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Which? Response to Ofcom Consultation on Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26

Summary

1. Which? believes that digital infrastructure that delivers good quality connectivity is essential for consumers, particularly as people's lives are becoming more and more reliant on being connected to perform everyday tasks such as banking, shopping and streaming. The Coronavirus outbreak has further emphasised the importance of consumers having access to good quality connectivity.
2. Which? welcomes the consideration being given by Ofcom as part of the “Wholesale Fixed Telecoms Market Review” in terms of the actions it can take to encourage large-scale deployment of new fibre networks and bring more competition to the market, which will benefit consumers.
3. Which? does not have the relevant expertise to comment on all of the proposals contained in the review to support the supply of fibre connections and to ensure their availability in different geographic areas. However, we believe that the demand for these connections is a critical part of the picture, and is not being given enough consideration.
4. Ensuring demand for these new services will ensure that consumers are able to take advantage of the benefits these faster, more reliable, connections offer. Importantly, it will also help ensure returns on the investment being made by providers, lowering risk. Therefore, Which? has called on the Government to establish a Connectivity Taskforce to advise on the best approach for stimulating demand for these new connections.
5. As part of the demand side picture, careful consideration must be given how to encourage consumers to engage in this market and overcome the barriers they face which constrain their engagement with the broadband market. These barriers could impact on the extent to which consumers decide to take these more reliable, full fibre, connections.
6. Ofcom must also ensure that the switching process put in place to move between internet service providers, and different infrastructure providers, is designed in the

best interests of consumers, and is clear and transparent. Furthermore, as the rollout of fibre progresses, it will become ever more important to retire the copper network. It is crucial that consumers are protected as part of this and that none are left behind - in particular, consideration must be given to the price of these services when customers are forced to migrate to fibre and those vulnerable customers who may require additional support.

Introduction

7. All consumers should have access to a reliable broadband connection that meets their needs, especially as more services move online. It is important that no consumers are left behind or face digital exclusion, and that consumers across the UK are able to benefit from good quality, reliable connections. This has been further highlighted by the Coronavirus pandemic and the greater reliance consumers across the UK have had on telecoms providers.
8. Which? welcomes the Government's ambition of nationwide gigabit connectivity by 2025. It is right that Ofcom is taking steps to ensure the competitive supply of fibre connections which is aligned with its goal to promote competition and investment in new networks for the benefits of people and business.
9. It is critical that all consumers are able to benefit from these connectivity improvements. Which? recognises the importance of Ofcom defining geographic areas to help encourage deployment. It is critical that as part of this, Ofcom manages the careful balance when determining which locations fall into each area, so that as many parts of the UK as possible are able to successfully benefit from competition and that no parts of the UK are left behind.
10. However, just as important as the supply is the demand for these new services. Which? believes that that more needs to be done not only to ensure that consumers are ready to take advantage of these new connections, but also to help support the business case for companies investing in the rollout of these networks. As part of the demand side picture, consideration must be given to the barriers that consumers face to engaging with the broadband market, as well as the switching process.

The demand for fibre networks

11. Which? recognises the importance of getting the supply side conditions right for the rollout of fibre across the UK. However, believe that the consumer demand for these connections must be given consideration alongside measures to support supply. As Ofcom itself has stated, "demand and supply-side factors" will drive take-up of higher speed broadband services over the review period. This will not only ensure that consumers benefit from these improvements in connectivity, but also that providers are able to make a return on their investment in these new networks.

12. Which? supports the Government's ambition for all UK homes and businesses to have gigabit capable broadband by 2025. We welcome the steps being taken by both the Government and Ofcom to ensure that the right environment is in place to encourage the supply of these connections. However, consumer demand will be critical to ensuring its success.
13. The Coronavirus pandemic has highlighted the importance of having access to fast, reliable connections, with millions of people working remotely and relying on their internet connection to keep in touch with friends and family, as well as access services such as online banking and food shopping. The pandemic may also impact how consumers perceive the need for faster connections and new services, and their willingness to pay for these services.
14. Greater consumer engagement with the broadband market will be critical to ensure the take up of fibre connections. Today, consumers are more and more reliant on good quality connections, but even in light of the growing demand for good quality connectivity, the take up of superfast broadband has been slow. While 95% of the UK has access to superfast broadband, just 57% of households have taken-up these connections¹.
15. Which? believes that addressing consumer concerns about the risks of engagement and helping them overcome the barriers they face will be essential to ensure the take up of new services. This will need to be supported by a switching process that is transparent and easy for consumers to navigate.

