

Research Briefing

By Georgina Hutton

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The Universal Service Obligation (USO) for Broadband



Summary

- 1 Q&A
- 2 Background: legislation and policy

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Summary

What is the broadband USO?

The Universal Service Obligation (USO) for broadband is a UK-wide measure intended as a “safety net” to deliver broadband to those premises that do not have access to a decent and affordable connection.

The Government have defined a decent connection as one that can deliver 10 megabits per second (Mbps) download speed and 1 Mbps upload speed (along with other defined quality parameters). Ofcom has defined an affordable connection as one that costs less than £45 per month.

The USO provides a legal right to request a decent broadband connection, up to a cost threshold of £3,400 per premises.

BT (and KCOM in Hull) are the Universal Service Providers responsible for fulfilling requests from eligible consumers.

What are the eligibility criteria?

Residents and businesses are eligible for the USO if:

- they do not have access to a decent broadband connection by any technology including wireless connections such as mobile broadband; or
- if the only service available that can provide the minimum criteria costs more than £45 per month; and
- the property is not due to be connected by a publicly funded roll-out scheme within 12 months; and
- the connection will cost no more than £3,400 per premises to build (or the customer has chosen to pay the excess above that amount).

As of September 2021, Ofcom estimated around 123,000 premises UK-wide (0.4%) did not have access to a decent broadband connection. These premises are mostly in remote rural areas. Figures for individual constituencies can be found on our [broadband speeds data dashboard](#).

When and how can a request be made?

The USO opened for requests on 20 March 2020. Requests must be made through BT (or KCOM in Hull).

BT's [website on the USO](#) includes further information and an eligibility postcode-checker. KCOM does not expect to have any premises eligible in their area due to the reach of their existing network.

Ofcom's FAQ page on the USO: [Your right to request a decent broadband service: What you need to know](#) (20 March 2020) provides further information and contact details.

What technology will be used?

Any technology capable of delivering the minimum technical USO standards could be considered to deliver connections, including mobile broadband. In practice, most connections under the USO are likely to use full-fibre or fibre-to-the-cabinet technology.

Depending on the technology used, some consumers may receive a higher quality connection than the minimum standards.

How many premises have been connected under the USO?

Ofcom reported that BT received just under 1,350 USO orders up to 14 October 2021. These orders will lead to full-fibre connections being built that can serve just under 6,500 premises.

Concerns about high excess costs

Where BT estimate that the cost of connecting a premises under the USO would be more than £3,400 per premises, customers have the option of paying the excess costs.

Following concerns about the number of quotes that were falling above the cost threshold, Ofcom opened an investigation into how BT was calculating costs in July 2021. In response, BT agreed to change its method for calculating costs. The changes relate to how the cost of connecting a particular premises within a cluster of premises is calculated and shared.

Even with these changes Ofcom says there remains a “small but significant” number of premises for which the costs of building a connection are very high, mostly in remote rural areas. Following a [call for evidence on connecting 'very hard to reach' premises'](#) in 2021, the Government said it would set out proposals for addressing connectivity challenges to these premises later in 2022. Our briefing on [gigabit broadband funding](#) provides more information.

1

Q&A

1.1

What is the broadband USO?

The USO provides a legal right to request a decent broadband connection.

The USO is a UK-wide measure intended as a “safety net” to deliver broadband to premises that do not have access to a decent and affordable connection. This means premises that do not have access to a connection that can deliver 10 megabits per second (Mbps) download speed (and other quality parameters, see Box 1) and costs less than £45 per month.

The USO provides a legal right to request a decent, affordable broadband connection up to a cost threshold of £3,400 per premises.

BT (and KCOM in Hull) are the Universal Service Providers responsible for taking requests and building the infrastructure for connections under the USO.¹ There are legal requirements set by Ofcom, called the Universal Service Conditions, that set out how BT/KCOM must deliver their obligations as Universal Service Providers.² Ofcom has powers to take enforcement action in respect of breaches of the conditions.

Box 1: Decent broadband

The Government defines decent broadband by the parameters below, which are set out in legislation.³ Any technology that can deliver the below standard counts as a decent connection, including some wireless technology options.

- **Download speed: 10 megabits per second.**
10 Mbps is the download speed that Ofcom advised the Government in December 2016 is necessary to deliver an “acceptable user experience”, allowing users to stream films, carry out video calls and browse the web at the same time.⁴ It would take around 13 minutes to download 1 hour of high-definition TV.⁵

¹ KCOM (previously Kingston Communications) is the major telecommunications infrastructure provider in Hull historically, rather than BT. Therefore Hull is often treated separately from the rest of the UK for telecommunications regulation.

² Ofcom publish an unofficial consolidated version of the Universal Service Conditions on their website here: [Statement: Delivering the Broadband Universal Service](#) (updated 4 September 2020).

³ Specifications for the USO are set out in the [Electronic Communications \(Broadband\) \(Universal Service\) Order 2018 \(SI 2018/445\)](#).

⁴ Ofcom, [UK Home broadband performance: a consumer summary](#), 24 March 2016.

⁵ Calculation based on a file size of 1 GB and not considering network quality or capacity issues.

- **Upload speed: 1 Mbps.**
Reasonable upload speeds are important for applications such as video conferencing and uploading large files to social media.
- **Response time sufficient for voice calls (latency)**
Latency is the delay time for the connection. It is important for live applications such as live video streaming and video calls. Connections under the USO must be capable of allowing the end-user to make and receive voice calls over the connection effectively.
- **Contention ratio of 50:1.**
Contention is the degree to which connection bandwidth is shared between different end users at the same network node. A contention ratio threshold of 50:1 means that up to 50 broadband users may be sharing the same bandwidth at any one time.
- **Data usage of 100 gigabytes (GBs) per month.**
Data usage is the amount of data downloaded on the connection. Ofcom reported that in 2019, on average UK households used 315 GB of data per month on a fixed connection (median usage was 164 GB per month). Users with faster connections tend to consume more data.⁶

For discussion about how the technical parameters were decided, see sections 2.4 and 2.5 of this paper.

