivity improvements across the economy would be appropriate in this context. Furthermore, there is an opportunity to leverage Ofcom’s activities to help to drive economic growth by more actively considering how well the telecoms market is serving businesses of all sizes across the UK.

Support consumers and businesses via targeted and evidence-based policy

Government and Ofcom aim to encourage a competitive market for telecoms services in which consumers can make informed choices and shop around to get the best deals – we fully support this goal to further the interests of telecoms consumers. Consumer outcomes are important to all of ISPA’s members, and work is being done throughout the industry to protect the most vulnerable in particular. Whilst significant changes in this area have been implemented, we have real concerns that the current pace of consumer regulation can fail to take account of the impact of the previous tranche of consumer interventions by Ofcom, and are not seen in the round with wholesale level interventions despite the intrinsic interplay between these markets.

This is further exacerbated by consumer interventions that are often poorly targeted, particularly around the subsection of consumers that Ofcom identifies as requiring the most support. This can initiate an out-of-sync feedback loop in which interventions that fail to have the intended effect, either because of a lack of time or poor targeting, are followed by additional interventions, seemingly without a proper assessment of what actually works and how we can support consumers that are the most in need. On the surface, this looks like

proactive and consumer-centric regulation, but it risks layering support for customers who are already well engaged in the market without truly making an impact for those who are not. At the same time, these layers of intervention increase the regulatory burden across the sector and drive up costs without achieving the desired benefits.

We believe that this out-of-sync feedback loop can be broken by adopting a stronger evidence-based approach to consumer interventions:

1. **Setting clear target groups for consumer intervention:** These need to go beyond simply increasing consumer engagement overall, and instead identify the specific groups that an intervention seeks to support and who are not currently served or underserved by existing interventions.
2. **Conducting and publishing Regulatory Impact Assessments³** alongside policy proposals that clearly identify how an intervention will benefit the target group of consumers (rather than consumers that might already get a good deal in the market).
3. **Ensuring that there is a clear monitoring and evaluation framework** to assess the effectiveness of interventions once they have been implemented, including potential unintended knock-on impacts, and that it is applied consistently and regularly.

Given the recent, significant and still ongoing interventions aimed at improving consumer information, switching and out of contract price differentials (e.g. One Touch Switch, End of Contract Notifications, Contract Summaries), we believe that it would be prudent to let these interventions bed in before taking further action in this area of policy. However, we understand that **vulnerable customers and digital exclusion are a focus for DSIT over the coming years and broadly support this focus, provided interventions are proportionate.** Clear definitions and measurements are key for both of these issues. For example, Ofcom includes customers switching packages and missing bills in their reporting on affordability issues which risk skewing results towards consumers that do not have real affordability issues. When it comes to identifying vulnerable consumers, the best available data in relation to vulnerability could be delivered by combining data sets from organisations that have clearer visibility of whether individuals or households are vulnerable, including the NHS, local authorities, housing association and care providers.

More specifically, with regard to digital inclusion, it is important to recognise that the ongoing broadband rollout programme is crucial in closing the digital divide, particularly in relation to rural and urban not-spots. However, availability alone does not guarantee universal coverage

³ Under the provisions of the Communications Act, Ofcom is required to carry out an RIA only where a policy proposal is considered “important”, but the current wording of this clause is wide-ranging and makes it difficult to determine when a proposal is or is not “important”.

and a holistic policy approach is needed that tackles the complex interplay of factors that contribute to the digital divide, namely affordability, skills, confidence, and availability. Each of these factors requires careful consideration. Affordability issues are being addressed through generally low prices and the fact that all eligible customers can access social tariffs in the UK from a range of providers, but we also need to recognise that social tariffs, in their current form, are unlikely to help customers with very serious affordability issues while at the same being available to households that can afford products at market prices.⁴

Going beyond the current market-led approach to social tariffs would require a significantly different policy approach with greater cooperation from the public sector – if there was to be a significant change in social tariff policy, it would need to involve a proper economic analysis of the market and consider a full range of policy options, including public sector contributions.

Transparency and accountability in Ofcom’s decision making

Building on the idea of an evidence-based approach that we set out above, we would support the Government in setting more specific guidance to ensure that Ofcom increases the transparency and accountability of its decision making, including in relation to the new SSP. While we note that Ofcom has adopted new Impact Assessment Guidance since the last SSP, we welcome improvements in this area. This could be achieved by:

1. **Consistent and Accessible Regulatory Impact Assessments:** Creating a formalised process for when Ofcom must undertake and publish RIAs would ensure that it considers the impact of current interventions as well as objectives set out in the SSP.
2. **Reasoning and determinations:** Require Ofcom to publish its reasoning for why an intervention has been conceived, its overarching objectives, how it delivers against the priorities set out in the SSP, and how a policy’s success will be determined in the future. When information about specific decisions is published, the key information and reasonings needed to follow and understand Ofcom’s specific decision-making process should be published alongside it.
3. **Clear evaluation standards:** A standardised monitoring and evaluation framework for policies in line with guidance prepared by the OECD. For example, the OECD’s [Framework for Regulatory Policy Evaluation](#) is a useful tool that assists governments to systematically evaluate the design and implementation of a regulatory policy at every step in the process, against the achievement of strategic regulatory objectives.

⁴ [Frontier Economics, Low Income Households And Affording Connectivity](#), [Social Market Foundation, Bare necessities: Towards an improved framework for social tariffs in the UK](#), [Enders Analysis, Social tariffs: On the edge of reason](#)

A more comprehensive approach to engagement

Ofcom should more thoroughly recognise the breadth and complexity of our industry. This includes increasing its institutional understanding of the level of resource and customer bases of CSP, including in the business market where there is a broad spectrum of operating models. There are hundreds, if not thousands, of CSPs of varying sizes, and the sector is currently undergoing significant change, with an array of new market entrants upgrading the UK's fixed broadband. This means that there is no 'one size fits all' approach to engaging with the sector, and that more must be done by Ofcom to effectively engage with providers right across the spectrum of a diverse and competitive industry.

We would further encourage a review of Ofcom's engagement with the sector more broadly. In order to receive the best possible input, Ofcom's engagement should recognise the variation and diversity of the sector, and tailor its approach to accommodate individual businesses' capability to process and respond to regulatory information. This could include holding information and feedback sessions with sector groups or collections of companies, in addition to more accessible ways of providing input to consultations, e.g. in response to core themes rather than tens or potentially hundreds of questions.

Combined with greater transparency about pre-consultation phases, publication timelines and a better coordination of deadlines internally as well as with Government and other regulators, this would improve the quality of input, evidence and feedback that Ofcom will receive from the sector.

Adopting a holistic approach to resilience within CNI security strategies

The resilience of the UK's critical national infrastructure (CNI) can only be guaranteed by adopting a holistic approach which aligns and coordinates efforts between the core CNI sectors, rather than the current approach of implementing isolated, disjointed solutions.

Specifically, with the electricity network supplying the foundation for the telecoms sector – and the wider UK economy – action should be taken to improve the core resilience of the grid, rather than retrofitting back-up capacity across other parts of the UK's CNI.

All sectors will need to play their part in improving their physical and cybersecurity resilience, but interdependencies and cascading risks need to be recognised and action needs to be focused on where it is most effective and efficient.