9th October 2017

**CWU Response to DCMS on a new broadband Universal Service Obligation: consultation on design**

**Introduction**

1. The Communication Workers Union (CWU) represents nearly 60,000 members in the telecommunications industry working in around twenty companies including BT, Telefonica UK, Virgin Media, Sky and TalkTalk. We are the largest representative body for workers in the digital communications sector.

2. The CWU welcomes the Government’s consultation on the design of a new broadband universal service obligation (USO) for the UK. We have been calling for a statutory broadband USO for many years given the importance of high speed internet access for economic and social participation.

3. There are still too many UK households suffering from poor connectivity, with at least 1.1 million premises unable to receive a basic 10Mbps connection. Investment in high quality universal broadband is vital to delivering world class communications for the nation and ensuring that no one is left on the wrong side of a digital divide.

**Specification of the USO**

4. The Government’s impact assessment shows that the higher the minimum speed and service specifications for the USO, the greater the potential for social and economic benefits.\(^1\) The Government’s preferred policy Option 2\(^2\) will cost £1.75 billion\(^3\) and bring in total monetised benefits of £3.54 billion by 2035, whilst Option 4\(^4\) will cost £2.407 billion and bring £4.374 billion over the same period.

5. On this basis, we believe that the ‘do maximum’ option of delivering 30Mbps broadband to all households represents the most beneficial approach for the UK economy and society. It is also the most future proof solution, which is an important consideration given the rapid pace of change in average network speeds and connectivity requirements.

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\(^1\) Universal Service Obligation for Broadband, Impact Assessment, DCMS, 28/07/2017

\(^2\) Minimum download speeds of 10Mbps and upload speeds of 1Mbps

\(^3\) Assuming no cost threshold. The introduction of a cost threshold of £3,400 above which the customer would pay, reduces the cost to £1.295 billion.

\(^4\) Minimum download speeds of 30Mbps and upload speeds of 6Mbps

\(^5\) Assuming no cost threshold. The introduction of a cost threshold of £3,400 above which the customer would pay, reduces the cost to £1.871 billion.
6. Labour pledged in its election manifesto to deliver universal superfast\(^6\) broadband availability by 2022, supported by public investment. Labour adopted this policy because it recognises the enormous benefits the UK would derive from such a strategy. We believe the Government should follow Labour’s lead on this. More public investment for Option 4 is justified on the basis that the benefits would vastly outweigh the costs, maximising the potential of digital communications to boost jobs and growth.

7. We agree that upload speed, contention\(^7\), latency\(^8\) and data caps are the right quality parameters to specify alongside the minimum download speed. A minimum upload speed is especially important in response to the increase in upstream data traffic driven by the growth in online file sharing.

Technologies
8. We recognise that a mix of technology solutions will be required to ensure 100% broadband coverage, given the challenging geography and topography that will need to be overcome to connect remote premises. This will involve Fibre to the Premise, Fibre to the Cabinet, and potentially some fixed wireless solutions. We also recognise there are limitations with satellite and mobile which could result in an inadequate consumer experience, and so we believe these should not be relied upon to deliver USO connections.

Eligibility and reasonable cost threshold

Eligibility
9. We think that the USO should apply to all premises without a connection that meets the USO specification. However, as we said in our response to the DCMS broadband USO consultation in April 2016\(^9\), we are concerned that a demand led approach will not be the most effective solution to achieve maximum digital inclusion.

10. We believe that a commitment to invest upfront in rolling out a broadband connection to all homes and businesses across the UK, including those who have not actively requested it, would be more cost efficient and more beneficial to the UK economy over the long term. It would drive greater take-up and usage of broadband services at an earlier stage, raising levels of digital inclusion and acting as an engine for job creation and economic growth.

Cost threshold
11. We are concerned about setting a cost threshold of £3,400 (above which premises would have the option of paying excess costs), as this risks excluding some homes and businesses from a broadband USO. Ofcom has estimated that a cost threshold of £3,400 would leave 60,000 premises unserved, and the cost of serving the most expensive premises could be as much as £45,000. This would be unaffordable for most households.

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\(^{6}\) Defined by Ofcom as 30Mbps or more

\(^{7}\) The degree to which bandwidth is shared with different end users

\(^{8}\) Round trip delay in the transmission of data

\(^{9}\) CWU Response to Department for Culture Media and Sport (DCMS) consultation on a new broadband universal service obligation, 15\(^{th}\) April 2016
and many small businesses. We do not believe that anyone should be excluded from access to decent broadband on the basis of affordability. If the Government decides to go ahead with a cost threshold, we think there should be a scheme in place to support those who are unable to meet the excess costs.