1.2

What are the eligibility criteria for the USO?

Residents and businesses are eligible for a connection under the USO, on request, if:⁷

- they do not have access to a decent broadband connection (as defined in Box 1) by any technology including fixed and wireless options; or
- if the only decent broadband service available costs more than £45 per month over the course of their contract; and
- the property is not due to be connected to a publicly funded broadband scheme within 12 months of the date of the request; and
- the connection will cost no more than £3,400 per premises to build (or the customer has chosen to pay the excess above that amount).

Access to a decent broadband connection means any connection that can deliver the standards set out in Box 1, including wireless connections such as home broadband packages delivered over mobile (4G) networks.

⁶ Ofcom, [Connected Nations 2019](#), main report, page 19, 20 December 2019.

⁷ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, page 2.

1.3

How can a request for connection be made?

Customers can request connections under the USO as of 20 March 2020.

Requests will be made through BT.

The USO opened for requests from customers on 20 March 2020. Requests for connections will be managed by the relevant provider (BT or KCOM).

[BT](#) and [KCOM](#) provide information online about how customers can check if they are eligible and how to make a request.

BT's [website on the USO](#) includes a postcode-checker to check eligibility and further information about how to make a request.⁸ BT states it will be writing to premises they believe may be eligible.

Alternatively, customers may call:⁹

- BT on 0800 783 0223
- KCOM on 01482 602555

BT and KCOM are required to take “reasonable steps” to raise awareness of the USO among eligible customers.¹⁰ Ofcom expects this as a minimum to include: contacting premises that are likely to be eligible, having clear information on their website about the USO, having a contact number on any correspondence about the USO and working with local authorities to raise awareness.

KCOM does not expect any premises within its area to be eligible for the USO due to the reach of its existing fixed networks.¹¹

1.4

What technology will be used to deliver the USO?

The USO is technology neutral. This means that any technology capable of delivering the minimum technical standards could be considered to deliver the service. Depending on the technology used to deliver the connection some consumers may receive a higher quality connection than the minimum standards.

The choice of technology is up to the Universal Service Provider (so long as it meets the minimum criteria).

Ofcom reported in June 2019 that technologies that would meet the specifications for the USO include (see Box 2 on the next page for definitions):

⁸ BT, [About the Universal Service Obligation](#) [accessed 23 September 2020]

⁹ Ofcom, [Your right to request a decent broadband service: What you need to know](#), 20 March 2020.

¹⁰ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 5.152–5.158.

¹¹ Ofcom, [Connected Nations 2021](#), 16 December 2021, main report footnote 39.

- Full-fibre (also called Fibre-to-the-Premises, FTTP);
- Fibre-to-the-Cabinet (FTTC) (depending how far the premises is from the cabinet);
- Fixed wireless networks, including 4G mobile broadband (depending on the location and number of people using the network).

Ofcom stated that other technologies such as satellite and TV White Space were unlikely to be able to deliver the USO specifications at its time of implementation.¹²

The choice of technology must be efficient in

In practice, most connections under the USO are likely to use full-fibre or fibre-to-the-cabinet technology

What technology is likely to be used in practice?

Ofcom stated that it considered that full-fibre was likely to be an efficient technology choice for delivering connections to the majority of USO premises. There may however be circumstances where another technology would be more appropriate.¹³

BT told Ofcom in June 2019 that it intends to connect premises under the USO using FTTC or full-fibre technology.¹⁴ BT expanded its 4G mobile network (run by EE) in 2019 and this has lowered the total number of premises eligible for the USO (see section 1.5 below).

KCOM has plans to connect 100% of premises in Hull to its full-fibre network before the USO comes into effect. This means that there will be very few, if any, USO-eligible premises in Hull. The USO will nonetheless be in place.¹⁵

2 Broadband technologies: a quick explainer

- **Fibre-to-the-Cabinet (FTTC)** is a part-fibre, part-copper technology: fibre optic cables run from the local telephone exchange to a street cabinet, and existing copper telephone lines connect the cabinet to the premises. The connection speed received decreases the further the premises is away from the cabinet. FTTC and full-fibre below are examples of fixed-line connections.
- **Full-fibre (Fibre-to-the-Premises, FTTP)**: fibre optic cables to connect the exchange directly to each premises. Full-fibre connections can deliver speeds greater than 1 gigabit per second (Gbps; 1 Gbps is equal to 1000 Mbps). Full-fibre connections are much less affected by signal loss over distance and are more reliable than copper based connections.

¹² Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 3.46.

¹³ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 6.12.

¹⁴ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 4.11, 4.16 and 7.24.

¹⁵ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 4.11, 4.18.

- **Fixed-wireless connections** provide access to the internet via radio waves, that is, without a physical cable to the premises. **Mobile networks** (3G, 4G, 5G) when used for home broadband are a type of fixed-wireless connection. There are also other independent wireless network providers that operate in localised areas. The speed of the connection depends on factors including the location of the premises relative to the transmitter base station, the radio frequency spectrum used and the number of users served by the network in the area.

For more information about broadband technologies, see the Library briefing papers on [superfast broadband in the UK](#) and [gigabit broadband in the UK](#).

1.5 How many premises are eligible for the USO?

When wireless connections such as 4G mobile are also considered, Ofcom estimated in December 2019 that overall, around 189,000 (around 0.5% of UK) would be potentially eligible for the USO due to being unable to access a decent broadband connection.¹⁶

As of September 2021, Ofcom reported that the number of premises unable to access decent broadband had fallen to around 123,000 premises (0.4%) due to taking into account new networks from smaller providers.¹⁷ Most of these premises without access to decent broadband are in remote rural areas.

Statistics for individual constituencies can be found on the Commons Library data dashboard: [Constituency data: broadband coverage and speeds](#).

Ofcom says however that the number of premises potentially eligible for the USO may fall to as low as 80,000 once forecasts for public-funded and other commercial roll-out are included, in addition to revised modelling by BT of its network coverage.¹⁸

¹⁶ Ofcom, [Connected Nations 2019: main report](#), 20 December 2019 page 13; overall figure later updated in Ofcom's [Connected Nations: Summer Update 2020](#), page 2.

