Communications Consumer Panel response to the Business & Enterprise Committee Inquiry into Broadband Speeds

1. About the Communications Consumer Panel

The Communications Consumer Panel was established under the Communications Act 2003 as an independent, evidence-based, advisory body. Its role is to influence Ofcom, Government, the EU, and service and equipment providers so that the communications interests of consumers and citizens are protected and promoted.

The Panel is required by the Act to have particular regard to the interests of vulnerable consumers, including the elderly, people with low incomes, people with a disability or people living in rural areas. The Panel's remit also covers the interests of small businesses. Small businesses are defined as businesses with up to 10 employees.

The Consumer Panel is made up of ten part-time members with a balance of expertise in consumer issues in the communications sector. There are members representing the interests of consumers in Scotland, Wales, Northern Ireland and England.

Panel members are appointed by Ofcom in accordance with Nolan principles, and subject to approval by the relevant Secretaries of State. Ofcom also funds the Panel and provides a small support team, equivalent to four full time employees. Team members are Ofcom employees, but work for and in the interests of the Panel.

2. Summary

Evidence from consumers
- Our evidence shows that broadband is highly valued and will soon be essential for everyone.
- There is broad support for Government intervention to ensure people can get access to broadband wherever they live

Universal broadband commitment
- The key test for the success of the universal broadband commitment is whether people everywhere in the UK will be able to use the online services and carry out the activities that they value in a reliable and consistent way.
- A speed of 2Mb/s is enough to support the services that people are using and value now: accessing information, communicating and carrying out transactions, and entertainment services, such as downloading and streaming TV content.
- There are a number of issues that need to be considered as part of the implementation of the commitment, including:
    - Ensuring consumers know which services they will and will not have access to with a broadband speed of 2Mb/s
    - Ensuring consumers have a right to redress if the Government's chosen supplier does not deliver the requisite level of service at a reasonable price
    - Placing the interests of citizens and consumer at the centre of the work of the Network Design and Procurement Group

- It is important that the 2Mb/s universal service does not become outmoded. The service should be procured and delivered in a way that enables the level of service to be reviewed at a defined point and increased easily and efficiently should this prove necessary.
- The review should include a consumer test to ensure that the level of service does not become too far out of line with the average speed and enables everyone to use the services and carry out the activities that consumers believe are necessary to participate fully in society.
- The universal service commitment and the Final Third project are linked: if progress on the Final Third project stalls, future-proofing the universal broadband commitment will become even more important.

Next generation broadband

- Next-generation super-fast broadband has the potential to deliver significant economic and social benefits for UK citizens and consumers, as described in the report published by the Panel last year in collaboration with the Broadband Stakeholders' Group and the Department for Business, Enterprise and Regulatory Reform *A framework for evaluating the value of next-generation broadband*.[1]
- It seems likely that the proposal to subsidise this investment through a 50 pence tax on the monthly price of fixed line phone rental will go ahead. Given that, we think it is essential that there is a thorough analysis of the advantages and disadvantages, in order to identify ways in which potential inequities can be managed. Potential issues include:
  - People on very low incomes for whom 50 pence a month could be significant. Steps should be taken to raise awareness of BT's social tariff, BT Basic, among this group.
  - Older people are more likely to have a fixed line and less likely to have broadband than other groups so will effectively be subsidising the rollout of services that they may not use.
- The 50 pence tax may hamper efforts to get more people connected to current-generation broadband if it exacerbates the trend towards people giving up their fixed line for mobile.
- One of the potential benefits of next-generation broadband that might justify public subsidy is better, more interactive public services. But under the Government's plans, next-generation broadband would probably be available to only 90 per cent of the population.
- There is also the question of who would own the network. Should the public have a share in the network they have subsidised?

Broadband speeds

- Consumers need accurate information about the speeds they can expect. Currently there are considerable differences between the headline speeds advertised by many providers and the actual speeds consumers receive.
- The Panel originally raised the issue of broadband speeds with Ofcom and industry in 2007.
- Ofcom's research provided useful evidence of the speeds consumers are actually getting. The voluntary code developed by industry is a welcome step, but the jury is still out on whether this will be sufficient.

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[1] The report is on the Panel's website:
http://www.broadbanduk.org/component/option,com_docman/task,doc_view/gid,1009/Itemid,63/

- When it comes to the implementation of the universal service commitment consumers must be entitled to minimum speeds of 2Mb/s. Up-to speeds will not be sufficient.

