

Approach to high excess costs under the broadband universal service.

Proposed modification to the Universal Service Conditions.

Welsh Government consultation response.

The Welsh Government has previously made numerous representations throughout the development stages of the USO either through consultations or directly with the UK Government and Ofcom.

The Welsh Government has previously called for the costs that fall to the end user to be carefully considered as a cost threshold would disproportionately disadvantage those in rural communities. This is a function of the cost of deployment which increases with distance and isolation. The position of the Welsh Government remains the same. The premises now facing the highest charges over and above the cost threshold are the very homes and businesses that the USO is seeking to benefit. The concerns over rural disadvantage are now very real.

More widely the Welsh Government view remains that setting the USO at superfast speeds or faster would be the most sustainable and meaningful outcome for those largely rural homes and businesses likely to rely on it. Retaining a focus on download speeds of 10Mbps is unambitious and does not align with the ambitions of the UK Government to see gigabit speeds available at all premises. Full fibre deployment under the USO would provide a more appropriate and sustainable download speed.

It is the view of the Welsh Government that a Universal Service Obligation should be truly universal in the same vein as the postal obligation. All residents and businesses should have the ability to access the broadband at an affordable cost to them

Turning to the consultation. Under the new proposals outlined in the consultation BT would be permitted to 'decline to commence building [the network] until it had enough actual orders to cover all the excess costs of building to a cluster of premises'. This would undoubtedly lead to residents and businesses in rural and very rural areas having to wait substantially longer for connectivity. Indeed the original rationale for using a forecast approach when considering demand aggregation, as set out in the consultation document, was that it would mean 'the process of connecting customers could start as soon as a customer placed an order, whereas a process using actual demand would introduce a delay whilst the USPs co-ordinated demand'. The proposals shift the approach to an actual demand approach for those premises where excess costs breached the proposed £5,000 threshold. This would put rural and very rural residents and businesses at further disadvantage.

The premise of the proposed excess cost calculation is that Ofcom expects that 'few customers will be willing to pay more than £5,000 for a USO connection to a premises'. It is important to identify who those premises willing to pay over £5,000 in excess costs will be. While it is unlikely that many residential customers will be

unwilling there may be rural businesses, such as farms, that would be content to make a larger contribution. Again the current proposals would lead to a significantly longer wait time for some vital rural businesses.

The current proposal aims to balance the cost burden to the end USO customer with the cost to BT, and a USO fund funded through contributions from industry and ultimately on customer bills as BT and/or contributors seek to recover those costs. It is not clear from the consultation the size of the potential impact on customer bills and over what time period.

In summary while it is understandable that BT would want to mitigate the risks they face in terms of delivering their universal service obligations this should not result in further disadvantage for customers, particularly those in rural areas.

Connectivity should not be left to an individual commercial company to determine, this is the responsibility of UK Government to ensure that citizens are not left behind in getting access to this essential utility.