

Communications Consumer Panel and ACOD response to BIS and DCMS' Business Broadband Review - call for evidence

The Communications Consumer Panel (the Panel) and the Advisory Committee on Older and Disabled People (ACOD) welcome the opportunity to contribute to BIS and DCMS' call for evidence, towards their Business Broadband Review.

The Panel works to protect and promote people's interests in the communications sector, including the postal sector. We are an independent statutory body set up under the Communications Act 2003. The Panel carries out research, provides advice and encourages Ofcom, governments, the EU, industry and others to look at issues through the eyes of consumers, citizens and micro businesses.

The Panel pays particular attention to the needs of older people and people with disabilities, the needs of people in rural areas and people on low incomes, and the needs of micro businesses, which have many of the same problems as individual consumers.

Four members of the Panel also represent the interests of consumers in England, Northern Ireland, Scotland and Wales respectively. They liaise with the key stakeholders in the Nations to understand the perspectives of consumers in all parts of the UK and input these perspectives to the Panel's consideration of issues. Following the alignment of ACOD with the Panel, the Panel is more alert than ever to the interests of older and disabled consumers and citizens.

Response

The Panel welcomes the Government's focus on the broadband needs of UK businesses. Our response is limited to the representation of micro businesses, which are vital to the UK economy and have needs that are often more acute than larger businesses.

The call for evidence document highlights that the UK has 5.4 million small and medium-sized Enterprises (SMEs), constituting 99.9% of UK businesses, and accounting for 60% of private sector employment and 47% of business revenue. Approximately 96% of those are micro businesses - employing fewer than 10 people (including sole traders) - as identified by BIS in its 2015 call for evidence on the protection of small businesses¹.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/433139/bis-15-209-protection-of-small-businesses-when-purchasing-goods-and-services-call-for-evidence.pdf

Our response to that consultation can be found here:

<http://www.communicationsconsumerpanel.org.uk/downloads/communications-consumer-panel-and-acod-response---bis-protection-of-msbs...pdf>

The Communications Consumer Panel has called for much greater support for micro businesses from governments, industry and communications providers to help them maximise the opportunities presented by communications services. In 2014 the Panel commissioned independent, qualitative research² with 115 micro businesses from across the UK. Our research highlights that communications services play a critical role in the success of micro businesses. However, they face a wide range of challenges in using and fully exploiting the opportunities offered by these services and technology for the benefit of their business. We attach a summary of the research in the Annex to this document. We hope this is a useful source of evidence of the importance of communications services to micro businesses and the issues that prevent them from enjoying fully the benefits of those services.

Panel recommendations provided at BIS' roundtable event

The Panel recently attended a roundtable event held by BIS as part of this review. We strongly believe that, by whatever means it is brought about, there needs to be a significant improvement in the quality of service that is provided to micro businesses. As micro businesses' requirements and hardware and software become more complex, communications providers will also need to move to being able to provide a system of seamless support. It will no longer be acceptable, if indeed it ever was, for micro businesses to be told that a query, problem or an issue of some kind is outside of the provider's control.

We made the following points and recommendations:

- Microbusinesses (as discovered in our own research) can effectively be vulnerable consumers and need at least the same protections in the communications sector as individual consumers;
- While some micro businesses use residential broadband packages, it would be reckless to assume that micro businesses using residential services are as well protected as residential consumers;
- Micro businesses may find that they are in violation of their contract if using their broadband service from home for business. This type of contract can prevent micro businesses from disclosing their actual needs and prevent industry from having a true picture of demand;

² <http://www.communicationsconsumerpanel.org.uk/downloads/panel-micro-business-report-final.pdf>



- At the other end of the scale, it is not uncommon for micro businesses to find themselves in the position of needing to pay for leased lines. However, these are often provided on five year contracts because of the upfront investment required by providers to install them. Not only is this a costly option for micro businesses, but it is also a considerable commitment in the life of a very small business. In our view, providers should either limit the contract length to two years, or those micro businesses paying for a five year contract should expect a substantial discount for doing so;
- Access to a quality broadband package should be considered as more than just a web-connectivity or speed issue - services such as VOIP, and those dependent on connectivity such as building security, together with reliability are key;
- Businesses must clearly know "at least" what speed they should receive - "up to" speeds are too uncertain or even misleading and can promise more than is actually delivered;
- Proportional billing should be in place;
- Openreach's quality of service, especially in terms of accountability, needs to be improved;
- Good quality broadband connectivity and wifi are now vital for businesses and expected by all consumers;
- A speedily-delivered, affordable USO for all, with special consideration of the needs of micro businesses, is needed;
- Broadband connection vouchers have been useful to many and we applaud such measures where micro businesses are able to benefit from their value. However, State aid related restrictions can undermine the value of these vouchers;
- A technology-agnostic approach should be used to encourage communications providers to provide 4G dongles to deliver what their physical infrastructure cannot. Gaps in connectivity can be found in rural areas and urban/suburban business parks.

While we note that this review is concerned with access to superfast broadband, it is a sobering point that according to Ofcom's Connected Nations Report 2015, almost 9% of rural premises in the UK can still only receive speeds of less than 2Mbps (up to 2% of the whole of the UK) and 48% of UK rural premises (approximately 1.5 million premises) are unable to achieve download speeds of 10Mbps. We would encourage exploration of technology neutral solutions to enable delivery of accessibility to these remaining areas as soon as possible.

