

<b>Title:</b> Broadband Planning <b>IA No:</b> <b>RPC Reference No:</b> <b>Lead department or agency:</b> DCMS <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 18/11/2016			
	<b>Stage:</b> Final			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Primary legislation			
<b>Contact for enquiries:</b>				
<b>Summary: Intervention and Options</b>				<b>RPC Opinion:</b> Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£4.76m	£4.76m	-£0.54m	Not in scope	Not a regulatory provision

**What is the problem under consideration? Why is government intervention necessary?**  
 Section 109 of the Communications Act 2003 contains a sunset clause introduced via the Growth and Infrastructure Act 2013 which cease to have effect on 6 April 2018. The clause has been used to relax planning requirements for fixed broadband infrastructure. These changes have proved successful in speeding up the process of superfast broadband rollout, providing planning certainty and reducing the costs of deployment. Given the success of the reforms, it is possible that maintaining the planning requirements could encourage further investment and help extend superfast broadband coverage to beyond the 95% of homes and businesses in the UK by the end of 2017 which are due to be served. Government wants to remove the sunset requirement.

**What are the policy objectives and the intended effects?**  
 The objective is to remove the sunset provision in the Communications Act, thereby ensuring that communications providers can continue to benefit from the deregulation of broadband planning laws introduced in 2013. Through this deregulation, we expect providers to continue to invest in their broadband infrastructure, increasing the provision of broadband to UK consumers. This policy is intended to reduce the regulatory and administrative burden on providers when building infrastructure, thereby reducing cost and encouraging investment.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
 Option 1: Do Nothing  
 Previous regulatory changes are due to expire on the 6th April 2018. Without further intervention, those changes will no longer apply after this date and the regulations will revert to their original state before the 2013 intervention.  
 Option 2: Remove Sunsetting Provision (Preferred Option)  
 Through the Digital Economy Bill we are proposing to remove the sunset provision from the Communications Act 2003 which will enable amendments to be made to the Electronic Communications Code (Conditions and Restrictions) Regulations 2003 so that the changes introduced in 2013 are permanent.

**Will the policy be reviewed?** It will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?	N/A			
Are any of these organisations in scope?	<b>Micro</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	<b>Traded:</b>		<b>Non-traded:</b>	

*I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.*



**Signed by the responsible Minister :**

**Date:** 21/11/2016

# Summary: Analysis & Evidence

# Policy Option 1

Description: Remove Sunsetting Provision

## FULL ECONOMIC ASSESSMENT

Price Base Year 2016	PV Base Year 2018	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £4.76m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0	0

### Description and scale of key monetised costs by 'main affected groups'

No costs have been monetised.

### Other key non-monetised costs by 'main affected groups'

Any costs that providers face when building infrastructure are not a direct result of this policy, and therefore do not count as costs to business. There could potentially be some wider environmental and visual amenity costs, however, responses to the call for evidence suggest that these costs have been minimal over the last five years.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	£0.55m	£4.76m

### Description and scale of key monetised benefits by 'main affected groups'

Communications providers will benefit from the reduced administration costs related to the planning side of building infrastructure. These benefits have been monetised based on responses from industry to the call for evidence, and are set out in the evidence base.

### Other key non-monetised benefits by 'main affected groups'

Other benefits will derive from the increased provision of broadband to UK consumers, which has significant and wide ranging benefits to a number of groups, both economic and social.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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The monetisation of benefits assumes that communication providers continue to take advantage of the relaxed planning laws, in the same way and to the same extent as they have done in the last five years, over the next ten years.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	Benefits: £0.54m	Net: £0.54m	
			N/A

## **Background**

In Summer 2013, DCMS and DCLG brought forward a package of measures to support the roll-out and access to fixed super-fast broadband to business and communities. One of the requirements related to planning requirements under the Town and Country Planning (General Permitted Development) (England) Order 2015 ("GPDO"), the Communications Act 2003 (2003 Act) and the Electronic Communications Code (Conditions and Restrictions) Regulations 2003.

The changes to permitted development rights removed for a period of 5 years until 6 April 2018 the prior approval (siting and external appearance) requirement on article 2(3) land e.g. national parks, areas of outstanding natural beauty, conservation areas etc. (not Sites of Special Scientific Interest) for the construction, installation, alteration or replacement of telegraph poles, cabinets or lines, in connection with the provision of fixed-line broadband, provided that the development was completed on or before 30th May 2018. These changes are set out in Part 16 (A.2(5)), of Schedule 2, of the GPDO.

This change was complemented by amendments to section 109(2)(b) of the Communications Act 2003 (2003 Act) and the Electronic Communications Code (Conditions and Restrictions) Regulations 2003 in order to allow the deployment of broadband street cabinets and new overhead lines, considered essential for economic growth. In particular, the changes made required the Secretary of State for Culture, Media and Sport, when exercising powers under the Code Regulations, to consider the need to promote economic growth alongside, and with equal weight to, the need to protect the environment and to conserve the natural beauty and amenity of the countryside. The changes to the Code were intended to replace the checks and balances of the permitted development right to ensure the relaxation of planning measures did not lead to insensitive siting of equipment

The Broadband Cabinet and Pole Siting Code of Practice (the Code of Practice) came into force at the same time to complement the legislative changes, and to put in place a framework with which all communications infrastructure providers committed to comply. The Code of Practice's purpose is to ensure that infrastructure deployment is managed sensitively, avoiding any adverse impacts on the environment through early and constructive engagement between all relevant parties. It was devised by a representative working group of planners, communications providers and stakeholders with an interest in protecting the physical amenity. A review of the Code in 2014 suggested that the Code was working effectively and a further review in 2016 confirmed that this continues to be the case.