Digital participation
- Making services available is only part of the challenge. There also needs to be a stronger focus on promoting digital participation.
- To get online and participate people need to understand the benefits; be able to choose the products and services that best suit their needs; know how to use and maintain the equipment; and interact with and evaluate content online.
- The Panel welcomes the Government's decision to set up a Consortium to promote digital participation, and the creation of the Digital Inclusion Champion and Taskforce. We need coordinated action to enable the 15 million people who are not connected to get online.
- The delivery of universal and next generation broadband should be considered in the context of these wider initiatives.

Conclusions
- As broadband is an increasingly essential part of the way that people live their lives, it is vital that everyone in the UK is able to use the services and carry out the activities that broadband makes available, and to do so in a reliable and consistent way.
- To achieve this it is essential to view the initiatives flowing from the Digital Britain report as a package of measures that are interlinked.
- The commitment to funding investment in next-generation broadband in parallel with market-led rollout is crucial. If this were to waiver it would make reviewing and upgrading the 2Mb/s become even more important.
- Similarly, efforts to make communications services available must be accompanied by work to encourage digital participation.

3. Introduction

With the Digital Britain final report the Government has made a substantial and welcome commitment to enabling people throughout the UK to use digital devices and services to extend their participation in society and so reap the economic and social benefits. The report has the potential to deliver real benefits for consumers and citizens.

- By 2012 we can expect to see 2MB/s broadband and digital terrestrial TV available throughout the UK.

- By 2012 we can expect more public services to be available online.

- By 2017 we can expect the rollout of next-generation super-fast broadband to 90 per cent of the UK, which would be a substantial improvement on what the market alone is likely to deliver.

From the perspective of consumers and citizens, these initiatives add up to a significant package that includes many of the things that the Panel has been arguing for over the last few years and particularly during the Digital Britain process. But in many cases, we have yet to hear the

Government's detailed implementations plans and the Panel will be examining these plans closely to ensure that the interests of consumers and citizens are protected and promoted.

4. The importance of broadband: evidence from consumers

In its response to the Digital Britain interim report, the Panel told the Government that the level of the universal service commitment should be determined by applying a "consumer test", i.e. people everywhere in the UK will be able to use the online services and carry out the activities that they value in a reliable and consistent way.

. A consumer test should be applied only after finding out what consumers think. So the Panel commissioned research to find out what services and applications people value and, therefore, what speed of service is needed. We also wanted to test how widespread is the belief that broadband is essential and find out what role people think Government should play in stimulating broadband availability and take-up.

The research included both qualitative and quantitative components. The qualitative research comprised of 16 extended focus groups across the UK, while the quantitative research was a face-to-face survey (via a nationally representative omnibus) of more than 2,000 adults UK-wide. Our report, *Not online, not included: consumers say broadband essential for all*, sets out the findings in detail and is available on our website: http://www.communicationsconsumerpanel.org.uk/smartweb/not-online-not-included/not-online-not-included

Below, we have set out a summary of those findings most relevant to this inquiry.

- Most people with broadband at home feel already that they could not be without it. 73 per cent of such people described it as essential or important.

- People with broadband at home value it more highly than their mobile phone, land line or digital TV.

- Most people (regardless of whether they have broadband or not) consider that it is essential for some groups of people to have broadband at home, notably people with school-age children and people who are physically isolated.

- Most people consider that in the near future it will be essential for everyone to have broadband at home. 84 per cent agreed (46 per cent strongly) that it should be possible to have broadband at home, regardless of where people live. 81 per cent agreed (42 per cent strongly) that it is everyone's right to be able to have broadband at home.

- People who do not have it are expected to be at a significant disadvantage. This is because people expect that more vital services will be delivered solely online in the future, or be provided offline in a way that penalises people who access them in this way, perhaps at a higher cost or lower quality. It is expected that people will miss out in respect of a wide range of services and activities: shopping, banking, school work, public services, and downloading TV content.

- Of the activities that broadband is used for currently, people place most value on accessing information, communicating and carrying out transactions. These activities do not require a particularly fast broadband connection. But, a considerable proportion of people are now using the internet for relatively new entertainment services, such as downloading and streaming TV content. Activities such as these require a faster broadband connection of around 2Mb/s.

