



Department
for Culture
Media & Sport

A new broadband Universal Service Obligation Statement of Intent

11 October 2016

Ministerial foreword

This Government has a clear digital agenda, and our ambition is for world-class digital connectivity. We want to put the conditions in place so that everyone - wherever they live or work - can connect and share in the economic and social benefits of the digital economy.

The UK continues to benefit from ever-better connectivity. Thanks in part to our investment, nine out of ten homes can now get superfast broadband speeds, and we are on track to reach 95 per cent by the end of 2017. Broadband is now widely seen as an essential service, much like electricity and water.

While the overall picture is good, there are still parts of the country where decent connectivity is an aspiration rather than a reality. Although this number is getting smaller all the time, we want everyone to have access to the benefits that can be gained from high-speed broadband.

We are implementing the new broadband Universal Service Obligation (USO) to ensure that no-one is left behind.

The USO gives people a legal right to an affordable, fast broadband connection on demand from a designated Universal Service Provider, at a minimum speed of 10 Mbps, no matter where they live or work, up to a reasonable cost threshold.

This is part of the Government's commitment to building a country that works for everyone, making sure nobody is digitally excluded and that businesses are equipped with the tools they need to compete. Individuals will be able to access a range of services and information online; families will find it easier to keep in touch; children will benefit from access to tools to support their homework and learning; businesses can get online, compete and grow; people in rural areas will be able to access services, work, shop and communicate without the need for travel; and Government can deliver services that are 'digital by default'.

A handwritten signature in blue ink, appearing to read 'Matt Hancock', followed by a horizontal wavy line.

The Rt Hon Matt Hancock MP
Minister of State for Digital and Culture

Introduction

1. This document sets out the Government's plans for a new broadband Universal Service Obligation (USO), and puts it in the context of our broader ambition for ensuring the UK has world-class digital connectivity. This document explains what a broadband USO is, and the principles that will guide its design. It also tells you where you can find further information.

The Government's ambition

2. We understand how important it is to be able to get online. Digital connectivity is transforming the world we live in - our homes, our work, our daily lives. We are more reliant on broadband than ever before and that trend is set to increase. Access to fast, reliable broadband is not a nice- to-have but a critical part of modern life. It is needed to access vital services and to support businesses to operate fully and flexibly in the modern economy. This Government has a clear digital agenda, and our ambition is for world-class digital connectivity.

3. Over the past 6 years we have worked to ensure that this is a reality. £1.7bn of public funding has been committed to support the deployment of superfast broadband to homes and businesses across the UK. As a result of this investment, and ongoing commercial roll out, superfast broadband is now available to over 90% of premises, compared with fewer than half in 2010. We are ahead of our major European competitors. In 2015, the UK maintained its number one position for the widest access to superfast broadband, ahead of Germany, France, Italy and Spain. By the end of 2017, superfast broadband will be available to 95% of premises.

4. The Government funded roll-out of superfast broadband will not stop when our target of 95% superfast broadband coverage has been met by the end of 2017. We are committed to reinvesting funding to extend superfast broadband to as many rural homes and businesses as possible. The contracts we have put in place with Openreach mean that the more homes and businesses that sign up for superfast broadband, the more money Openreach has to return to local authorities to extend coverage even further. Broadband Delivery UK (BDUK) estimates that efficiency savings, coupled with clawback and further commercial roll-out, could extend superfast broadband coverage to 97% of UK homes and businesses by 2020.

5. The Government is also supporting commercial roll-out through legislative and regulatory changes. As of 31 July this year, the Communications (Access to Infrastructure) Regulations 2016 gave rights to telecoms providers to share the physical infrastructure of other telecoms network providers, as well as that of network providers in other sectors, to reduce the cost of deploying broadband networks. Building regulations have been amended to introduce a requirement from January 2017 for all new buildings, and major renovations, to include in-building physical infrastructure to support connections to superfast broadband. In addition to this, there are industry agreements in place with developers for fibre connections to be made available to all new builds. We also propose to support the market through the reform of the Electronic Communications Code via the Digital Economy Bill, which governs rights of access to private land, as well as making permanent a relaxation in the planning rules, first introduced in 2013, allowing fixed broadband infrastructure to be installed as permitted development. These measures will remove barriers to help improve the viability of commercial investment, and we will maintain a dialogue with industry to explore whether further action is needed.

