

## **TalkTalk Group's response to Department of Culture, Media and Sport's Consultation on connection Vouchers**

### **Our position**

TalkTalk Group believes the connection Vouchers Scheme as part of the Super Connected Cities programme is fundamentally the wrong use of available funding to help UK SMEs become digitally included. Although we will obviously benefit as a business in delivering a scheme such as this, we think this is the wrong approach and will only serve to further strengthen BT's already dominant position. Instead we think Government should be focusing any available funding on education and digital skills training to help ensure SMEs understand and can exploit the benefits that the internet affords as these are the real barriers to getting online – not the cost of connection.

However, if the Connection Voucher Scheme were to go ahead we are keen to help inform the delivery in order to minimise the risk of funds being poorly spent. With subsidy there is always a risk of distorting the competition of the market. We would therefore want to see Ofcom engagement from the very start.

The Connection Voucher scheme will provide access to funds for some businesses to either upgrade their existing broadband or help them to get connected, however we believe the scheme needs to be properly targeted to those businesses who can and will get the most benefit from a one-off cost voucher.

To improve digital connectivity in participating cities, we believe the market will be best stimulated by driving SME awareness of the benefits of digital capability. A demand-side initiative such as the Connection Vouchers scheme will need to be complemented by centrally driven awareness activity that encourages and maintains competition in the market.

Fundamentally however, we believe that this funding would be better invested in skills programmes and initiatives. The scheme in its current form is not the best use of the taxpayer's money to get more SMEs online.

### **About TalkTalk**

TalkTalk is the UK's leading value-for-money provider of fixed line broadband, voice telephony, TV and mobile services to consumers and business users. Under the TalkTalk, AOL Broadband and TalkTalk Business brands, TalkTalk serves over 4 million customers across the UK. We operate a fully unbundled network, which extends to nearly 2,800 exchanges and covers 95% of the UK population.

We have been a strong advocate in recognising the benefits of increasing digital skills within UK businesses, especially SMEs. Digital Inclusion is something we have been proactive in addressing;

we are a founding partner of cross-sector charity Go ON UK which encourages and supports people, businesses and charities to benefit from being online.

TalkTalk Business, has the largest and most connected all IP network in the UK and we have grown to support more than 180,000 business and public sector customers. We offer technical support to our business customers and also transformation strategies to increase their profitability.

TalkTalk Business, in partnership with Economia recently commissioned a report to look at what encourages or inhibits growth and success in businesses. The report, 'Geared for Growth,' found that 60% of SMEs want to grow and 4/5 of those surveyed said they believed technology was vital in helping them serve larger markets and make efficiency savings. The report also found that many SMEs feel that their lack of digital skills is slowing the growth of their business and 22% are held back by the digital skills gap amongst staff.

TalkTalk believes that we need to collectively tackle the skills gap faced by businesses, by improving the basic digital skills of nearly 16 million people. Once businesses understand how much benefit they will gain from being online we believe they will be more encouraged to improve their digital capability. This will be beneficial to the economy and also create more demand for super fast business connectivity.

The UK has a thriving online economy; it leads the world in the economic contribution it delivers through the internet, and this is continuing to grow.<sup>1</sup> A report by Booz&Co found that the annual turnover of UK SMEs could be boosted by £18.8bn if these companies sold and marketed online; however half a million say they lack the digital skills required to do so and only 14% of SMEs sell products and services online.

Therefore we believe addressing the digital skills gap for SMEs first and foremost, will provide growth for UK businesses and the economy as a whole.

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<sup>1</sup> The Connected World; The Boston Consulting Group, January 2012

## Questions

### **Question 1: What methods do you consider most useful and practical in the context of stimulating awareness and demand for a broadband connection scheme?**

TalkTalk is committed to encouraging more SMEs to use online services to boost their business. We believe partnership working, such as the work we have done with Go ON UK and UK Online Centres is a good way to communicate the benefits of businesses being online and therefore driving demand for broadband.

For the Connection Vouchers scheme, a centrally delivered awareness campaign should focus on the direct benefits to SMEs, such as reducing their costs and opening up their consumer base. However we would like to see provision for supporting the digital skills and capability of these SMEs so that they maximise their use of a broadband connection and new online capabilities.

The department for Business, Innovation and Skills, recently awarded its funding for the SME Digital Capability Programme to Go ON UK to deliver. We therefore think DCMS should consider a similar approach in order to raise demand and as part of a broader education and digital skills delivery programme.

### **Question 2: If you are an SME, ISP or network operator: (a) would you be keen to participate in the voucher scheme on the basis that we have set out in this consultation? (b) In addition to the elements described in this consultation document, what further steps, if any, would BDUK need to take to ensure your participation in the scheme (e.g. broadening the categories of eligible end-users)?**

Yes, TalkTalk is keen to participate in the scheme should it go ahead, however as a communications provider we believe that it is essential the costs of administering the scheme are kept as low as possible and that it is simple to administer and use. Although valued, this market segment that the voucher scheme will apply to, is very much a sub-set of TalkTalk's overall business so to contain costs, bespoke adaptation must be minimised. In particular, it is unlikely that we would want to customise our provisioning or billing systems to support the voucher redemption process. We would expect BDUK to reimburse any costs incurred by TalkTalk in enabling our provisioning and billing systems to support the voucher scheme.