We would also support a requirement for all new housing developments and business parks/premises to include the provision of fibre broadband. The gap between the available speeds is increasing - not decreasing. Those who are disenfranchised are becoming increasingly so.

Closer co-operation between government bodies at all levels would ensure that the experiences and strategies of bodies working in one part of the UK, e.g. Community Broadband Scotland, are shared across the whole of the UK.

Finally, we note that Ofcom have announced that they are considering the introduction of an Automatic Compensation provision for consumers and we would strongly urge that micro businesses purchasing mobile and broadband services are included within any such plans.

Annex

Realising the potential: micro businesses experiences of communications services

The Panel's report highlighted issues in the following areas and we provided recommendations to address needs in each of them:

1. Improved Speeds and Coverage

As well as being critical to the rural economy, micro businesses are essential in population retention and tourism in rural areas, but operating a business in a rural location brings challenges that those businesses do not have the resources to tackle, so continued investment and innovation is needed from Government and communications providers.

“We have a website, use email a lot and make calls on our mobiles but you are hampered by the fact the broadband speeds are diabolical here and the mobile is very patchy.” (Rural equestrian centre, Wales)

Impaired or poor service can therefore significantly impact on a micro business's performance - or even its ability to function at all. This can be both detrimental and highly disruptive, as micro businesses are often less likely to be able to absorb the resulting loss of business compared to larger companies with greater flexibility around resources.

Two of the Panel's recommendations were that:

- Government explored, as part of the Digital Communications Infrastructure Strategy, a revised minimum requirement for standard broadband connection which would enable micro businesses to support better their online requirements.
- Government raised awareness of, and stimulated demand for, its small business initiatives, including the rollout of superfast broadband e.g. ensuring micro

businesses are aware of the possibility of aggregating vouchers and are enabled to use growth vouchers to good effect.

2. Tailored Services:

“There is not a problem with them (phones) if you are just working within the UK, that is absolutely fine, that is very straight forward but as soon as my business partner goes to Italy then the tariffs immediately change, it is far more expensive. It is very complicated as to what we are allowed to do and not allowed to do, and if you make a mistake and start downloading data you get charged five quid a megabyte and things like that. It is quite, quite unpleasant when you have missed it and the bill comes in and it is for £400-500.”

(IT support company, urban England)

A significant number of respondents in our research were dependent on the reliability and performance of residential grade communications services, particularly with respect to the internet. However, this means that when services are disrupted, there can be longer delays in rectifying issues or repairing faults than would normally be the case in a business environment as businesses are also reliant on residential grade support services. Many micro businesses feel they lack negotiating power or leverage with their communications provider that larger companies enjoy.

The Panel recommended that communications providers:

- Consider the introduction of intermediate contracts which are essentially a residential supply but with enhanced support, as well as improved service levels and response times to service faults. It is vital that: information about such contracts is in unambiguous language; there is transparency about key contract terms and conditions, price and any penalty clauses; and that there is ease of contact to skilled customer service staff. There is also a need to ensure improved co-ordination between multiple providers in the value chain around a single customer - particularly customer-facing and wholesale providers.
- Better support this growing market sector and look to tailor tariffs and packages to introduce more flexible contractual terms that are currently only available to larger corporations. Additionally, contract terms should not unduly impair businesses’ freedom to switch due to lengthy fixed terms or hefty termination penalties.
- Consider how these ancillary services can be included as standard as part of a competitively priced core package.

3. Information and Advice:



“We don’t embrace technology you could say, a website would be good but we can’t do that or Facebook until we get broadband. There are so many products to put on it though; we’re not sure how to do it. We did think about setting up a shop on Ebay but we don’t know how to do it, there is no step by step guide.”
(Craft shop, urban Scotland)

The Panel encouraged:

- Local Enterprise Partnerships, Chambers of Commerce, local authorities and trade associations to consider how they could support micro businesses by the provision of an advice hub.
- Government, communications providers and business support organisations to review their current information and advice for businesses in relation to communications services and tailor it as appropriate for micro businesses.
- Price comparison websites to offer clear information on data and broadband packages that are relevant to micro businesses.
- Ofcom to use its resources to support micro businesses seeking information that enables them to assess and judge different providers’ performance.

Other issues highlighted by our research: making optimum decisions and choices

As highlighted above, the research revealed that some businesses found it difficult to make decisions with respect to communications services and providers. For many, complex pricing and packages made it hard to compare information and to determine the potential return on investment.

Many micro businesses also expressed scepticism in relation to provider claims about internet speeds and mobile coverage - so there was some reluctance to switch providers. A micro business’ communications services needed to be as flexible as possible to help overcome fluctuations in demand.

“When we came to cancel our service after finding it wasn’t what we were promised, we found that we couldn’t get out of our broadband contract for two years which left us sort of stuck and quite unhappy.”
(Domestic Appliance Company, Urban England)

“Being a small business just means being trampled over not only by the big businesses but by the legislation which allows them to trample over you.”
(Restaurant, Urban England)