Barriers to engagement

16. Last year, Which? undertook research looking at consumer engagement with the broadband market. We believe that some of the findings from this research are important when considering the demand for full fibre connections.
17. The research found that users tend to believe their service is fine, even if experiencing problems with their broadband service or potentially paying relatively high prices. 43% of consumers believe that their current broadband meets their needs and do not want to upgrade to full fibre².
18. This satisfaction with their service led some consumers not to perceive a need to move to higher quality service. In the context of moving to new services, such as fibre, it could mean that consumers are not inclined to switch or even consider moving to these connections as they do not believe they need to make changes to their current connection which they consider is fine for their needs.

¹ Ofcom, 2019, "Connected Nations 2019", https://www.ofcom.org.uk/_data/assets/pdf_file/0023/186413/Connected-Nations-2019-UK-final.pdf

² Which?, 2019, "Consumer Engagement with Broadband Market - Quantitative research", <https://www.which.co.uk/policy/utilities/4986/broadband-engagement>

19. The research also highlighted a lack of knowledge and trust with the broadband market. Respondents had concerns that changing providers may lead to a poorer service and unexpected costs. Almost half of consumers (49%) believed that changing provider is “too risky” and may lead to a worse service, while 48% believed that there isn’t enough benefit to switch broadband package or provider.³ These beliefs are important to consider in the context of fibre demand, which will offer consumers a more reliable connection, but consumers may not believe this to be the case.
20. This issue with trust in broadband providers is also highlighted by Which?’s trust tracker. There are relatively low levels of trust in telecoms: broadband trust 39%/distrust 22%, mobile phone services trust 38%/distrust 21% (February 2020). This is lower than day-to-day banking (46% trust) and water (58% trust) and only just above that of gas and electricity (33% trust).⁴
21. Addressing consumer concerns about the risks of engaging with the broadband market will be essential to ensure the take up of new services⁵. This will not only ensure that consumers are able to benefit from the speed and reliability improvements that full fibre offers, but also ensure that providers are able to make a return on their investment.

Lessons from superfast broadband

22. As part of our research to understand the barriers to consumer engagement with the broadband market, we also considered whether superfast broadband was a pull for consumers to engage⁶. Our research found that in relation to superfast broadband, most consumers (60%) tend to see it as a ‘premium service’ and a third (32%) said it was something they did not need with the same percentage saying that they did not believe it to be available in their area⁷. As such, there are important lessons from the rollout and take up of superfast broadband that must be considered for the rollout of gigabit capable networks to ensure increased consumer take-up.
23. Similarly to Ofcom, our research found that consumers had concerns about the potential cost of superfast broadband. 70% of consumers believe that superfast broadband is more expensive than standard broadband⁸. However, as stated by

³ Which?, 2019, “Consumer Engagement with Broadband Market - Quantitative research”, <https://www.which.co.uk/policy/utilities/4986/broadband-engagement>

⁴ Which, Consumer Insight Tracker, 2020 https://consumerinsight.which.co.uk/tracker/trust?search%5Bdate_from%5D=2002&search%5Bdate_to%5D=1903&search%5Bsort_by%5D=unsorted

⁵ Ofcom, 2019, “Connected Nations 2019”, https://www.ofcom.org.uk/data/assets/pdf_file/0023/186413/Connected-Nations-2019-UK-final.pdf

⁶ Which?, 2019, “Consumer Engagement with Broadband”, <https://www.which.co.uk/policy/utilities/4986/broadband-engagement>

⁷ Which?, 2019, “Consumer Engagement with Broadband Market - Quantitative research”, <https://www.which.co.uk/policy/utilities/4986/broadband-engagement>

⁸ Ibid.