- There was broad support for the Government's decision to intervene to ensure that people can get consistent access to broadband wherever they live, and 80 per cent agreed (32 per cent strongly) that Government had a role to play in helping people gain the confidence and skills to make full use of broadband at home.

5. Universal broadband commitment

As set out above, the Panel's research shows that it will soon be essential for everyone to have broadband at home. This highlights the importance of making broadband available throughout the UK at an adequate minimum speed. The Panel therefore welcomes the Government's universal broadband commitment.

The key test for the success of the universal broadband commitment is whether people everywhere in the UK will be able to use the online services and carry out the activities that they value in a reliable and consistent way. The Panel's research shows that 2Mb/s is enough to support those activities and services that people value and are using at the moment: accessing information, communicating and carrying out transactions, and entertainment services, such as downloading and streaming TV content. The key task will be to ensure that the commitment is implemented effectively.

There are a number of issues that need to be considered as part of the implementation of the commitment. Government should make clear to citizens and consumers which services they will and will not have access to with a broadband speed of 2Mb/s. It should also be the Government's responsibility to ensure that 2Mb/s is available to everyone; it should not be up to consumers to show that they cannot get it. The Government should also ensure that the universal service commitment has legal force and that if its chosen supplier does not deliver the requisite level of service at a reasonable price, then consumers can get redress.

The Network Design and Procurement Group that will be responsible for implementing the universal broadband commitment should make the interests of consumers and citizens central to its work, including setting the service quality requirements that will be placed on the operator or operators that are contracted to implement the commitment.

It will be important to make sure that the commitment to deliver a 2Mb/s universal service does not become outmoded. This is particularly important in the context of the Government's commitment to make public services available online. For instance, while 2Mb/s is fast enough for those services on which people currently place most value, it will not support services such as telemedicine that require similar upload and download speeds.

We appreciate that the Government's plan to stimulate the rollout of next-generation super-fast broadband should hopefully mean that the universal service does not become outmoded. But a

contingency plan is needed and the universal 2 Mb/s service should be procured and delivered in a way that enables the level of service to be reviewed at a defined point and increased easily and efficiently should this prove necessary. The review should include a consumer test to ensure that the level of service does not become too far out of line with the average speed and enables everyone to use the services and carry out the activities that consumers believe are necessary to participate fully in society.

The universal service commitment and the Final Third project are linked: if progress on the Final Third project stalls, future-proofing the universal broadband commitment will become even more important.

6. Next-generation broadband

The Panel welcomes the Government's plans to encourage greater investment in next-generation super-fast broadband. The Panel believes that this has the potential to deliver significant economic and social benefits for UK citizens and consumers. These benefits were described in the report published by the Panel last year in collaboration with the Broadband Stakeholders' Group and the Department for Business, Enterprise and Regulatory Reform *A framework for evaluating the value of next-generation broadband*.[2]

We believe that the question of how to deliver next generation broadband to the third of the population likely to be outside private sector investment plans – the Final Third – should not be left until some indeterminate point in the future. But the fund proposed by Government to stimulate rollout to the Final Third should not be used as a substitute for, or to subsidise, market-led roll out of next-generation broadband, and should be deployed only in those areas that commercial companies would not reach otherwise.

We would have liked to see a comparison of different funding mechanisms. However, it seems likely that the proposal to subsidise this investment through a 50 pence tax on the monthly price of fixed line phone rental will go ahead. Given that, we think it is essential that we have a thorough analysis of the advantages and disadvantages, particularly with regard to the equity of the proposal, in order to identify ways in which potential inequities can be managed. Potential issues include:

- People on very low incomes for whom 50 pence a month could be significant. Steps should be taken to raise awareness of BT's social tariff, BT Basic, among this group.
- Older people are more likely to have a fixed line and less likely to have broadband than other groups so will effectively be subsidising the rollout of services that they may not use.

The Panel would also like to understand the likely impact on fixed-mobile substitution. If the trend towards people giving up their fixed line is exacerbated by the introduction of a tax, this could have an impact on efforts to get more people connected to current-generation broadband.

The Panel also notes that one of the potential benefits of next-generation broadband that might justify public subsidy is better, more interactive public services. But under the Government's plans, next-generation broadband would probably be available to only 90 per cent of the population.

