



## Communications Consumer Panel response to the House of Lords Select Committee inquiry into the Government's superfast broadband strategy

### Introduction

1. The Communications Consumer Panel welcomes the opportunity to contribute to the House of Lords Select Committee inquiry into the Government's superfast broadband strategy.
2. The Communications Consumer Panel<sup>1</sup> is an independent group of experts established under the Communications Act 2003. Its role is to provide advice to Ofcom to ensure that the interests of consumers, including small businesses, are central to regulatory decisions. The Panel also provides advice to Government and champions consumers' communications interests with industry. The Panel has members representing the interests of consumers in Scotland, Wales, Northern Ireland and England.
3. In this response we address levels of take-up in the UK, the Panel's work on a consumer framework for digital participation and communications services for the future.

### Broadband availability

4. The Panel believes that everyone should have access to a good level of broadband service so that consumers and SMEs in all parts of the UK have equal opportunity to carry out essential online activities in a reliable and consistent way. The UK Government's aim for 90% of UK homes and businesses to have access to super-fast broadband by 2015 and the commitment to ensure that virtually all homes will have access to a minimum level of service of 2Mbps by the same date provide a sound framework for progress. While 2MB may provide an adequate baseline residential user experience, there is concern for those SMEs that fall within the 10% likely to be unable to access speeds significantly greater than 2MB. Also 2MB may become too low for acceptable service to consumers as new, bandwidth hungry, services become widely available. As the strategy notes, the European Commission target is for all EU citizens to have access to a basic level of broadband (2Mbps) by

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<sup>1</sup><http://www.communicationsconsumerpanel.org.uk/>

2013, 100% access across Europe to at least 30Mbps by 2020, and for 50% of EU citizens to subscribe to 100Mbps services by the same timescale.

5. However, in order to benefit from these advances, the drive to attain greater speeds must be complemented by work to convince people who are currently offline of the value of going online and to enable them to gain the necessary skills to exploit fully the advantages of staying on-line.
6. The Panel is also clear that there are a number of important safeguards required if the Universal Service Commitment is to be implemented in a way that meets the needs of consumers. The Panel has developed a set of principles to guide implementation. The Panel's principles are as follows:
  - The Universal Service Commitment should enable consumers to carry out the online activities that they consider to be essential or will soon.
  - The Government should define the Commitment in a way that ensures quality and reliability of service.
  - The Government should help consumers to do what they can themselves to optimise their broadband connections.
  - The Universal Service Commitment should benefit people in all parts of the UK, using different types of broadband connection where necessary.
  - The Government should be proactive in identifying the parts of the UK that would benefit from the Commitment.
  - Consumers who benefit from the Commitment should ideally have a choice of service providers.
  - The Government should ensure that the Commitment keeps pace with consumer demands over the years ahead (especially given the growing take up and reliance on smartphones. It needs to be future proofed. And it needs to be capable of providing essential government services such as connected health even in remote parts of the UK.)
  - The Government should deliver the Commitment using next-generation broadband where practicable.
7. The Panel has emphasised the need for the implementation of the Commitment to:
  - be in line with consumer needs, as set out in the Panel's principles;
  - be equitable across the nations; and
  - be future-proofed so that consumers are not left behind.

8. Ofcom published information relating to national broadband measures in its Infrastructure Report<sup>2</sup> in November 2011. The key metrics are summarised in the table below.

**Figure 4 - National broadband measures**

	Average modem sync speed (Mbit/s)	Receiving less than 2Mbit/s (of UK households)	Superfast availability (of UK households)
England	7.6	14%	61%
Scotland	7.6	13%	41%
Northern Ireland	6.3	23%	97%
Wales	6.5	19%	31%
Total UK	7.5	14%	58%

Source: Ofcom / operators

9. The information in Figure 4 is based on data collected from the UK's broadband infrastructure providers (BT Openreach, Virgin Media and Kingston Communications and from the largest retail ISPs) about modem synchronization speeds - and as such, represents the line capabilities, or maximum speeds which consumers are able to receive.
10. In Ofcom's research on actual broadband speeds published in February 2012 (and based on data collected in November 2011), the average actual UK residential broadband speed was 7.6Mbit/s.<sup>3</sup>

### Broadband take up

11. A robust broadband infrastructure must be inclusive and aim to maximise digital participation. It must ensure that disadvantaged groups can access and utilise digital communications, particularly as more and more public services migrate online.
12. The *Communications Market Report* (CMR) data from Ofcom<sup>4</sup> show that compared to 2010, broadband take-up across the UK has increased from 71% to 74%. Latest data<sup>5</sup> shows UK take-up at 76% (October - December 2011 fieldwork). However, the