Our preference is therefore that the voucher issuing and redemption process should be managed between the end customer and the body issuing the vouchers. Receipted installation invoices from TalkTalk would be used to evidence the process.

From a network coverage perspective, we already deliver Standard broadband to 95% of the UK and supply Superfast Broadband in almost all of the exchange and cabinet areas which Openreach has enabled. We have yet to exploit non BT Openreach access networks as none of the alternatives have been of sufficient scale to justify this approach.

**Question 3: Does BDUK need to place any conditions or criteria on the vouchers to ensure effective Take-up by end-users?**

TalkTalk believes that the scheme should be a tool to stimulate service consumption. At this stage in the roll-out of superfast broadband, it is unlikely that voucher take up in specific areas will change these plans. Fibre To The Cabinet roll-out is targeted to reach 90% of the UK, the outlying areas are unlikely to be sufficiently funded by the relatively small sums available from the voucher scheme.

Therefore the scheme should be wide enough for the end-user to be able to choose the broadband connection or product that will give the best value for money for its business.

**Question 4: Which costs do you consider should eligible for funding by the connection voucher?**

All installation related costs including Excess Construction Charges for more complex installations which require extra engineering work for example. However, it is TalkTalk's experience from customer feedback that initial cost is not the main barrier to SMEs getting online. It is the on going costs and disengagement with the benefits of online products and services to their business that prevent many businesses getting connected.

We believe that by increasing digital skills and awareness throughout UK businesses, demand for connectivity will increase. Once businesses can see the long-term benefits, the initial connection costs are less of a barrier. However the vouchers should also be available to subsidise on going costs to provide support to businesses in the initial stages of connectivity.

**Question 5: Do you think the current value range proposed for the connection vouchers (£250 to £3,000) is appropriate?**

Whilst we understand the rationale for the range as set out, we feel there is scope to increase the minimum and maximum range from £500 to £4000. This would help widen the scheme somewhat, particularly as there are only a handful of existing products available. The slight increase would help take the cost down for more complex installations which would include extra engineering costs.

**Question 6: Should a contribution to the connectivity costs be required of end-users or should the scheme support the total costs of connectivity? If you consider a contribution to be appropriate please explain why and confirm which end-user should be required to contribute (e.g. SMEs, residents etc.), and what the minimum contribution should be.**

We agree that the voucher should pay as much as possible, however as a minimum it is reasonable that customers should continue to pay the cost equivalent to his existing service (ie, Standard Broadband).

The long-term business benefits and ultimate cost saving broadband connectivity provides should be a driver to SMEs to take up the scheme.

**Question 7: Do you agree that a 'portal' (web based interface) providing is the best mechanism to enable end-user's to meet potential suppliers? If so, what information do you consider should be provided on the 'portal'?**

Yes. We would expect this to publicise the communications providers available in the area, the range of services that they can provide, together with links to their respective websites. We would expect it to be fair and neutral between providers in order to maintain competition.

**Question 8: Other than the use of a portal, what steps could be taken by BDUK to maximise the effectiveness and efficiency of the scheme for suppliers and end-users?**

Firstly awareness of the scheme will need to be driven by activity in the participating cities. Followed by provision of a portal to provide clear and concise information on how SMEs access the scheme.

We believe the scheme should be made as competitive and simple as possible. A system where as many ISPs as possible can offer the potential service to local businesses will ensure SMEs get the provider and product that is best for them.

The key thing is that the process needs to be simple and fast. SMEs are naturally limited in staff numbers and their main focus is the day to day running of the business, therefore organising a broadband connection should not consume valuable time. Ideally the voucher application and approval process should be completed during a single web dialogue.

**Question 9: The measures that BDUK is proposing are designed to stimulate the take-up of High-grade connectivity demanded by SMEs. These measures and the voucher scheme in particular have been formulated to work with the current regulatory framework and State aid rules. Please confirm: (a) Whether and how you consider these measures might result in a distortion to competition; and what, if any, adjustments to the scheme might serve to correct for such distortions; and (b) Whether the operation of the proposed scheme is likely to give rise to any regulatory concerns.**

A subsidy will always tend to distort the market, therefore it will be essential to ensure that the information provided to prospective SMEs is provider-neutral in order to maintain impartiality and therefore competition. We would hope that the regulator would have engagement and input in the details of the scheme and its delivery from the very start.

The key thing will be to ensure that the level of subsidy is not engineered to favour any particular communications provider or technology. The regional aspects of this will need to be considered as well so that communication is kept at a national level and does not favour providers by city/ area.

**Question 10: What methods do you consider might be most useful and practical to monitor the Voucher Scheme and evaluate its outcomes?**

The objectives of scheme success and how this will be measured are not clear from the consultation document. However we believe the voucher issuer will be best placed to measure volumes both in voucher count and money spent. This can then be correlated against the perceived qualifying market to measure the success of the scheme, in terms of take-up.

True success of the scheme will be measured by the business benefits brought to the individual SMEs and whether by using the voucher to get connected, they are experiencing the full benefits of a digitally engaged business.

**Question 11: Are there any other aspects that directly relate to BDUK's proposed demand-side measures that you would like to raise?**

There are no other issues that we believe haven't been covered in the rest of this response