¹⁷ Ofcom, [Connected Nations 2021](#), main report page 18.

¹⁸ Ofcom, [Connected Nations 2021](#), main report page 18.

1.6 How many properties have been connected under the USO?

Ofcom reported that BT received just under 1,350 USO orders up to 14 October 2021.¹⁹ These orders will lead to full-fibre connections being built that can serve just under 6,500 premises.

Ofcom provided the following breakdown by nation:

- England: 1,100 orders with 5,000 homes met by the resulting build
- Northern Ireland: 57 orders with 439 homes met by the resulting build
- Scotland: 84 orders with 288 home met by the resulting build
- Wales: 108 orders and 689 homes met by the resulting build.

BT publishes progress reports every six months that provide more information on its progress against the USO. The latest report was [published in October 2021](#).²⁰

1.7 What if the cost of delivering a connection is more than £3,400?

There are likely to be some premises for which installing a connection under the USO would cost more than £3,400 per premises. In 2016, Ofcom estimated that the £3,400 cost threshold would enable 99.8% of premises to be connected within the threshold.²¹ Section 2.5 of this briefing below provides further commentary and discussion on the cost threshold and how it was decided.

The cost threshold should be apportioned relative to the number of premises that the infrastructure would reach if built. This means that BT must calculate the cost attributed to a particular premises by dividing the total cost of the infrastructure by the number of relevant premises that could be reached by that infrastructure once built.²²

¹⁹ Ofcom, [Connected Nations 2021](#), 16 December 2021, Main report page 19

²⁰ Based on connections up to the end of September. BT, [BT Report on progress against the Broadband USO](#), 29 October 2021.

²¹ Ofcom, [Achieving decent broadband connectivity for everyone](#), 16 December 2016.

²² Relevant premises is defined as the higher of 70% of the total number of premises that are capable of being served by relevant infrastructure or the actual number of eligible premises that can be served by the shared infrastructure that have requested a USO service. The 70% figure is based on the estimated number of customers that would take-up a connection if built. Ofcom, [Statement: Approach to high excess costs under the broadband universal service](#), September 2021, para 2.11-2.12.

In cases where BT estimate that the cost of installing a connection under the USO would be more than £3,400 per premises, customers have the option of paying the excess costs. More information on excess costs is below.

If the customer requests, the provider should conduct a full survey to provide a quote for the cost; this should be completed within 60 days.²³ Ofcom stated the following expectations of providers when informing customers of costs above the cost threshold:

We expect that detailed quotations for consumers should clearly explain the work required to deliver the specific connection and an explanation of the various costs involved. We expect the Universal Service Provider to explain to consumers that they have the following options:

- paying any excess connection costs themselves;
- doing some of the deployment work themselves to help reduce costs (e.g. digging a trench on their land); or
- purchasing commercially available satellite broadband (outside the USO scheme).²⁴

Satellite technology falls outside the USO scheme because it currently cannot deliver the minimum decent broadband criteria.

Consumers may become eligible for the USO in future (for example if the cost of deployment reduces) and have the right to request a connection again at a later date.²⁵

Customers can challenge a provider's decision about eligibility and should refer to the provider's Customer Complaints Code for USO in the first instance (see section 1.12).

Concerns about high excess costs

Since the USO launched there have been concerns raised about the number of quotes for connections that were falling significantly outside the cost threshold, including in Parliament.²⁶ Then Parliamentary Under-Secretary of State for Broadband, Matt Warman, said that he wrote to Ofcom's Chief Executive, Dame Melanie Dawes, in September 2020 to outline concerns about some of the very high quotes customers were receiving.²⁷

In October 2020 Ofcom opened an investigation into BT's approach to calculating quotes for excess costs above the USO cost threshold.²⁸

²³ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 5.138.

²⁴ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 5.139.

²⁵ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 5.142.

²⁶ [HC Deb, 8 October 2020](#) [Universal Service Obligation for Broadband]. Some case studies on excess costs are provided in the debate as well as in an article on industry news website, ISP Review: [The High Cost of Broadband for USO Excluded UK Communities](#), Mark Jackson, 30 August 2020.

²⁷ [PQ 175963, 13 April 2021](#); [HC Deb, 8 October 2020](#) [Universal Service Obligation for Broadband].

²⁸ Ofcom, [Investigation into BT's compliance with its obligations as a broadband universal service provider](#), 15 October 2020, accessed 15 February 2022.

In July 2021 the investigation was suspended and ultimately closed in November 2021 without making findings with respect to BT's compliance with the regulatory conditions. Ofcom did find however that BT had not been approaching shared costs in the way that Ofcom expected.

As a result of the investigation, BT has changed its approach to calculating excess costs and Ofcom also made changes to the Universal Service Conditions.²⁹ The changes relate to how the cost of connecting a particular premises within a cluster of premises is calculated and shared, and at what point BT should build the network.

Specifically:

- Where the cost of the network build is less than £8,400 per premises (£5,000 above the £3,400 cost threshold), BT is required to build the connection once one customer places an order and is willing to pay the excess costs for their specific premises (which would be no more than £5,000) without the need to coordinate with other customers in the community.³⁰
- Where the cost per premises is higher than £8,400, BT can wait until it has agreement to cover all the shared excess costs of the total network build.

Ofcom said that this was based on evidence provided by BT that where excess costs are significantly above £3,400 there is a risk of being a “disproportionate impact on the costs of funding the USO”.³¹

BT agreed to refund affected customers and re-issue quotes it had previously provided that did not follow the above approach.³² BT's latest report on its progress on the USO describes other cost-sharing mechanisms available, such as support for crowd funding.³³

Even with these amended conditions Ofcom says there remains a “small but significant” number of premises that the costs for building a connection to are very high. Of these premises BT says:

Despite these efforts, we know that some customers have been understandably frustrated at being quoted significant sums to be connected. This needs urgent

²⁹ Ofcom, [Investigation into BT's compliance with its obligations as a broadband universal service provider](#), 15 October 2020, accessed 15 February 2022.