<sup>2</sup> <http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/bbspeeds2011/infrastructure-report.pdf>

<sup>3</sup> <http://media.ofcom.org.uk/2012/02/02/jump-in-uk-broadband-speeds/>

<sup>4</sup> Communications Market Report, Ofcom 2011 <http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr11>

<sup>5</sup> [http://stakeholders.ofcom.org.uk/binaries/research/statistics/2012jan/Ofcom\\_Technology\\_Tracker\\_Wa3.pdf](http://stakeholders.ofcom.org.uk/binaries/research/statistics/2012jan/Ofcom_Technology_Tracker_Wa3.pdf)

CMR highlights that there are significant variations in levels of take up across the UK - 61% of Scottish homes have broadband access (either fixed or mobile), compared to 71% in Wales and 75% in Northern Ireland.

13. Broadband take-up is not evenly distributed throughout the population. Looking at groups that have lower levels of broadband take up across the UK:
  - Of the over-55s, 55% have broadband at home in the UK
  - Among DE socio-economic groups across the UK, 55% have broadband at home
  - Of households with incomes less than £17.5k per annum, 52% in the UK have broadband at home
14. According to the Communications Managers Association/Federation of Small Businesses Internet Opportunity Survey, 16% of respondents from the Federation of Small Businesses report that they don't use current generation broadband. Although this is partly explained by geographic availability, the survey found that there was also a lack of knowledge of the benefits of broadband - 27% of those respondents not using current generation broadband reported no business need.
15. The Panel's concern therefore focuses not so much on issues of availability, which are nonetheless important, but rather on take-up. These lower levels of broadband take-up mean that people are at an increased risk of exclusion from the social and economic benefits of being online, particularly as more public services are put online.

#### **Take-up of super-fast services remains low**

16. Despite the growth in availability of super-fast services and the range of services that are available, Ofcom research into broadband speeds found that in November 2011 only around 5% of residential UK broadband connections had a headline speed over 24Mbit/s.
17. Ofcom analysis indicates that a premium of at least £5 a month is generally charged for super-fast broadband services. Enders Analysis<sup>6</sup> estimate that only 15% of households with a broadband connection would be willing to pay an additional £5 a month for higher connection speeds.
18. At present, concurrency appears to be a key driver of the take-up of super-fast broadband. The CMR notes that "The range of internet-connected devices available to consumers has increased significantly in recent years. Indeed, our research into the reasons for taking super-fast broadband services found that the desire for "good simultaneous performance on different devices" was the most common

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<sup>6</sup>UK residential high speed broadband outlook: leading the horse to water, Enders Analysis July 2011

performance-related reason cited by consumers (second overall after “the deal I was offered provided good value for money”).