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[2] The report is on the Panel's website:
http://www.broadbanduk.org/component/option,com_docman/task,doc_view/gid,1009/Itemid,63/

Any judgement on the suitability or otherwise of 50 pence tax must take into account all of these issues, as part of an assessment of the likely impacts and how these could be mitigated.

There is also the question of who would own the network once it had been built with the help of public subsidy. Although the Government is not proposing to build a new network itself, should the public have a share in the network they have subsidised?

7. Broadband speeds

Whether consumers are receiving 2Mb/s or superfast broadband it is also important that they have accurate information about the speeds they can expect. Currently there are considerable differences between the headline speeds advertised by many providers and the actual speeds consumers receive.

The Panel originally raised the issue of broadband speeds with Ofcom and industry in 2007. Since then, Ofcom has produced useful evidence of the speeds consumers are actually getting. The most recent research, published by Ofcom in July this year[3] found that:

- The average broadband speed in the UK in April 2009 was 4.1Mb/s. This compares to an average 'up to' headline speed of 7.1 Mb/s.
- The actual speeds received varied widely. Fewer than one in ten (9 per cent) of the sample on 8Mb/s headline packages received actual average speeds of over 6Mb/s and around one in five (19 per cent) received, on average, less than 2Mb/s.
- Those living in urban areas received significantly faster speeds than those living in rural areas.
- Consumers with all ISPs experienced a slowdown in actual speeds during peak evening hours (8-10pm), with speeds in this period around 20 per cent slower than over a 24-hour period.

The report shows a variation of as much as 1.8Mb/s from the best to the worst speeds (excluding cable), almost as much variation as the Government's proposed universal service commitment (USC) of 2 Mb/s. We believe that this research provides a strong case for providers to use average rather than up-to-speeds when advertising broadband services.

The voluntary code developed by industry, and which came into force in January this year, is a welcome step, but the jury is still out on whether this will be sufficient.

The research also makes it clear that when it comes to the implementation of the universal service commitment consumers must be entitled to minimum speeds of 2Mb/s. Up-to speeds will clearly not be enough.

8. Digital participation

Making services available is only part of the challenge of enabling everyone in the UK to use digital devices and services to participate fully in society, and in the process boosting the economy. We agree that there needs to be a stronger focus on promoting digital participation, which is defined in the report as:

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[3] Available at: http://www.ofcom.org.uk/research/telecoms/reports/broadband_speeds/

> "Increasing the reach, breadth and depth of digital technology use across all sections of society, to maximise digital participation and the economic and social benefits it can bring."

We think this is a useful term that encapsulates the full range of consumers' and citizens' needs. To get online and participate in a digital world people need to understand the benefits; be able to choose the products and services that best suit their needs; know how to use and maintain the equipment; and interact with and evaluate content online.

The Panel welcomes the Government's decision to set up a Consortium to promote digital participation among the 15 million people who are not online, and the creation of the Digital Inclusion Champion and Taskforce to focus specifically on the 6 million who are both digitally and socially excluded. These, and other groups such as the Consumer Expert Group who have been tasked with reporting on the particular issues that people with disabilities face in using the internet, are a crucial part of delivering the Universal Service Commitment, ensuring that people have the skills and confidence to use digital technology once it is available to them. The delivery of universal and next generation broadband should be considered in the context of these wider initiatives.

To ensure that these initiatives are effective, it is important that there is effective coordination between the various bodies; that they have clear priorities; and that progress is evaluated against those priorities.

9. Conclusions

As broadband is an increasingly essential part of the way that people live their lives, it is vital that everyone in the UK is able to use the services and carry out the activities that broadband makes available, and to do so in a reliable and consistent way.

To achieve this it is essential to view the initiatives flowing from the Digital Britain report as a package of measures that are interlinked. For example, the Government has committed to funding investment in next-generation broadband in parallel with market-led rollout. If this commitment were to waiver this would have significant implications for the commitment to the universal rollout of current-generation broadband with a downstream speed of 2Mb/s; it would make it more important to make provision for the level of this commitment to be upgraded when necessary.

Similarly, efforts to make communications services available must be accompanied by work to encourage digital participation. This means addressing a very wide range of needs and the Digital Participation Consortium and Digital Inclusion Taskforce will need to work effectively with each other, and with the many different groups involved in delivery at local level.

The Panel will continue to engage with the issues addressed in this paper, and welcomes the opportunity to participate in this inquiry.