Ofcom, out-of-contract standard broadband customers are often paying higher prices than new superfast customers⁹.

24. It is clear that consumers need to be more aware of the cost of more reliable faster services and what services are available to them. These findings suggest that consideration will need to be given to how to ensure that full fibre is a pull for consumers to engage for example, by making sure that they have clear information to make a decision on the best connection for their needs.
25. It is essential that in planning the move to full fibre networks, lessons are learnt from the roll-out of superfast broadband across the UK. In particular, how to drive take up of these new services and ensure that all consumers understand the benefits and cost of these connections.

Other issues

26. As highlighted in Ofcom's consultation, as the rollout of fibre progresses, there will be a migration from copper to fibre products - the copper switchover. It is critical that as part of this consideration must be given to the price of fibre products and how quickly copper services are removed. This will be particularly important in those circumstances where the consumer is dependent on a service that is supplied over the copper network or if they end up having to purchase a connection that goes far beyond what they really need that also costs significantly more. Furthermore, additional support must be given to those customers who may struggle to update their services. As part of encouraging consumer demand for these connections, it is essential that the right processes are in place to help consumers to easily switch.
27. We believe that a Gaining Provider Led (GPL) process across the broadband market is critical to make switching as easy as possible for consumers. It will be important that there is an easy and hassle free process for consumers to move to these gigabit connections to help support take up of these connections and enhance the investment case. We are aware, and supportive, of the work currently being undertaken by industry to establish what a GPL process could look like for broadband, particularly given that competition at the infrastructure level creates an additional level of complexity. We look forward to engaging with industry and Ofcom on this issue when final proposals are published.
28. It is essential that the GPL process for broadband is clear for consumers and easy for them to understand and follow. We also know that consumers want to avoid interruptions to their service - 45% of consumers were worried about interruptions to their broadband service during the full fibre installation process. This should also be considered as part of establishing the new GPL process for switching, along with other consumer concerns about the switching process.

⁹ Ofcom, 2019, "Helping Consumer Get Better Deals", https://www.ofcom.org.uk/_data/assets/pdf_file/0018/168003/broadband-price-differentials.pdf

A Connectivity Taskforce

29. We believe that a collaborative, joined up approach will be needed to strengthen consumers' willingness to engage in the broadband market and encourage them to take advantage of better services delivered through investment in new technologies.
30. Which? has called on the Government to establish a Connectivity Taskforce. This should be led by consumer groups and businesses, and involving ministerial, departmental and devolved administration representation, as well as Ofcom and representatives from the industry, to advise on a strategic, evidence-based approach to stimulate demand for gigabit-capable broadband connections. This will ensure that the time and resources put into developing the UK's gigabit capable infrastructure is supported by consumers purchasing these new services.

Conclusion

31. Which? recognises the importance of ensuring the right conditions for the supply of full fibre broadband connections. However, consumers need to be brought along on the journey as the UK moves from copper to fibre. As such, careful consideration of the demand side early in the process is critical.
32. Our own research highlights the importance of overcoming the barriers to engagement in this market to ensure take-up of these new connections. Consideration must also be given to how to improve consumer trust in the telecoms industry. Low levels of trust can have a knock-on effect on consumers' willingness to engage and to take advantage of better services.
33. Alongside looking at ways to address the barriers to consumer engagement in this market, ensuring that switching is as easy as possible for consumers is essential. The consumer journey must be carefully considered as the options are weighed up on the GPL process to switching.
34. Given the importance of the demand side, not only for ensuring that consumers are able to take advantage of full fibre, but also so that businesses can make a return on their investment, Which? has called on the Government to establish a Connectivity Taskforce. Which? believes that for the full benefits of full fibre, and gigabit connectivity to be realised, a collaborative, joined up, approach will be needed.

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