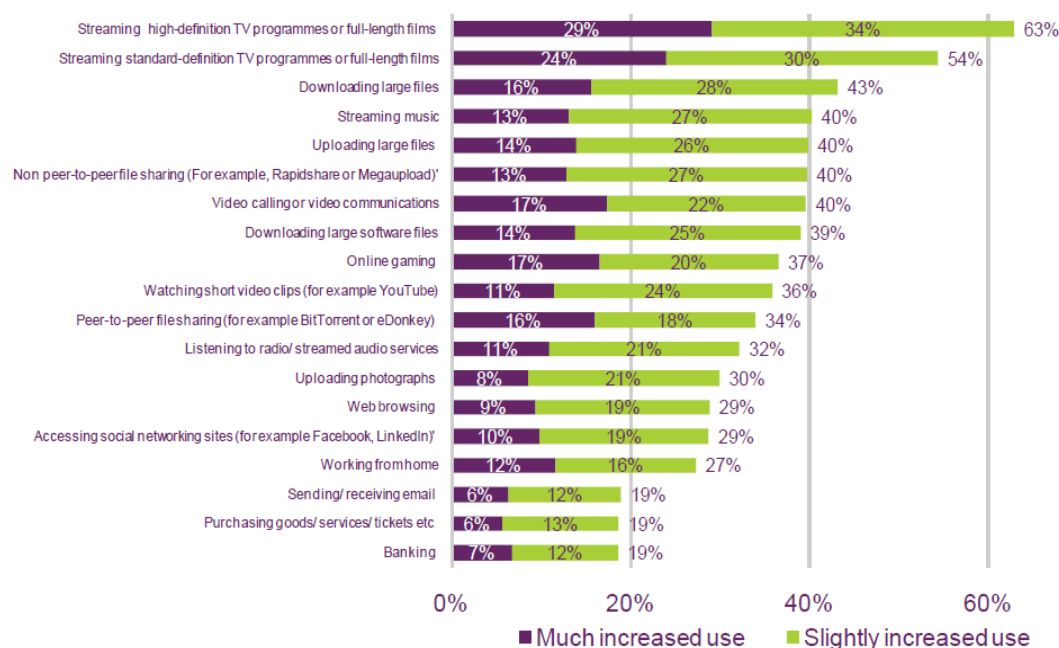
19. Currently, 40Mbit/s allows consumers to experience concurrency, multiple HD streams, video chat and gaming whilst allowing for spare capacity. It is estimated that by 2015, 40 - 50Mbit/s will be required by consumers. It is also worth noting that in-home hardware and set-up may affect the speed experienced by the user - from the wireless standard employed to connect to the router, to the wiring or placing of the router within the home.
20. An Ofcom/YouGov survey of superfast users reported in the CMR found that while over 90% used their broadband connection for sending/receiving email, purchasing goods/services/tickets and web browsing, and over 80% used their broadband service for banking, just 47% said that they used their connection to download large files. Comparing these results with usage among all internet users revealed higher use of a number of services; some of the biggest differences were: watching short video clips (76% compared to 40% for all internet users), banking (84% compared to 60% for all users) and purchasing good/services/tickets (91% compared to 71% for all users). It is pointed out however that these differences are likely to be due to higher levels of digital engagement among these consumers, as well as differences in the demographic profile of super-fast broadband users compared to all internet users<sup>7</sup>.
21. The CMR notes that Ofcom/YouGov research into users of super-fast broadband services indicates that the largest increases in reported use relate to streaming TV programmes or full-length films; nearly two-thirds of respondents said that they had increased their levels of streaming high-definition content and more than half had increased their streaming of standard-definition content (Figure 5.13). There were also notable increases in some services which are less mainstream, including file-sharing and online gaming. The lowest increases were for those services where use was already high, and which typically benefit less from having faster speeds: sending and receiving email, purchasing goods/services/tickets and banking.

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<sup>7</sup>Super-fast broadband users in the survey were more likely than all internet users to be male and to fall into the ABC1 social group; they also tended to be older and were less likely to have children living at home.

**Figure 5.13 Change in use compared to previous broadband connection**

Q13 – How has the amount you use this service(s) changed compared to when you had your previous broadband connection?



Source: Ofcom research, fieldwork carried out by YouGov in April 2011  
 Base: All with broadband before and using specified service (943)

22. The development of new services that allow consumers to take advantage of the opportunities offered by increased bandwidth will undoubtedly drive uptake. However this also requires empowered consumers - who understand what these new services offer compared to current generation broadband.

23. According to the Internet Opportunity Survey, 7% of respondents from the Federation of Small Businesses report that they use superfast broadband. Amongst those that don't, and have no plans to, the stated main reason preventing them is geographic availability (35%). However 22% of these micro and small businesses that don't and have no plans to use superfast broadband, state that they don't know enough about superfast broadband.

### Mobile broadband access

24. The CMR reports that the proportion of UK households relying on mobile as their only means of voice telephony was 15% in Q1 2011. One percent of households have neither fixed nor mobile telephony.

25. Ofcom's recent *Infrastructure Report*<sup>8</sup> states that the use of mobile networks for data is increasing, driven by the take-up of mobile broadband 'dongles' and

<sup>8</sup> <http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/bbspeeds2011/infrastructure-report.pdf>

smartphones. It reports that there are now 33m subscriptions to 3G services and 7% of homes in the UK rely solely on mobile broadband services (rather than a fixed line). The CMR notes that of the 17% of households that had a mobile broadband connection in Q1 2011, the majority (10% of all households) also had a fixed-line broadband connection.

26. Recent Ofcom data<sup>9</sup> shows that 40 per cent of UK adults now own a smartphone. Some 34% of UK adults use their mobile phones for internet access. The CMR found that a third of smartphone users agreed that their smartphone was more important to them for accessing the internet than any other device, with the proportion rising for younger users.
27. According to Ofcom's media literacy research<sup>10</sup>, only 2% of adults in the UK who go online only access the internet by a means that is not a PC/laptop at home. Therefore, the majority of mobile internet usage is complementary to home access rather than replacing it.
28. Take-up of mobile broadband lies at 17% in the UK overall - although again there are significant variations across the UK.

