

Citizens Advice Scotland – Response to Ofcom’s consultation on the approach to high excess costs under the broadband universal service: Proposed modification to the Universal Service Condition

Scotland’s Citizens Advice Network empowers people in every corner of Scotland through our local bureaux and national services by providing free, confidential, and independent advice. We use people’s real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

The broadband ‘universal service obligation’ (USO), gives people the right to request a decent and affordable broadband connection to their homes and businesses. Where the cost of a connection is less than £3,400, excluding VAT, then the customer does not have to pay for the connection to be built. If the costs are higher the customer can pay the difference, and this is known as the excess build cost. When calculating the costs of a connection, BT must share the costs of the network that can serve multiple premises, using the assumption that there will be a 70% take up by eligible premises in the area.

Citizens Advice Scotland (CAS) notes Ofcom’s view, following an investigation, that BT’s approach to calculating costs differed to that which had been anticipated, resulting in some customers being asked to pay materially higher excess costs. CAS notes that, following this investigation, BT has agreed to use Ofcom’s approach to calculating excess build cost quotes, where costs are not significantly above £3,400. BT has also agreed to refund affected customers and re-issue quotes it has previously provided.

The current consultation proposes a two-fold approach going forward:

- Where excess build costs are £5,000 (excluding VAT) or below, based on a forecast of 70% take-up, customers’ quotes should be based on this assumed take-up. BT must then provide any connection where a customer agrees to pay their quote.
- Where excess costs are very high, BT can recover total excess costs before commencing build. In practice, when one customer makes a request, and excess costs are more than £5,000 (excluding VAT) per eligible premises based on the forecast assumption of 70% take-up in the area, BT should inform customers of the total excess costs and gain agreement to cover these before building.

We note from the Connected Nations report that around 3-4% of Scottish properties are currently unable to receive a decent broadband connection and may therefore be eligible for a USO connection. Across the UK, modelling shows that there are around 66,500 premises where the cost of connection exceeds the £3,400 reasonable cost threshold (‘RCT’).

CAS views

We welcome the findings of Ofcom's investigation and are pleased to see BT's additional agreement to use Ofcom's approach to calculating excess costs where the excess build costs are not significantly above £3,400. CAS are aware of the reports that consumers were receiving quotes from BT that were significantly higher and agrees with Ofcom that this could cause consumer detriment. We greatly welcome the commitment by BT to provide refunds and revised quotes to affected customers.

CAS agrees with Ofcom's proposal to amend the treatment of excess costs in determining eligibility for a USO connection, where excess costs are above £5,000. The proposal to allow BT to recover total excess costs before commencing a build where the costs are very high is welcome. This approach should reduce consumer detriment, with detailed quotes being provided and an agreement being reached between consumers and BT prior to building. We believe this will allow for consumers to make a more informed choice. We note Ofcom's assessment that few consumers will be willing to pay more than £5000 (including VAT) for a connection under the USO.

Understandably, some harder to reach consumers in rural areas are unlikely to benefit from the USO regardless of the approach taken to shared costs. CAS therefore welcomes Ofcom's and the Department of Culture, Media and Sport's continuing exploration of options for broadband connectivity in hard-to-reach premises and remains on hand to offer support when needed.