6. Digital connectivity is changing rapidly, and as the UK continues to improve, we want to ensure that no-one gets left behind. As part of the Government's plans for an economy that works for everyone, we are committed to ensuring the provision of access to universally available broadband. In November last year, the Government announced its intention to introduce a new broadband USO by the end of this Parliament. We intend to set the minimum speed at 10Mbps, and to review it over time to ensure it keeps pace with changes in the broadband market. Twenty years ago broadband did not exist. Ten years ago only a fraction of us had it. And in another ten or twenty years we can only speculate as to what further changes technology will bring. Ofcom's view is that 10Mbps is an appropriate minimum speed for a USO for now, given typical household use of digital services. It will allow households to stream films in HD, watch catch-up TV, make video calls and browse online.

7. This is a very important issue for households and small businesses in both rural and urban areas, and we are moving ahead rapidly with our plans. The Digital Economy Bill will establish in law the right for every household and business to request an affordable broadband connection at at least 10Mbps, no matter where they live, up to a reasonable cost threshold. The Bill also includes a measure to give the Government the power to review the minimum speed to ensure that it continues to meet people's needs in the years to come.

Our principles for the development of the USO

8. In designing the USO, there is a core set of principles that we intend to follow. These are:

- **The design of the broadband USO must put people and businesses throughout the United Kingdom at its heart in order to secure the benefits of digital connectivity for as many people as possible, as quickly as possible.**
- **It must ensure that everyone can access a decent broadband service which meets the needs of the majority of people and businesses.** The Government wants to specify a speed of 10Mbps as a minimum. It is clear this will need to be increased as consumer needs change and the USO must be designed with this in mind. The new review power in the Digital Economy Bill to direct Ofcom to review the USO will ensure that it is future-proof.
- **The broadband USO must extend the reach of decent broadband connectivity as far as possible across the United Kingdom in both rural and urban areas.** Its design will need to take into account the specific challenges of connecting the most remote or difficult-to-reach locations.
- **Connections will be subject to a cost threshold.** Above this cost threshold consumers will still have the right to fast, reliable broadband, but may have to contribute to the cost of connection, as is the case with telephone lines.
- **The USO must act as an effective complement to commercial, community and publicly funded roll outs. It must not displace any planned rollout of higher speed broadband; must be affordable; and will need to be designed to minimise any market distortion.**
- **The USO must be proportionate and ensure that, wherever possible, costs associated with the USO are minimised while still meeting the needs of people and businesses.** For example, we will explore whether connection requests could be combined to reduce costs.
- **The USO must be legally binding, measureable and enforceable.**

9. We welcome any robust offers for an industry-led approach which would meet our policy objectives.

Universal Service Obligations

10. The broadband USO¹ is designed to make sure that people who live or work outside the reach of the UK's current superfast broadband infrastructure are still able to access broadband at a minimum speed.

11. Universal Service Obligations exist in a small number of key utility sectors and allow for an essential service to be provided, up to an agreed cost threshold. The concept of universal service in telecoms is a long-standing principle, dating back over three decades in the UK. The rationale for a USO is to act as a backstop for areas where market forces alone do not deliver affordable access to basic services for people, including those in remote areas or those with low incomes or disabilities. It aims to ensure that a minimum set of communications services are available to everyone at a fixed location, upon reasonable request, and at an affordable price, irrespective of where they live, in order to prevent social exclusion.

Designing a broadband USO

12. Although we have a broad legislative framework in place, and there is international precedent, there is no blueprint for the UK's new broadband USO. There is a complex set of interrelated factors that will need to be considered in developing the USO, with the aim of making it accessible and affordable for every home and business in the UK. A number of these issues were highlighted in Second Reading of the Digital Economy Bill, and were also reflected in the responses to the Government's USO March consultation, and Ofcom's April Call for Inputs on design of the USO.

13. This range of factors includes:

- The level of service which the broadband USO should enable. This includes not just an appropriate download speed, but the appropriateness and level of other parameters, such as upload speed, latency and capacity.
- The nature of the USO 'footprint' and potential demand for the USO, including the number and location of premises, the likely level of take-up of services under a USO and the factors that may affect this demand. As BDUK and commercial roll-out continues, the footprint for the USO will continue to shrink over time. Ofcom's Connected Nations 2016, which will be published later this year, will provide the latest snapshot of the size of the USO footprint. Connected Nations 2015 estimated that 8% of UK premises were unable to receive speeds above 10Mbps. According to thinkbroadband estimates, this figure has almost halved with just over 4% of premises unable to receive speeds above 10Mbps.
- Aggregation of demand and efficiency issues, to ensure that the maximum number of people who want to get connected do get connected.

¹ The Universal Service Directive (USD) provides the regulatory framework for the broadband USO and leaves it up to Member States whether to include broadband connectivity as part of the USO according to national circumstances. The key requirements of the Directive are that a broadband USO should be technology neutral, available on demand to all end users, and that it is a proportionate measure which is designed in a way that minimises the potential to undermine competition in the market.