³⁰ Any customer that wishes to access the network after it has been built would still be required to pay their share of the excess costs. BT, [BT Report on progress against the Broadband USO](#), 29 October 2021. Ofcom, [Statement: Approach to high excess costs under the broadband universal service](#), September 2021, accessed 15 February 2022.

³¹ Ofcom, [Investigation into BT's compliance with its obligations as a broadband universal service provider](#), 15 October 2020; Ofcom, [Statement: Approach to high excess costs under the broadband universal service](#), September 2021, accessed 15 February 2022.

³² Ofcom, [Investigation into BT's compliance with its obligations as a broadband universal service provider](#), 15 October 2020, accessed 15 February 2022.

³³ BT, [BT Report on progress against the Broadband USO](#), 29 October 2021.

focus from industry, Government and Ofcom to find alternative, cost-effective solutions where existing approaches are unable to provide adequate support.

Ofcom says it will continue to work with the industry and Government to “explore alternative technology and funding solutions” for premises facing very high excess costs to receive a decent broadband connection.³⁴

The Government held a [Call for Evidence](#) in 2021 on the challenges and approaches to delivering improved connectivity in these ‘very hard to reach’ areas in order to develop more understanding about these areas.³⁵ The Government’s response was published in February 2022.³⁶ The Government says it will “set out a series of policy proposals” later in 2022 “setting out how it intends to address connectivity challenges to these premises”.³⁷

1.8 How quickly will a connection be delivered?

Ofcom set standards for how quickly BT and KCOM must assess eligibility for and deliver on requests for connections under the USO as follows:³⁸

- BT and KCOM must confirm whether a customer is eligible for the USO within 30 days of the request;
- BT and KCOM must deliver on eligible requests for connections as quickly as possible
- BT must deliver at least 80% of connections within 12 months, 95% within 18 months and 99% within 24 months of the confirmed USO order.
- KCOM must deliver a USO connection no later than 12 months after someone places their order (unless there are exceptional circumstances that make it more difficult).
- There are also requirements for BT and KCOM to report on their performance and notify Ofcom when these timeframes are exceeded.³⁹

If Ofcom receives evidence that these conditions are not met it may open a formal investigation, which could lead to enforcement action.⁴⁰

³⁴ Ofcom, [Statement: Approach to high excess costs under the broadband universal service](#), September 2021.

³⁵ DCMS, [Improving broadband for Very Hard to Reach Premises](#), 19 March 2021.

³⁶ DCMS, [Improving broadband for Very Hard to Reach Premises](#): Government response, 8 February 2022, accessed 16 February 2022.

³⁷ DCMS, [Improving broadband for Very Hard to Reach Premises](#): Government response, 8 February 2022, section 9, accessed 16 February 2022.

³⁸ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, page 2.

³⁹ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, section 9; see also update on 4 September 2020 re modifying reporting timescales.

⁴⁰ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 2.27 and 9.44.

1.9 Once connected, how much will a USO service cost?

The USO will cover the cost of installing connections up to £3,400 per premises. Customers are then required to subscribe to and pay for a service package, which may include standard connection charges and line rental.

BT and KCOM will be required to offer USO connections and services at the same price and quality of service as equivalent services offered to non-USO customers. BT has committed to offering packages that meet the USO specification for £45 per month or less, but Ofcom have not imposed this as a mandatory requirement.⁴¹

1.10 How will the USO be funded?

The USO will be funded by industry.

The Universal Service Providers will be entitled to claim compensation for any unfair net cost burden for delivering the USO. The net cost means compensation for the cost of building the USO, minus benefit associated with being the Universal Service Provider (such as the revenue from customers that use the network once built). Ofcom is responsible for determining what is an unfair cost burden in a particular case.

Ofcom published a [statement setting out the rules and procedures](#) that BT and KCOM should follow to make a claim for any unfair costs under the USO in May 2020.⁴² Ofcom stated that if they find that Universal Service Providers have incurred unfair costs, it may establish an industry fund to compensate them. Ofcom would then determine which other telecommunications providers should contribute to the cost-sharing fund and how much.⁴³

In its 2016 technical advice to the Government, Ofcom projected that the cost of deployment to all eligible premises would be £1.0 billion for an implementation target of early 2020, based on the technical parameters chosen and 600,000 premises being in scope.⁴⁴

⁴¹ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 1.8.

⁴² Ofcom, [Consultation: Compensating providers delivering universal services](#), 22 May statement, accessed 23 September 2020.

⁴³ Ofcom, [Consultation: Compensating providers delivering universal services](#), 22 May statement, accessed 23 September 2020.

⁴⁴ Ofcom, [Achieving decent broadband connectivity for everyone](#), 16 December 2016.

1.11

Will there be an impact on consumer bills?

Given that the USO will be funded by industry, industry could pass at least some of the costs of the broadband USO onto consumers through retail price increases.

The Government's impact assessment published in March 2018 stated that it is difficult to assess the impact on consumer prices because it depends on a number of factors, such as the number of properties affected, the level of take up and the technologies used to deliver connections.⁴⁵

Ofcom provided an upper estimate of the impact of the USO on consumer bills in its [December 2016 advice](#) to the Government (which considered four different technical scenarios for a USO, see Section 2.4 of this paper, at a time when the estimated number of premises eligible was much higher):

For example, assuming a seven-year cost recovery period and costs recovered from fixed broadband providers, on average consumers might see increases in household bills ranging from just under £11 per annum to deliver a standard broadband universal service to just under £20 per annum to deliver a superfast broadband universal service. Including mobile operators in any industry fund might reduce the average effect on household bills by just under 15%.

Whether and how to actually pass on any costs to customers would be a commercial decision for contributors. This analysis is therefore illustrative only. Communications providers offer a range of services across different sectors, and some may seek alternative ways to recover contribution costs, for example across a range of services they provide.⁴⁶

1.12

Can the USO be upgraded?

The Digital Economy Act 2017 sets two mechanisms which enable the UK Government to initiate a review of the USO:⁴⁷

- A discretionary power that allows the Secretary of State to direct Ofcom to review the USO at any time (after consulting with Ofcom).
- A requirement that the USO be reviewed when the uptake of superfast broadband (30 Mbps or more) reaches at least 75% of UK premises.

