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Ofcom
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13 February 2019

Dear Sir/Madam,

RE: Delivering the Broadband Universal Service – consultation

FSB welcomes the opportunity to provide a response to the above consultation.

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that's led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. FSB is also the UK's leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed.

Question 8: Do you agree with our proposal to include a universal service condition requiring Universal Service Providers to raise awareness of the USO?

FSB strongly supports this proposal. Without significant effort to raise awareness it is likely that many small businesses would not take advantage of this new right, reducing the effectiveness of the USO.

Therefore, in addition to a universal service condition requirement for Universal Service Providers, FSB would encourage the Government to consider using as many different stakeholders as possible to raise awareness about the USO and eligibility requirements, and in particular the steps small businesses would need to take to activate a request.

Local authorities, LEPs, Growth Hubs, and business groups like FSB should all also be encouraged to raise awareness of this and further stimulate demand.

Bringing these organisations into the decision making process as early as possible would help to tailor messages which are most likely to be relevant to small businesses, and will enable us to make use of the different communications channels we have with small businesses across the country. FSB is keen to play a part in delivering this.

Beyond this, devolved administrations must be included within planning for the delivery of the USO, especially as there is slightly lower coverage of superfast broadband in Scotland (92%), Wales (93%) and Northern Ireland (89%) compared with England (94%). To ensure that the USO delivers for small businesses across the UK, it will be important that the USO interacts seamlessly with existing and forthcoming devolved and local government interventions.

Ofcom has also found that business parks are disproportionately less likely to have access to speeds in excess of 10Mbps. More broadly, they found small businesses were less likely to have benefitted from the Broadband Delivery UK rollout as well. Focusing demand stimulation activities on business parks and enterprise zones would therefore represent an easy way to quickly sign up potential beneficiaries of the USO.

Question 9: Do you agree with our proposals set out above, including to set a timeframe of 12 months for the delivery of USO connections unless exceptional circumstances have arisen?

FSB believes that the proposals set out, outlining a timeframe of 12 months for the delivery of USO connections, are unsatisfactory. The consultation document makes it clear that the USO is designed to, 'as efficiently and quickly as possible...benefit people who currently do not have access to decent and affordable broadband.' Those who have been without decent and affordable broadband have missed out on the benefits of connectivity to date.

Therefore, setting a timeframe of 12 months for delivery after a request has been made seems unambitious and unfair, as in practice it means that for most of these people they will only have a relatively basic level of connectivity from 2021. This will act as a continued drag on growth, particularly in rural areas (according to the latest figures from the Connected Nations report (December 2018), 18% of rural SMEs still need a decent connection).

There is also a risk that in setting a timeframe of 12 months Ofcom might be inadvertently incentivising Universal Service Providers to work to the maximum length of the timeframe, rather than delivering connectivity more quickly (which is technically possible).

FSB proposes that a timeframe of 3 months would be fairer, and would more quickly realise the benefits that digital connectivity enables. This would also help to increase trust in the scheme from small businesses, who generally face significant challenges to their growth and survival.

Question 11: Do you agree with our overall approach to ensuring USO connections and services are affordable, specifically on:

a) our proposal to introduce a two-part obligation imposing

(i) an equivalent pricing requirement, and (ii) a safeguard cap; and

b) setting the level of a safeguard cap at £45 per month (including VAT, averaged over the fixed commitment period, including any upfront connection charges, monthly payments and other broadband charges)?

Compared to similarly priced offerings, the safeguard cap is set too high. FSB understands the need to balance affordability between USO and non-USO customers, but recognise that setting a cap can produce undesirable behaviour to charge at the top end of the cap.

Therefore the de facto default price charged would be £45 a month, which we feel is too high. The consultation document acknowledges that BT have lowered their prices since the previous consultation last summer, and from our own research over half of average-sized small businesses pay up to £40 a month for their broadband, rising to around 70% for the self-employed [[Reassured, optimised, transformed](#), FSB report, 2015].

Therefore we propose that a fairer affordable safeguard cap should be set at £35 a month. This would ensure that small business customers, as well as consumers, can afford to benefit from connectivity. This is particularly important as the connectivity delivery solutions have not been mandated, so some areas could be covered using slower copper connections if the Universal Service Providers believe that to be the most cost effective delivery route for those areas.

Question 16: Do you agree with our approach to how Ofcom should report and monitor delivery of the USO?

FSB agrees with the approach set out. In addition, we would like to see the information published as often as it is collected, rather than the proposed annual reporting (point 9.17). This could increase the availability of information to half-yearly as opposed to yearly.

If you would like any further information or input from FSB, please contact our Policy Advisor (Infrastructure), Jaynesh Patel, at (✉)

Yours faithfully,

Anthony Impey

Chairman of FSB Digital Policy

Federation of Small Businesses