

BT Report on progress against the Broadband USO

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1. Executive Summary

We believe that everyone in the UK deserves decent and affordable broadband. That's why we are making significant investment in both full fibre and mobile broadband services. Our engineers are out across the country every day, building next generation connectivity. Ninety-five percent of UK homes already have access to Superfast Broadband of 30 Mbps and above.

To help achieve the Government's USO policy goals, we have made a significant investment in extending the reach of decent and affordable broadband using our 4G network. Of the 610,000 properties unable to access 10Mbps broadband Ofcom identified in 2019, more than 400,000 can now obtain decent connectivity with a 4G wireless solution provided by BT or others. We have now removed usage caps on these services, providing an even better consumer experience.

We have engaged proactively with the broadband USO scheme since its launch in March 2020. Although Covid-19 coinciding with the launch causes some difficulties, we've worked hard to overcome them and have made great progress

In the first six months of the scheme we have seen nearly 50,000 visits the USO section of our website resulting in over 9,000 applications for new network build. We were able to refer most of these applications to existing products or already planned network builds that could meet their needs. We have seen 512 confirmed orders from end users so far, and in response are currently building USO connections that cover over 4000 homes.

We are also refining the system. We are looking to provide clearer consumer communications including being very open with some customers that the cost of a connection could be very high given their specific circumstances. We are also building an efficient and proportionate way for customers to share costs with neighbours when a USO connection would cost more than the Government's defined £3,400 cost threshold.

But for some households, the most remote properties which represent ~0.5% of the UK it's simply not the right approach given the significant costs involved of building new network and (at times) very few customers across whom the costs can be shared.

This is a challenge that it's right for Government, Ofcom and industry to think how to solve. We can all play a role.

2. The purpose of the USO

Overview

At BT, we are committed to improving the UK's digital infrastructure, bringing the benefits of good connectivity to all parts of the country. Superfast broadband is now available to well over 95% of the country, with over 98% having access to a fixed line connection that exceeds 10Mbps¹.

BT was designated by Ofcom as the Universal Service Provider for the UK (excluding Hull) on 6th June 2019.² The Universal Service Obligation (USO) is a legal obligation imposed on BT Plc, and which was launched by Ofcom on 20 March 2020. It obliges BT to provide a minimum broadband service of 10Mbps to those who ask for it, if no service is available from BT or another supplier at £46.10 per month or below³, and if no suitable improvements are planned within 12 months via a public procurement programme.

BT is required upgrade a premise's connectivity to meet or exceed these requirements at no cost to the customer if the necessary works cost less than £3,400 (which is funded by BT and the wider industry, rather than the Government). In practice, this upgrade work will often result in building gigabit-capable full fibre connections.

As part of our obligation, we must publish a report every six months on progress against a series of metrics as directed by Ofcom.⁴ This document is the first of these reports, covering the period between launch and the end of September.

What we've done in the past six months

Prior to the launch of the USO, we worked closely with Ofcom to demonstrate that our 4G-powered broadband can provide a USO-level service to around two thirds of the 610,000 premises currently without a decent fixed connection. This is available now and does not require any new infrastructure to be built. We've now removed any usage caps, so customers can enjoy unlimited connectivity at an affordable monthly cost.

We launched the Broadband USO at the height of the Covid-19 lockdown earlier this year and we have worked hard, despite resourcing challenges, to raise awareness directly with eligible households and businesses. We have contacted 47,000 premises, resulting in building new network to over 4,000 USO-eligible premises.

At the same time, we've committed £12 billion to full fibre roll-out, to reach 20 million premises. This will include at least 3.2 million in rural and harder-to-reach locations,

¹ A 10Mbps connection will enable a good quality experience when accessing all common internet applications including multiple TV streams, access to digital public services and on-line shopping.

² BT was designated as the Universal Service Provider for the UK apart from Kingston upon Hull where KCom were designated as the Universal Service Provider. This decision was made by Ofcom on 6 JUNE 2019 in Broadband USO Statement - 'Statement: Delivering the broadband universal service' - https://www.ofcom.org.uk/_data/assets/pdf_file/0019/151273/annex-1-legal-instruments.pdf

³ Ofcom set the eligibility threshold at £45 by reference to prices which prevailed as at November 2018. When the USO opened for requests on 20 March 2020 the threshold was updated to £46.10 to reflect inflation in line with Ofcom's USO statement - [https://www.ofcom.org.uk/_data/assets/pdf_file/0019/151354/statement-delivering-the-broadband-universal-\(service\).pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0019/151354/statement-delivering-the-broadband-universal-(service).pdf)

⁴ Ofcom Legal Instruments, Part 3: Direction (Annex 1 to Ofcom's Broadband USO Statement.)

and this build will contribute to better broadband for some of those currently unable to receive 10Mbps.