Take-up
12. We believe the Government should do more to encourage the take-up of broadband services. This will reduce the costs per premise and boost the overall social and economic benefits of the USO.

13. Recent research has found that as many as 7.8 million Britons do not use the internet in any way, and a further 7.4 million people are limited users. Both non and limited users are more likely to be socially excluded, with 90% of non-users being classed as disadvantaged. The Government’s digital inclusion strategy has invested only a fraction of the estimated £875 million needed to ensure the whole population has basic digital skills by 2020. We believe the Government should run a high profile e-literacy campaign promoting the benefits of getting online and addressing the UK’s online skills deficit, thus helping millions more people to participate in the digital economy and society.

14. It is clear that the benefits of good quality universal broadband justify the investment needed to make it a reality. One widely quoted source estimates that enabling everyone in the UK to go online as part of a broad digitisation strategy would add another £63 billion to the economy. Improved connectivity is also expected to bring a net increase in jobs, improve social cohesion and reduce carbon emissions.

Affordability
15. We agree that the Universal Service Provider (USP) should be required to offer uniform pricing for upfront and ongoing charges, ensuring that those in areas not currently served would pay no more than those in the rest of the UK. We believe this is an important principle of a universal service. We therefore support the proposal to include reference to a uniform pricing in the Universal Service Order to achieve that aim.

16. We also believe the Government should make it a regulatory requirement for a social tariff to be included in the broadband USO, so that those on low incomes can afford to get online. Without such a requirement, there is no guarantee that the USP will continue to provide a social tariff for broadband as they currently do.

Funding
17. Given the high costs of building and maintaining digital networks in difficult to serve areas, we agree that the Universal Service Provider should receive funding to compensate any unfair net cost burden associated with providing the broadband USO.

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10 15 million in UK do not make best use of the internet, Consultancy UK, 15th September 2017
11 Digital skills and inclusion – giving everyone access to the skills they need, DCMS, 1st March 2017
13 This is for everyone, the case for universal digitisation, Booz & Company, 2012
14 UK Broadband impact study, SQW, November 2013, p.5
18. However, we disagree with the Government’s view that industry should bear the full cost of delivering a broadband USO. We believe this limits the scope for investment and is a barrier to achieving the maximum potential benefits of universal broadband. At a time when Britain is sitting at the bottom of the G7 growth table\textsuperscript{15}, we think the Government should be investing more in infrastructure to strengthen the UK economy for the long term. This view is shared by the European Central Bank\textsuperscript{16} and the OECD\textsuperscript{17} who have called for more public investment in infrastructure to stimulate growth.

19. The case for investment in universal broadband is clearly set out in the Government’s impact assessment, which estimates that introducing a USO would generate up to £4.37 billion in monetised benefits over the next 17 years as a result of improved productivity and enterprise growth. It would also bring social benefits through better access to key online services such as e-health and e-learning.\textsuperscript{18}

20. The Government could maximise the potential of its investment through a ‘clawback’ process similar to that introduced under the Broadband Delivery UK project, which has already seen hundreds of millions of pounds returned by BT and reinvested as a result of high take-up of broadband connections in upgraded areas.

Designation of the universal service provider
21. We support the option of choosing an appropriate provider, subject to consultation. We also agree with Ofcom that the most efficient outcome may be for BT and KCOM to be designated as universal service providers because they have the most extensive networks and are currently the designated providers for the telephony USO. BT has a labour force with the skills to build a high quality universal broadband network and the economies of scale to ensure this is delivered as cost effectively as possible.

22. We believe that a competitive designation process is unlikely to be successful, given that few industry stakeholders have expressed a desire to be designated as a Universal Service Provider. We agree with Ofcom’s advice that designating multiple regional Universal Service Providers is likely to increase costs, lead to a longer implementation process and create inefficiencies.

USO review
23. We believe it is right that the Government should look to raise the minimum speed and overall quality of the USO over time, so that those who rely on the USO do not fall behind as networks evolve. We support the proposal for ongoing monitoring to assess the performance of the USO after implementation, and a formal review carried out periodically to update the technical specification of the USO.

\textsuperscript{15} Britain sinks to bottom of G7 growth table, Financial Times, 29 September 2017
\textsuperscript{16} Public investment in Europe, European Central Bank, ECB Economic Bulletin, Issue 2/2016 - articles
\textsuperscript{17} OECD calls for less austerity and more public investment, The Guardian, 18 February 2016
\textsuperscript{18} Universal Service Obligation for Broadband, Impact Assessment, DCMS, 28/07/2017
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