#### People who remain offline at home

29. The CMR found that 20% of adults in the UK say that they do not use the internet in any location.
30. While costs are undoubtedly a barrier to take up for some, the most frequently stated reason related to a lack of perceived need. The table below examines the top four main reasons given by people in the UK who said they would not get the internet at home in the next 12 months.

	<b>UK - % of those not intending to get the internet in the next 12 months.</b>
No need	29%
Too old to use the internet	15%
Don't want a computer	15%

<sup>9</sup>

[http://stakeholders.ofcom.org.uk/binaries/research/statistics/2012jan/Ofcom\\_Technology\\_Tracker\\_Wa3.pdf](http://stakeholders.ofcom.org.uk/binaries/research/statistics/2012jan/Ofcom_Technology_Tracker_Wa3.pdf)

<sup>10</sup><http://www.ofcom.org.uk/static/stats/MLAudit2010Adult.pdf>

Don't know how to use computers/the internet	14%
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### What consumers say they need to get online

31. The Communications Consumer Panel has developed a *Consumer Framework for Digital Participation*<sup>11</sup> that specifically addresses the issue of what consumers themselves have said they need to get them online.
32. Targeted at governments and industry, the framework brings together all the different elements that are needed to provide the help and support for people to get online and get the most benefit from the internet. It is intended to be used to identify the gaps and overlaps in provision, target new provision and can be used to assess progress. We would encourage government and providers to continue to use the framework to assess progress made and address gaps.

### Consumer Framework for Digital Participation



<sup>11</sup><http://www.communicationsconsumerpanel.org.uk/smartweb/digital-participation/the-consumer-framework-for-digital-participation>



33. In an update to this work, the Panel has recently commissioned a research project to understand how people in low digital participation groups across the UK can get the most out of being online and how they might increase their breadth of usage. The study will also examine whether there are key barriers to digital participation amongst people offline in an area of extreme deprivation (other than financial deprivation). Fieldwork for this element will take place in areas of Glasgow. The Panel would be pleased to share the results of this work with the Select Committee when it is published in Spring this year.

### Decision making

34. Broadband users must also be able to easily switch between services and competing suppliers. Enabling consumers to make an informed choice between the packages and service levels offered by different providers encourages competition and investment. Consumers can make such informed choices only if they can easily compare the different packages and providers. However, the Panel does have a concern that greater transparency is too often seen as a panacea to meet all kinds of consumer concerns. Whilst transparency is very important, there are a number of limitations to transparency for both consumers and citizens. Transparency relies on consumers being able to access, understand and compare information about actual broadband speeds (as opposed to advertised “up to”) and traffic management weigh this up against other information relevant to their purchasing decision and potentially switch their communications provider. If successful, transparency (although not by itself) facilitates individual consumer choice. However, the aggregate of individual choices, while possibly appropriate for each individual concerned, may not result in outcomes that are beneficial for society as a whole.
35. It is important that research is carried out to examine the way consumers and citizens make decisions about broadband services and the extent to which they understand the information provided to them about such services. It is important that policy makers take into account the way consumers make decisions and use information about broadband generally, to ensure that any remedies are useful to people in the round. In considering how best to present information to consumers, policy makers should bear in mind that consumers need clear explanations about the content and services they will - or will not - be able to access and when. Small businesses are also likely to experience many of the same issues as consumers. Both need a clear understanding of post-sales service commitments and provision.
36. The Panel has welcomed the improvement in average broadband speeds reported by Ofcom in new research, but remains concerned that many people with ADSL-based broadband connections continue to experience much lower average download speeds than the headline “up to” advertised speeds. New advertising

rules<sup>12</sup> were issued in September (and will come into force in April) relating to broadband speed claims and the use of “unlimited” claims in telecoms advertising with a two-fold aim; to help advertisers comply with UK Advertising Codes, and to protect consumers from misleading claims. The guidance requires that at least 10% of an internet service provider’s (ISP) customers achieve the ISPs speed claims. Only where a significant proportion of people are unlikely to receive a speed close to the one advertised will further qualifying information be included.

37. The Panel believes that the additional qualifying information should be equally prominent to consumers when they are thinking about which broadband package to buy. The Panel will continue to monitor developments in this area closely.