What more we're doing and improvements we're making

The costs of connecting many of the 189,000 USO-eligible premises identified by Ofcom⁵ can be significant, with most above the £3,400 contribution made by BT and the wider industry. The civil engineering requirements of digging trenches and running fibre across large distances and difficult terrain to reach remote or rural communities can be significant and expensive. The USO legislation is clear that any 'excess costs' above this £3,400 threshold must be covered by the end user.

We seek to minimise these end user costs through 'demand aggregation'. The infrastructure we build to serve a USO-eligible household will often also serve other USO-eligible households nearby, with these 'clusters' ranging in size up to thirty premises. When costs are calculated, we take this clustering into account, applying a further £3,400 industry contribution for 70% of the households in the 'cluster'. This was based on an expected take-up rate agreed with Ofcom.

Unfortunately, despite this demand aggregation process, costs often still exceed £3,400 per premise. We are required, on request, to provide a quote for these excess costs to the customer. At times, these costs can be significant particularly when building to the remotest properties. Costs can be affected by the distance to the nearest telephone exchange, and the presence of challenging environments. The build could require large teams digging through private or protected land, and the use of heavy equipment digging trenches crossing rivers, forests, roads or railway lines

Some customers have been understandably frustrated at being quoted significant sums to be connected. We know there is room for improvement in how and what we communicate in these circumstances. As part of the next phase of USO delivery, we are working to help better set customers' expectations of what the USO programme might mean for their specific circumstances through our initial engagements. We'll also be clearer on what other options may be available beyond the USO – such as Openreach Community Fibre Partnerships.

Alongside that, we are developing a simple solution to enable customers to share costs above the £3,400 industry contribution amongst their neighbours who would also benefit (where there are other nearby households that will share the upgraded infrastructure). Under this, customers will retain the legal right to trigger network build themselves (by paying all costs above £3,400) but will also be given the opportunity to meet the costs together with others.

Where industry, Ofcom and Government needs to focus now

Whilst we are able to provide decent connectivity to the vast majority of households without a decent fixed connection – through our 4G network and as a result of the USO – we remain conscious that there will likely be over 100,000 premises where the

⁵ Ofcom December 2019 Connected Nations report (page 2)
(https://www.ofcom.org.uk/__data/assets/pdf_file/0023/186413/Connected-Nations-2019-UK-final.pdf)

costs of a USO connection will be significantly in excess of the industry £3,400 contribution – irrespective of whether they can be shared amongst neighbours or not – and unaffordable for the vast majority of people.

We are committed to finding a cost-effective way forward to bring decent broadband to people in these circumstances. We are actively assessing how alternative technologies, such as satellite or wireless, could help reduce the cost of improving broadband connectivity for the hardest to reach 0.5% of premises.

However, it is likely that the costs involved in bringing decent broadband to this 0.5% means alternative schemes to the USO will be required. Clarity on the timelines and approach for the Government's £5bn funding programme for rural full fibre and where it will be spent will also be key. This may directly cover some or all of the remaining USO-eligible premises – but even for those it may not reach, it may enable us to reduce costs to connect these final premises and provide a viable solution for customers.

Addressing this issue will require collaboration between industry, Ofcom and the Government. Together we need to consider innovative and cost effective, technological, commercial, and funded policy solutions for these hardest-to-reach places and bring them online as quickly as possible.

3. Performance Update

Number of Requests

This is the number of approaches to the USO Helpdesk⁶ with requests for the broadband under the USO.

| Broadband USO Requests | Apr* | May | Jun | Jul | Aug | Sep |
|---|-------------|------------|-------------|-------------|-------------|-------------|
| Number of broadband USO Requests received by the USO Helpdesk | 1244 | 835 | 1279 | 1526 | 2200 | 2084 |

*For the first month of the broadband USO (April) includes 12 additional days as the broadband USO started on 20th March 2020

Number of Ineligible and Eligible Requests

Requests for broadband under the USO may be ineligible if they do not meet the criteria set out in the USO Order⁷ and the Ofcom regulations⁸. BT therefore assesses eligibility and if the request is ineligible BT informs the customer of the reason.