The uptake of superfast broadband means the percentage of premises that have subscribed to a superfast broadband service package (some people may choose not to pay for superfast broadband service, even though a connection is available at their property).

⁴⁵ DCMS, [Final Impact Assessment](#), 28 March 2018, page 62.

⁴⁶ Ofcom, [Technical advice on a broadband USO: updated cost estimates](#), 31 July 2017.

⁴⁷ Digital Economy Act 2017 s1(7) amends the Communications Act 2003 to add s72A and s72B as provisions to review the USO.

Ofcom reported in December 2021 that around 69% of premises had a superfast connection available had taken up a superfast broadband service (or higher).⁴⁸ As of September 2021, 95% of UK premises had a superfast broadband connection available.

1.13

Customer complaints about the USO

If a customer has a complaint about the service received under the USO, they should consult the provider's USO Customer Complaints Code. This includes complaints about the cost of quotes received to build a connection.

BT and KCOM are required to develop a USO complaints handling procedure and have a USO Customer Complaints Code that complies with Ofcom's existing rules for handling customer complaints.⁴⁹

BT's progress reports on the USO provide information on complaints received.⁵⁰

If complaints cannot be resolved through the provider's complaints handling procedure, customers connected under the USO also have free access to an Ofcom-approved [Alternative Dispute Resolution](#) service.⁵¹

The above procedures mirror procedures that exist for complaints about telecommunications services generally.

For more information, see Ofcom's webpages on [complaints about phone and internet services](#) and [dispute resolution](#).

⁴⁸ Ofcom, [Connected Nations 2021](#), main report page 7.

⁴⁹ Ofcom, [Approved Complaints Code of Practice](#), Annex to General Condition G4, 1 October 2018.

⁵⁰ See for example: BT, [BT Report on progress against the Broadband USO](#), 29 October 2021

⁵¹ Ofcom, [Dispute resolution](#), [accessed 18 June 2019].

2 Background: legislation and policy

2.1 What is a Universal Service Obligation?

Universal Service is a concept used in telecoms and other utilities regulation in the UK. It refers to a system that ensures that defined basic services considered essential in current social and economic conditions, are available to all on request at an affordable cost. This is important for areas which lack commercial competitive markets to provide the service.

Telecoms universal service obligations are based on EU law (see Section 2.3 below). There has been a universal service obligation in the UK for fixed telephone services since 2003 (the telephony USO). BT (outside of Hull) is required to provide a basic telephone connection sufficient for voice calls and narrowband (dial-up) internet (28 kbps, 0.028 Mbps), on request, at uniform prices, up to a cost threshold of £3400.⁵²

The broadband USO introduces a new obligation to provide a decent broadband connection (as defined in Box 1) on request, up to a cost threshold.⁵³

2.2 Why was the broadband USO introduced?

The Government intends the USO to be a digital “safety net”; it forms part of the Government’s commitment, for example set out in the [UK Digital Strategy](#) (March 2017), to ensure that the UK has world-class digital connectivity and inclusion.⁵⁴ The Minister of State for Culture and the Digital Economy, explained the Government’s rationale in 2016 as follows:

The rationale of a USO is to act as a ‘safety net’ where market forces alone do not deliver affordable access to basic services for people, particularly those in remote areas or those with low incomes or disabilities. USOs aim to ensure that a minimum set of communications services are available to everyone at a fixed

⁵² Ofcom, [Ofcom completes Universal Service Review](#) (March 2006): BT/KCOM are able to charge a standard connection charge for connections that cost less than £3400, currently quoted as £140 on [BT’s website](#) [accessed 7 June 2019]. Above £3400 BT can charge non-uniform prices.

⁵³ Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, para 10.33: existing obligations to provide telephony services have been included with the new requirements to provide broadband; some conditions relating to the telephony USO have therefore been revoked.

⁵⁴ DCMS, [UK Digital Strategy](#), 1 March 2017.

location, upon reasonable request, and at an affordable price, irrespective of where they live, in order to prevent social exclusion.⁵⁵

The broadband USO is intended to fill the gap left by the Government's existing and past programmes to deliver broadband connections across the UK, including:

- The [Better Broadband Scheme](#), which provides subsidised broadband connections to premises unable to access download speeds of at least 2 Mbps. This is a non-statutory voucher scheme that began in December 2015 and is set to end at the end of 2019.⁵⁶
- The [Superfast Broadband Programme](#) provides funding to local authorities in England and the devolved Administrations to deliver superfast broadband in their regions.
- The [gigabit broadband voucher schemes](#) provide vouchers to businesses and residents in rural areas to support the cost of installing a gigabit-capable connection (usually full-fibre).
- The Library briefing papers on [Superfast Broadband in the UK](#) and [Gigabit broadband in the UK](#) provide more detail about the Government's broadband roll-out programmes.⁵⁷

2.3

Legislative basis for the USO

The USO for communications services derives from the EU [Universal Services Directive \(USD\)](#) agreed in 2002,⁵⁸ and revised in 2009.⁵⁹ ⁶⁰ The USD requires Member States to provide users with a connection to the public communications network sufficient to permit “functional internet access”, on request, at an affordable price.⁶¹ “Functional internet access” and affordability are not defined in the Directive and Member States have the flexibility to define a USO according to their own national circumstances.

The USD is implemented into UK law through the [Communications Act 2003](#) (as amended) and associated secondary legislation. Section 65 of the Act

⁵⁵ DCMS consultation, [A new broadband universal service obligation consultation](#), 23 March 2016.

⁵⁶ DCMS, [Better Broadband Scheme extended to 2019](#), 18 December 2018.

⁵⁷ House of Commons Library, [Superfast Broadband Access in the UK](#), 9 March 2017.

⁵⁸ [Directive 2002/22/EC](#) on universal service and users' rights relating to electronic communications networks and services (Universal Service Directive).