- What constitutes a “reasonable” request for connection, and what a suitable cost threshold ought to be.
- Pricing considerations for connections provided under a broadband USO, and how options such as uniform pricing and other pricing rules that might be applied. Also, how to ensure affordability of the connection to broadband services including consideration of a social tariff.
- The implementation costs based on different technologies, and the suitability of those technologies to deliver USO service.
- Who the provider or providers might be, including consideration of possible different types of providers, for example, regional providers, and smaller providers using innovative technologies.
- How the USO will impact on the market, and how distortions can be minimised. This includes limiting the potential for overbuild of existing networks, and minimising risks to retail competition.
- How the USO should be funded, including the possibility of an industry cost-sharing mechanism, who should contribute to it, and the impacts on consumer pricing.
- How often, and on what basis, a broadband USO may need to be reviewed in order to ensure that it continues to meet the needs of homes and businesses in the future.

14. These factors are interdependent and need to be more fully understood before decisions about what the USO should look like can be made. We have asked Ofcom to complete some analysis to support this decision-making.

Timing and process

15. The broadband USO will be in place by 2020 at the latest. We are working to implement the USO as soon as we can, and recognise how important an issue this is for areas of the country not served by commercial roll-out or the Government’s Superfast Broadband Programme.

16. The process of developing the new broadband USO requires a number of regulatory steps to be taken involving both Government and Ofcom.

17. In March 2016, we published a consultation on the proposed primary legislation measures which set out our roadmap for taking this work forwards. We received 196 responses, and our response document, which includes a summary of the responses we received, is available [here](#). The report summarises the key issues raised and views expressed in consultation responses, some of which are directly relevant to the Government’s proposals for primary legislation, and some of which will provide helpful input for the Government’s second consultation on the detailed design of the broadband USO.

18. We also commissioned Ofcom to undertake detailed analysis of the key factors that will help inform the design of the USO. A copy of the commissioning letter is available [here](#). This will help us understand more about the nature, and scale, of the likely USO ‘footprint’ and a range of considerations for the development of the solution. We have asked Ofcom to

report on its findings by the end of the year. Its interim report, summarising the responses to its Call For Inputs, was published on 15 August 2016 which is available [here](#).

19. From here, the process we intend is as follows:

- The Digital Economy Bill gives the Secretary of State an explicit power to introduce a new broadband USO to provide a minimum broadband connection appropriate for today's needs.
- A measure in the Bill also provides a power to require Ofcom to review the USO to ensure that it continues to reflect connectivity needs in the future, including whether the minimum speed needs to be updated. This will ensure that those that rely on the USO do not fall behind as demand for faster broadband connections grows.
- In parallel with the passage of the Bill we will develop secondary legislation setting out the scope, including specific requirements and guidance for the design, of the USO. Technologies and service capabilities continue to improve rapidly, and it is important that any specifications can be updated over time to take account of these developments. Secondary legislation can be revised more easily, and is therefore a more appropriate means to specify the minimum level of service.
- We will consult on proposals for secondary legislation once we have considered Ofcom's report. This second consultation will cover the detail of the USO, and will provide an opportunity to comment on the design of the USO and how it is implemented. It is our intention to launch the consultation, together with draft secondary legislation, in early 2017. A regulatory impact assessment will accompany that consultation.
- Once the secondary legislation is in place, Ofcom will then carry out work on the detailed design of the USO and on its regulatory implementation, including designation of the Universal Service Provider(s).
- Following Ofcom's regulatory implementation, the designated provider/s will then deliver connections to people on reasonable request.
- Once in place, it will fall to Ofcom to monitor and enforce the USO.
- As described above, the USO will be reviewed over time to ensure that it continues to meet the needs of households and small businesses.

20. We are working to implement the USO as soon as we can, and we are looking at ways of doing that in a way which aligns carefully with existing roll-out and investment plans to ensure that everyone can benefit from improved connectivity.

Further information

21. Further information may be found in:

USO consultation document:

<https://www.gov.uk/government/consultations/broadband-universal-service-obligation>

USO Summary of Responses and the Government Response:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523834/Broadband-USO-Gov-Response.pdf

Commissioning letter to Ofcom

https://www.ofcom.org.uk/_data/assets/pdf_file/0027/53676/dcms_letter.pdf

Ofcom's Call for Inputs

https://www.ofcom.org.uk/_data/assets/pdf_file/0025/58336/broadband-uso.pdf

Ofcom's Summary of Responses to Call for Inputs:

https://www.ofcom.org.uk/_data/assets/pdf_file/0025/68335/summary_of_responses.pdf