The table below details the number of ineligible requests broken down by the category of reason.

| Ineligible Broadband USO Requests | Apr* | May | Jun | Jul | Aug | Sep |
|---|-------------|------------|------------|------------|------------|------------|
| i. Referred to an existing BT product that already meets the broadband USO criteria | 412 | 284 | 436 | 505 | 777 | 776 |
| ii. Referred to an existing product belonging to another company that already meets the broadband USO criteria | 367 | 239 | 268 | 245 | 341 | 279 |
| iii. Referred to broadband network build supported by a Government scheme that is due to be completed in the next 12 months | 49 | 13 | 27 | 31 | 39 | 43 |

* For the first month of the broadband USO (April) includes 12 additional days as the broadband USO started on 20th March 2020

**Data is generated from the date of the response, rather than the date of the request. Therefore data may not align with other tables.

*** In some cases a customer may be ineligible as they fall into category i, but an agent may still run a further check and this can result in them also being counted within ii or iii.

**** It is possible that a customer is ineligible because ii and iii are present, in these cases we have counted these against iii.

If a customer is deemed eligible for broadband under the USO, BT then assesses the cost of providing broadband and determines whether the customer is required to contribute towards the building of the network. To do this we consider 'demand aggregation'. The infrastructure we build to serve a USO-eligible household will often

⁶ The USO Helpdesk supports customer requests for eligibility assessments and advises customers of the outcome and their options in the event they are eligible and wish to proceed. It also provides a contact point for follow-up customer queries.

⁷ The Electronic Communications (Universal Service) (Broadband) Order 2018(<https://www.legislation.gov.uk/uksi/2018/445/schedule/1/made>)

⁸ Ofcom Legal Instruments (Annex 1 to Ofcom's Broadband USO Statement.)

also serve other USO-eligible households nearby, with these 'clusters' ranging in size up to thirty premises. When costs are calculated, we take this clustering into account, applying a further £3,400 industry contribution for 70% of the households in the 'cluster'. This was based on an expected take-up rate agreed with Ofcom.

At this point the customer may decide not to proceed. If the customer decides to proceed this results in a confirmed order and then a network build.

We have set out in the table below the number of confirmed orders, broken down between those with and without customer contributions.

| Eligible Broadband USO Requests | Apr* | May | Jun | Jul | Aug | Sep |
|---|-------------|------------|------------|------------|------------|------------|
| Number of Confirmed Orders | 16 | 11 | 35 | 194 | 151 | 105 |
| i. Which will lead to the build of a new broadband network free of charge (i.e. below the cost threshold) | 16 | 11 | 35 | 193 | 150 | 102 |
| ii. Which require a customer to contribute to the costs (i.e. above the cost threshold) | 0 | 0 | 0 | 1 | 1 | 3 |

*For the first month of the broadband USO (April) includes 12 additional days as the broadband USO started on 20th March 2020

**Data is generated from the date of the confirmed order, rather than the date of the request. Therefore data may not align with other tables.

Number of USO Requests responded to within 30 days⁹

We want to give customers a clear view on whether they are eligible for the broadband USO within a reasonable period of time. Therefore, we measure the time period to perform the relevant checks and respond to the USO request (with a cost estimate for eligible requests) against on a 30-day target set by Ofcom.

The first check we perform is confirming the address. In the majority of the cases where there were delays it is because we experienced issues with address matching on Ofcom's system. This is where addresses provided by the customer cannot be found in Ofcom's database (due to data quality issues) which meant that we could not progress the rest of the necessary checks required to determine eligibility. Ofcom determined therefore that these delays should not count towards the 30-day period for responding.¹⁰

BT has since created processes to manually work around this issue, so that in future this should not continue to cause delays.

Once addresses have been verified and a customer is deemed ineligible in line with the criteria set out by Ofcom, they receive a response from us well within the 30-day period. If they are deemed eligible then we perform a cost assessment to determine whether the customer would be required to fund any 'excess costs' above the £3,400 industry contribution.

⁹ BT have 30 days (minus any delays due to issues confirming the address) to confirm to a customer whether they are eligible for the broadband USO – and if not eligible, to confirm the reason why

¹⁰ Paragraph 5.128 of the Delivering the Broadband Universal Service statement, https://www.ofcom.org.uk/__data/assets/pdf_file/0019/151354/statement-delivering-the-broadband-universal-service.pdf

Due to the impact of Covid-19 restrictions just as the broadband USO was launched i) our advisors in the USO Helpdesk could not always respond as quickly as we would have liked to the broadband USO Requests, and ii) the training of advisors on the new broadband USO process was delayed. We also experienced intermittent systems issues and data lags. Therefore, our responding to requests in the first few months sometimes took longer than we would have liked.

| Time taken to respond | Apr* | May | Jun | Jul | Aug | Sep |
|---|-------------|------------|------------|------------|-------------|-------------|
| Number of eligible Requests responded to within 30 days | 417 | 191 | 507 | 743 | 1060 | 1025 |
| Number of eligible Requests responded to after 30 days | 0 | 11 | 5 | 4 | 5 | 3 |

*For the first month of the broadband USO (April) includes 12 additional days as the broadband USO started on 20th March 2020

**Data is generated from the date of the response, rather than the date of the request. Therefore, data may not align with other tables.