⁵⁹ [Directive 2009/136/EC](#) amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services

⁶⁰ The new European Electronic Communications Code ([Directive \(EU\) 2018/1972](#)) agreed in December 2018 makes changes to the USD. If the provisions of the EECC is implemented into UK law, Ofcom stated it will “consider whether any modifications to the universal service conditions may be appropriate in light of the amended legislation”. See Ofcom, [Delivering the Broadband Universal Service](#), 6 June 2019, page 7, footnote 13.

⁶¹ For more information about the USD, see the European Parliament Research Service Briefing, [Broadband as a universal service](#), April 2016.

gives the Secretary of State the power to make an order setting the minimum universal service specifications that must be provided.

In 2003 the telephony USO was introduced in the UK to meet the requirements of the USD (see section 2.1 above).

The [Digital Economy Act 2017](#) amended section 65 of the *Communications Act 2003* and gave the Secretary of State powers to introduce a broadband USO through secondary legislation.

Secondary legislation setting the specifications for the USO – the [Electronic Communications \(Broadband\) \(Universal Service\) Order 2018](#) (SI 2018/445) (The Universal Service Order) – came into force on 23 April 2018, following a public consultation (see sections 2.4–2.5 below).

Ofcom is responsible for implementing the USO. This includes designating a Universal Service Provider(s), setting and enforcing the Universal Service Conditions that apply to the providers (such as how quickly connections must be delivered) and establishing an industry cost sharing fund.⁶²

2.4 Designing the USO

The Government's decision on the minimum standards and eligibility requirements for the USO was informed by [technical advice provided by Ofcom](#) to the Government in December 2016.⁶³ The Government asked Ofcom to model 4 technical scenarios for the USO:

1. A standard broadband service: 10 Mbps download only;
2. A more highly specified service: 10 Mbps download, 1 Mbps upload with additional quality parameters;
3. A superfast broadband service: 30 Mbps download, 6 Mbps upload; and
4. An intermediate scenario: 20 Mbps download and 2 Mbps upload.⁶⁴

Ofcom modelled the number of premises which would not meet the minimum specifications in each scenario and provided cost estimates for a USO delivering each service to those premises.⁶⁵ Ofcom also modelled the impact that three cost thresholds (£3,400, £5,000 and £10,000) would have on reducing the cost of the USO.⁶⁶

⁶² The Universal Service Conditions are attached to Ofcom's statement of 6 June 2019: [Delivering the Broadband Universal Service](#), 6 June 2019.

⁶³ Ofcom, [Achieving decent broadband connectivity for everyone](#), 16 December 2016.

⁶⁴ Ofcom, [Technical advice on a broadband USO: updated cost estimates](#), 31 July 2017.

⁶⁵ Ofcom, [Achieving decent broadband connectivity for everyone](#), 16 December 2016. Updated cost estimates were published in July 2017: Ofcom, [Technical advice on a broadband USO: updated cost estimates](#), 31 July 2017.

⁶⁶ Ofcom, [Achieving decent broadband connectivity for everyone](#), 16 December 2016.

Having considered Ofcom's work, the Government took the view that Scenario 2 (10 Mbps download, 1 Mbps upload) would best achieve the balance between consumer satisfaction, cost, length of time to deliver and the level of market distortion.⁶⁷

The Government's proposals for the USO were then [set out for consultation](#) in July 2017.⁶⁸ The Government published its [response](#) to the consultation and the final Impact Assessment for the USO on 28 March 2018.^{69 70}

2.5 Comment and criticism on the USO

Support for the USO in general

During the progress of the Digital Economy Bill through Parliament there was broad, cross party support for the introduction of a broadband USO in general.⁷¹ The main area of contention was whether 10 Mbps as a minimum download speed was ambitious enough (discussed below).

Amongst stakeholder and consumer groups, there was in general, broad support behind the concept of delivering fast, reliable and affordable broadband UK-wide. During early consultations regarding the introduction of the USO there were diverging views as to how this aim should be achieved.⁷² Consumer groups tended to favour regulatory intervention for a highly specified USO, to ensure that vulnerable consumers and those in hard-to-reach areas were not 'left behind'. Industry stakeholders on the other hand, tended to favour commercial solutions, with minimal government involvement.

The design and delivery of the USO was therefore required to balance:

- the delivery of universal fast, reliable and affordable broadband connections UK-wide;
- minimising the cost to consumers; and
- maintaining an environment favourable to commercial investment and minimise distortion in market competition.

⁶⁷ DCMS, A new broadband Universal Service Obligation: consultation on design, [31 July 2017](#).

⁶⁸ DCMS, A new broadband Universal Service Obligation: consultation on design, [31 July 2017](#).

⁶⁹ DCMS, [Government's response to consultation on design of a new broadband Universal Service Obligation](#), 28 March 2018.

⁷⁰ DCMS, [Final Impact Assessment](#), 28 March 2018.

⁷¹ For further discussion, see the Commons Library analysis of the [Digital Economy Bill - Committee Stage Report](#) (24 November 2016).

⁷² DCMS consultation, [A new broadband universal service obligation consultation](#), 23 March 2016.

Is 10 Mbps enough?

Debate about the USO has centred on whether 10 Mbps download speed represented a satisfactory minimum broadband connection.

The Scottish National Party (SNP) argued strongly for a higher level USO during the progress of the Digital Economy Bill through Parliament. For example, SNP Shadow Westminster Group Leader for Digital, Callum Kerr MP, stated during the second reading debate (September 2016):

To return to the other point I mentioned, do we really think 10 megabits will be considered sufficient by 2020? Why do the Government think the bar should be set so low? The SNP challenges the thinking that sees 10 megabits as adequate.⁷³

Then Shadow Minister for Digital Economy, Louise Haigh MP, also called for a more ambitious service during the Public Bill Committee stage debate (October 2016), arguing that a 10 Mbps service would become outdated by 2020:

[W]e believe that there is coalition of support for a much more ambitious USO. That is why we were pleased to hear that the USO can be amended in secondary legislation later when it becomes outdated. However, I fear that, by the time it is introduced, it will already be becoming seriously outdated and, indeed, by 2020, it may feel like a relic of a bygone age when superfast and ultrafast broadband, even in rural areas, will be readily accessible.⁷⁴

The Scottish and Welsh Governments and Northern Ireland Executive also called for a USO with a higher specification than 10 Mbps.^{75, 76, 77}

Calls for the USO threshold to be raised continue to be made, particularly in light of the Government's policy focus on delivering a nationwide gigabit-capable broadband by 2025 (see the Library paper on [Full-fibre broadband in the UK](#) for further information).