### Communications services for the future

38. The Communications Consumer Panel is campaigning for major improvements to mobile and mobile broadband coverage. The two go hand in hand and the Panel argues that effective coverage is essential for the growth of rural communities and businesses. The Panel has been concerned for some time about poor or non-existent coverage creating significant problems for small businesses, as well as for people living in not-spots, the people passing through them and passengers on the rail and London tube networks. This concern embraces broadband availability and usage.
39. To tackle the problem, last year in response to Ofcom’s consultation on the 4G mobile spectrum auction, the Panel asked Ofcom to consider setting coverage obligations for each of the UK nations and some English regions, or for money to be retained from the spectrum auction and a reverse auction run to upgrade rural coverage. Earlier this year, Ofcom set out a number of new proposals for making 4G mobile spectrum available in the UK. This includes introducing new measures expected to extend coverage to at least 98% of the UK population (coverage obligations relate to indoor coverage by population). The Panel also welcomes the Chancellor’s recent pledge to inject up to £150m of new funding into extending mobile coverage, but waits to see the detail of how the intervention will work. Depending on the extent of this first intervention, it may still be necessary to use some of the money raised by the 4G spectrum auction in order to raise mobile coverage in the UK to a level that satisfies the reasonable aspirations of citizens and communities.
40. Research from the Communications Consumer Panel found that consumers and small businesses in the UK have persistent problems making even basic voice calls.

<sup>12</sup><http://bcap.org.uk/Media-Centre/2011/Changes-in-advertising-of-'unlimited'-and-broadband-speed-claims.aspx>

Over half of consumers questioned (56%) had difficulty with mobile coverage - 33% on a regular basis<sup>13</sup>. Almost all small business<sup>14</sup> respondents in the UK overall (91%) had experienced problems with reception, over a third of them (34%) regularly.

## Conclusion

41. In summary, the Panel would highlight that:

- The Panel believes that everyone should have access to a good level of broadband service so that consumers and small and medium-sized businesses (or SMEs) in all parts of the UK have equal opportunity to carry out essential online activities in a reliable and consistent way. A robust broadband infrastructure must be inclusive and aim to maximise digital participation;
- The Panel has developed a *Consumer Framework for Digital Participation* that brings together all the different elements that are needed to provide the help and support that people need to get online, stay on-line and get the most value and benefit from the internet;
- 20% of UK adults say they do not use the internet at all. The most frequent reason for not getting the internet at home relates to a perceived lack of need. 16% of respondents from the Federation of Small Businesses report that they don't use current generation broadband - 27% of those respondents reported that they had no business need;
- The drive to attain greater speeds must be complemented by work to convince people who are currently offline of the benefits of going online and to enable them to gain the necessary skills;
- There are a number of important safeguards required if the Universal Service Commitment (USC) is to be implemented in a way that meets the needs of consumers;
- There is particular concern for SMEs that fall within the 10% likely to be unable to access speeds significantly greater than 2MB and that 2MB may be insufficient for consumers in future as new, bandwidth hungry, services become the norm;
- Around 5% of residential UK broadband connections had a headline speed over 24Mbit/s in November 2011. Enders Analysis estimate that only 15% of households with

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<sup>13</sup> [http://www.communicationsconsumerpanel.org.uk/Mobile\\_coverage\\_consumer\\_perspective.pdf](http://www.communicationsconsumerpanel.org.uk/Mobile_coverage_consumer_perspective.pdf)

<sup>14</sup>

[http://www.communicationsconsumerpanel.org.uk/Mobile\\_coverage\\_small\\_business\\_perspective.pdf](http://www.communicationsconsumerpanel.org.uk/Mobile_coverage_small_business_perspective.pdf)

a broadband connection would be willing to pay an additional £5 a month for higher connection speeds;

- Value for money and concurrency were the most important reasons for consumers choosing their current super-fast broadband service. New services will drive uptake but this also requires empowered consumers. People will need to understand what these new services offer and their potential to improve their lives compared to current generation broadband;
- The Panel's current research looks at how people in low digital participation groups across the UK can get the most out of being online and how they might increase their breadth of usage. This will specifically look at the issue of low uptake in areas of Glasgow.
- In-home hardware and set-up will also affect the speed experienced by the end-user;
- Enabling consumers to make an informed choice between the packages and service offered by different providers, and making it easier to switch between them, encourages competition and investment; and
- Effective mobile coverage is essential for growth in rural communities and businesses.