***Ineligible requests are not included in the table, as they are all responded to within 30 days

Provision of Broadband Services relating to the Broadband USO

Generally, the planning and build of networks takes several years. Similarly building a network for to meet a USO request takes some time after the connection is requested. All of the delivered services so far were completed within 6 months of the confirmed order date. The next few months will see a much higher delivery rate as BT is currently in the process of building networks that will pass more than 4000 homes.

| Provision of Broadband Services** | Apr* | May | Jun | Jul | Aug | Sep |
|---|-------------|------------|------------|------------|------------|------------|
| Number of Broadband Services delivered | 0 | 0 | 0 | 0 | 0 | 7 |
| Number of Broadband Services delivered between 0-6 months | 0 | 0 | 0 | 0 | 0 | 7 |

*For the first month of the broadband USO (April) includes 12 additional days as the broadband USO started on 20th March 2020

**"Broadband Services" means both a Broadband Connection and a service provided to a customer on a network build under the USO Conditions.

Complaint and Dispute Resolution relating to the Broadband USO

Any new scheme would be expected to have some teething problems as unforeseen circumstances arise, not least the impact of Covid-19, which coincided with the launch of the scheme causing some delays as described above. This has caused a handful of complaints.

Furthermore, the broadband USO is an ambitious new scheme that has attracted a lot of attention and not everybody who would like improved broadband will qualify, which also caused some complaints. However, the primary reason for most of the complaints is related to queries around the cost threshold assessment and the amount customers were asked to contribute towards the build.

The total volumes of complaints are recorded below.

| Complaint and Dispute Resolution¹¹ | Apr* | May | Jun | Jul | Aug | Sep |
|--|-------------|------------|------------|------------|------------|------------|
| Number of Complaints Received by BT | 30 | 53 | 38 | 32 | 50 | 64 |
| Number of Complaints Resolved by BT | 13 | 6 | 8 | 7 | 18 | 24 |
| Number of Complaints Not Resolved by BT | 17 | 13 | 29 | 29 | 19 | 29 |
| Number of Complaints referred to the ADR Scheme | 0 | 3 | 21 | 14 | 8 | 8 |

*For the first month of the broadband USO (April) includes 12 additional days as the broadband USO started on 20th March 2020

**Numbers reflect when actions were completed, as there is some lag in resolving complaints and may not always total up e.g.

May's complaints may be resolved in June. Complaints are marked as resolved or not resolved when BT has dealt with them based upon a customer's acceptance/rejection of BT's response. Complaints that are still being dealt with are not included in the figures for those Not Resolved.

Quality of Service Measurement for Broadband USO Services

It is very early to assess Quality of Service measures for USO as very few services have been supplied. The only relevant metric is therefore number of days between confirmed order and USO service provision, which is 98 days. That covers the build time for these services. So far there have been no faults reported on these lines.

Looking forwards, we will report on fault rates and repair times as the number of USO connections grows.

| Quality of Service Measurement | Apr | May | Jun | Jul | Aug | Sep |
|--|------------|------------|------------|------------|------------|------------|
| Supply of Broadband Services (days) ¹² | N/A | N/A | N/A | N/A | N/A | 98 |
| Fault Rate per Access Line (%) ¹³ | N/A | N/A | N/A | N/A | N/A | 0 |
| Fault Repair Time for Broadband USO Services ¹⁴ | N/A | N/A | N/A | N/A | N/A | N/A |

¹¹ "Complaint" means: (a) an expression of dissatisfaction made by a USO Customer to BT related to either: (i) matters relating to BT's obligations under these Conditions; (ii) the complaint-handling process itself; or (iii) the level of customer service experienced by the USO Customer

¹² Number of days from the Confirmed Order to Broadband Provision (average days for broadband USO services provided in that particular month). This is services provided to customers in the reported month who have placed a confirmed build order.

¹³ Number of faults on circuits compared to the total number of circuits provided for each particular month for Broadband USO Services.

¹⁴ Number of days from the first report of a fault to resolution of that fault (average days for broadband USO services with faults in that particular month)

4. Next Steps

For further details about the broadband USO please see the BT web page and our FAQs at www.bt.com/uso

BT will publish a version of this report every six months, the next version is due for publication by 30 April.

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