For example, in July 2018 the House of Commons Scottish Affairs Committee raised concerns that by 2020, 10 Mbps would not meet consumer needs and recommended that the Government review the USO specifications within 6 months.⁷⁸ The [Government did not accept this recommendation](#), maintaining that the purpose of the USO is to be a "safety net" and that 10 Mbps strikes a balance between delivering decent connectivity while ensuring that market distortion is minimised:

⁷³ [HC Deb, 13 September 2017, c787](#).

⁷⁴ [PBC Deb 18 October 2016 cc120–121](#).

⁷⁵ [Scottish Government response to Ofcom's call for inputs](#) on designing the USO, 16 June 2016.

⁷⁶ [Welsh Government response](#) to Ofcom's call for inputs on designing USO

⁷⁷ [Advisory Committee for Northern Ireland's \(ACNI\) response to Ofcom's Designing the broadband universal service obligation \(Call for inputs\)](#).

⁷⁸ House of Commons Scottish Affairs Committee, [Digital Connectivity in Scotland](#), Fifth Report of Session, HC 654, 23 July 2018, para 41.

The UK Government does not accept this recommendation. The USO is designed to act as a safety net to ensure everyone can access a minimum level of connectivity. According to Ofcom, a broadband connection with a download speed of at least 10Mbps does meet the needs of a typical household and enables households to stream films in HD, watch catchup TV, make a video call and browse online—all at the same time. As we set out in our response to the USO consultation, we believe that the current specification strikes the right balance between ensuring universal access to decent broadband whilst at the same time ensuring that market distortion is minimised. Depending on who is designated as a Universal Service Provider(s) and the technologies used to deliver USO connections, consumers may well receive higher than the proposed minimum specification. The Government has been clear that minimum levels of connectivity under the USO will need to be increased as consumer needs change. The USO was designed with this in mind with a specific power for the Secretary of State in the Digital Economy Act to direct Ofcom to review the USO. The Act also stipulates that the specification must be reviewed when superfast broadband has been taken up by 75% of UK premises. A decision on when to review the USO will be taken in the light of market developments, technological changes and evolving consumer needs.⁷⁹

The Environment Food and Rural Affairs Committee, in their September 2019 report on rural broadband also [recommended that the Government conduct a review](#) of the USO specification:

The Government should commit to an immediate review of the USO specification as soon as possible to ensure it is suitably ambitious for rural areas. The review should determine appropriate upload and download speeds and review the reasonable cost criteria to maximise rural rollout of broadband. The review should be concluded as soon as is practicable to ensure initial roll out of broadband via the USO is not obsolete.⁸⁰

The Government's response to the EFRA Committee was not published before the 2019 General Election was called.

The Government's Final Impact Assessment for the USO, produced in 2017, stated that the technical specifications modelled by Ofcom all had very similar cost benefit ratios predicted (in terms of Gross Value Added to the UK economy). However, the Government stated that a more highly specified service would impose a greater burden on industry (which would lead to greater market distortion) and would take longer to deliver.⁸¹ In October 2017, then Secretary of State for Digital, Culture, Media and Sport, then Karen Bradley MP, justified the 10 Mbps choice to the House of Commons DCMS Select Committee, stating that it would not be feasible to deliver universal coverage of speeds greater than 10 Mbps by 2020:

We have looked at the different speed options. 10 Mbps is a number that experts will say is sufficient for people to do what they need to do. Today, it means you could download a film, people can do their research for homework,

⁷⁹ House of Commons Scottish Affairs Committee, [Digital Connectivity in Scotland: Government Response to the Committee's Fifth Report](#), Fourth Special Report of Session 2017-2019, HC 1612, 12 October 2018, page 2.

⁸⁰ EFRA Committee, [An Update on Rural Connectivity](#), 18 September 2019, HC 2223 2017-19, para 47.

⁸¹ DCMS, [Final Impact Assessment](#), 31 January 2018, page 55.

they would be able to access friends and family at 10 Mbps. It is a sufficient speed for people in the short term. I want to be clear, this is a short term. We need to get people to have access to sufficient speeds of broadband as quickly as possible. Going for a number above 10 is not feasible to do by 2020.⁸²

Data usage: is 100 GB enough?

The Government's response to the consultation on the USO design noted that several respondents were concerned that the 100 GB cap was too low given that Ofcom's Connected Nations 2017 data reported that the average residential usage at 10 Mbps download speed was 120 GB per month. In response, the Government argued that median data usage speeds were a better measure of typical usage, and on that basis 100 GB was a reasonable limit:

iv) Data cap - Ofcom's Connected Nations 2017 reported that the median monthly data usage at speeds of between 10Mbps to 30Mbps was 84GB, which would indicate that the 100GB minimum data allowance is set at a reasonable level. Connected Nations 2017 also reported that most consumers use less data than the reported average, and that average data usage increases are driven by a small proportion of heavy users. Therefore, average monthly data use figures are not a useful guide for a monthly data allowance under the USO.⁸³

In 2018 Ofcom reported that the median household data use on fixed-connections had increased to 124 GB per month (a 50% increase on the previous year), with average use being 240 GB of data per month.⁸⁴

In 2019 Ofcom reported that the median household data on fixed connections had increased again to 164 GB per month, with average use being 315 GB of data per month. Those with superfast broadband connections (download speeds above 30 Mbps) use 368GB per month on average, suggesting that users with faster connections use more data. In the report, Ofcom stated:

As user needs and expectations evolve, we will keep the level and specification of the broadband safety net under review.⁸⁵

Cost threshold

The Government's consultation response to the design of the USO sets out a wide range of views received regarding the cost threshold.⁸⁶ Some respondents, such as rural stakeholder groups and local Governments, argued that there should be no cost threshold or that the cost threshold

⁸² DCMS Committee, Oral evidence: The Work of the Department for Digital, Culture, Media and Sport, [HC361](#), 11 October 2017.

⁸³ DCMS, [Government's response to consultation on design of a new broadband Universal Service Obligation](#), 28 March 2018, page 21.

⁸⁴ Ofcom, [Connected Nations 2018](#), main report page 18, 18 December 2018.

⁸⁵ Ofcom, [Connected Nations 2019](#), main report page 19, 20 December 2019.

⁸⁶ DCMS, [Government's response to consultation on design of a new broadband Universal Service Obligation](#), 28 March 2018, pages 34-35.

should be higher to avoid rural premises and/or communities being excluded. Some respondents called for a publicly funded voucher scheme for those premises falling above the cost threshold.

The Government stated that most respondents, including some industry providers, thought that the cost threshold was reasonable, but some industry providers argued that it was too high or that there was insufficient evidence to justify the threshold chosen.

Ofcom estimated in 2016 that 59,000 premises would be left unserved (approx. 0.2%) over a cost threshold of £3,400.⁸⁷ A higher cost threshold would lead to greater coverage but higher overall costs for the deployment of the USO, and possibly a greater impact on consumer bills. In its technical advice to the Government in 2016, Ofcom estimated that the cost of serving the most expensive premises under the USO to be around £45,000.

Ofcom states that it is not unusual for universal service obligations to include a cost threshold. For example, the telephony USO has a cost threshold of £3,400 and Digital Terrestrial Television (DTT) coverage is set at 98.5% of UK homes.⁸⁸

The Government summarised its decision on setting the cost threshold at £3,400 as follows:

The decision about the level of the reasonable cost threshold involves a trade-off between the policy objective of reaching as many households and businesses as possible, and the burden on any costs to be recovered through a universal service fund, which it would be reasonable to assume would be passed on to some degree to consumers. As the range of responses to our consultation have made clear, there are divergent views on this.

[...]

In our consultation, we proposed a cost threshold of £3,400 as the most proportionate threshold, as it would achieve 99.8% premises coverage while avoiding the exponential costs of the most expensive to reach premises. Our rationale was that a threshold set at this level strikes a proportionate balance between providing widespread coverage and limiting the amount of funding required for the broadband USO. We think this balances achievement of the policy goal with deliverability, including impacts on industry.⁸⁹

2.6

The USO in the devolved Administrations

The USO is a UK-wide measure because the power to legislate for telecommunications is reserved to the UK Parliament.

⁸⁷ Ofcom, [Achieving decent broadband connectivity for everyone](#), 16 December 2016.

⁸⁸ Ofcom, [Achieving decent broadband connectivity for everyone](#), 16 December 2016.

⁸⁹ DCMS, [Government's response to consultation on design of a new broadband Universal Service Obligation](#), 28 March 2018, pages 36-37.

The devolved Administrations and local authorities in England have their own publicly funded broadband roll-out programmes which the USO will sit alongside. This is because under the superfast broadband programme the UK Government provided funding to local authorities in England and the devolved Administrations, which then led the practical delivery of the broadband roll-out in their own regions. More information is provided in the Library briefing paper: [Superfast broadband in the UK](#).

This means that the local authorities in England and the devolved Administrations can develop their own broadband strategies and set roll-out targets that are more ambitious than those set at the UK Government level.

For example, the Scottish Government has set a target that 100% of properties in Scotland should have access to superfast broadband (30 Mbps) by 2021 as part of its “Reaching 100%” (R100) programme.⁹⁰ In responding to the Ofcom’s consultation on the USO design, the Scottish Government raised concerns about the compatibility of a 10 Mbps service with its Reaching 100% plans:⁹¹

The Scottish Government are committed to providing 100% superfast broadband coverage across Scotland by 2021. The USO should be designed to ensure that, if our goal is achieved prior to the USO being in place, Scotland is not disadvantaged as a result of taking early action and still benefits from it.⁹²

The House of Commons Scottish Affairs Committee’s [Digital Connectivity in Scotland](#) inquiry report discusses suggestions for how the R100 programme and USO could be coordinated,⁹³ and stated that it is vital that the two programmes work effectively together:

The UK Government’s USO and the Scottish Government’s R100 programme are different approaches to the same goal: providing broadband coverage to the most remote areas. There will be some areas that could benefit from both the USO and R100 and it is vital that the two programmes work together effectively. We recommend the two Governments establish a joint USO working group to coordinate activity between the two programmes. One of the first jobs of this group should be to explore the feasibility of combining the on-demand elements of R100 with the USO to ensure that R100 funding does not displace industry funding provided under the USO.⁹⁴

The UK Government’s response stated that the DCMS and the Scottish Government regularly interact:

⁹⁰ Scottish Government, [Realising Scotland’s full potential in a digital world: A Digital Strategy for Scotland](#), 22 March 2017.

⁹¹ [Scottish Government response to DCMS Broadband Universal Service Obligation Consultation](#), 18 April 2016.

⁹² [Scottish Government response to Ofcom’s call for inputs](#) on designing the USO, 16 June 2016.

⁹³ House of Commons Scottish Affairs Committee, [Digital Connectivity in Scotland](#), Fifth Report of Session, HC 654, 23 July 2018, para 50–53.

⁹⁴ House of Commons Scottish Affairs Committee, [Digital Connectivity in Scotland](#), Fifth Report of Session, HC 654, 23 July 2018, para 53.

We agree that regular interaction between DCMS and the Scottish Government is necessary to coordinate activity between UK Government and Scottish Government programmes. This interaction already happens on a regular basis and therefore a joint USO working group is not necessary. As we set out in the Future Telecoms Infrastructure Review, we are committed to considering how our connectivity ambitions can complement existing programmes, including the rollout of the USO.⁹⁵

⁹⁵ House of Commons Scottish Affairs Committee, [Digital Connectivity in Scotland: Government Response to the Committee's Fifth Report](#), Fourth Special Report of Session 2017-2019, HC 1612, 12 October 2018, page 3.

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