## **Problem Under Consideration**

The Growth and Infrastructure Act 2013 contains a sunset provision, which means that the changes cease to have effect on 6 April 2018. We wish to remove the sunset requirement. This is on the basis that these changes have proved successful in meeting the Government's policy objectives of speeding up the process of superfast broadband rollout and reducing the costs of deployment for communications providers. The success of the relaxations since 2013 in helping providers save costs, as set out in BT's consultation response, suggests that the continuation of these relaxations would help firms save money on future infrastructure investment. This could, in turn, be important in helping to meet the Government's objective to extend superfast broadband coverage to 95% of homes and businesses in the UK by the end of 2017 and beyond. This impact on coverage could occur in three different ways:

- For areas which have already been identified for commercial broadband rollout the reduction in regulatory requirements will enable installation to proceed more quickly and with greater planning certainty.
- For areas where the decision on whether to invest in broadband rollout is marginal the reduction in costs due to regulatory requirements may tip the balance towards investment.
- Any cost savings for firms investing in rollout may be re-invested in further rollout in new areas. There is no guarantee that broadband firms will re-invest in such a way as it would depend on their expected return and the capital currently available for investment for the affected firms. However, BT stated in their response to the call for evidence that "approximate savings to date ... have been reinvested in the programme".

We carried out a call for evidence from communications providers and other stakeholders including those with environmental interests and another review of the Code of Practice has been conducted. The call for evidence was to understand the impact of the changes since 2013 and assess the case for making them permanent. BT for example were clear that the current planning rules would become more important as they seek to extend beyond their network to more rural and remote areas, i.e. the 5% of premises beyond the Government's 95% target. This applies equally to their commercial rollout and their plans under the BDUK public programme, and also to their investment plans for ultrafast broadband deployment, giving them greater certainty about costs and timeframes for delivery. The Planning Officers Society report few complaints about poor siting of broadband infrastructure or non-compliance with the Code of Practice, but they contrast this with a large number of complaints to local authorities from residents about poor levels of broadband connectivity. The National Parks Authority report no significant concerns since the legislative changes came into effect.

### **Rationale for Intervention**

The Government wants to maximise the digital opportunities and benefits for consumers, business and the economy, and putting in place the infrastructure to support that is vital. Superfast broadband, with speeds of 24 Mbps, is currently available to over 90% of homes and businesses, up from 45% in 2010. This represents significant development, but the infrastructure challenges and therefore the marginal costs increase as networks are required to extend further.

This followed an earlier Government strategy in 2010, which outlined the Government's policies for lowering the costs of deployment and its intentions for supporting rollout. Allowing new telecoms lines to be deployed overhead had the potential to reduce deployment costs by as much as 50% in some areas - especially important in rural areas to ensure that there is a fair and equitable availability of superfast broadband. 80% of the cost of deployment of superfast broadband is in the civil works – the digging of the roads. This solution was advocated as a relatively easy way to lower the cost of deployment to allow the market to deliver superfast broadband networks as far as possible, and into areas that would otherwise be considered economically unviable, particularly in rural areas.

Our view was that broadband investment and deployment would also be boosted by temporarily removing prior approval requirements for poles and street cabinets in protected areas. Increasing certainty around planned infrastructure deployment would save communications providers time and money, and facilitate roll out of superfast broadband to the areas that need it most.

In 2014, superfast broadband was available to 75% of UK premises. It was recognised that increasing the availability of superfast broadband would have significant positive impacts on growth and the economy. The Broadband Impact Study estimated that the 'availability and exploitation of faster broadband will lead to a net annual GVA impact of about £14 billion by 2024'.<sup>1</sup> Furthermore, it was also recognised that improving access to broadband in rural areas would reduce the digital divide<sup>2</sup>. The digital divide is the gap in access to the digital world (online shopping, skype, government e-services etc.) between rich and poor, between those with high levels of education and those without, and between rural and urban communities. Reducing this divide has benefits to consumers, firms, the public sector, and helps to reduce inequality.

### **Policy Objective**

The objective is to ensure that communications providers can continue to benefit from the deregulatory legislative changes that have been in place for the past five years. Through this deregulation, we expect providers to continue to invest in their broadband infrastructure, increasing the provision of broadband to UK consumers.

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/257006/UK\\_Broadband\\_Impact\\_Study\\_-\\_Impact\\_Report\\_-\\_Nov\\_2013\\_-\\_Final.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/257006/UK_Broadband_Impact_Study_-_Impact_Report_-_Nov_2013_-_Final.pdf)

<sup>2</sup> <https://gds.blog.gov.uk/2011/12/02/tackling-the-digital-divide/>

## **Previous Consultations**

### *Initial 2009 Consultation*

Government carried out an initial consultation in September 2009 to test the appetite for new pole deployment from communications providers, but also to explore the option with communities, given the impact on the visual amenity that new poles would have, particularly in more rural areas.

The conclusion to that initial consultation was that in some cases, new pole deployment could make a difference to the investment case, and communities themselves recognised that in order to have better connectivity, some new overhead deployment may be necessary. However, communities and other rural stakeholders were keen to stress that this should not be the default option, and that full consultation with communities should be undertaken.

### *2011 Consultation*

In November 2011, the Government published a further consultation that set out proposals to relax the restrictions, but to allow communities and local authorities the opportunity to influence where this new infrastructure should be deployed.

The proposal was to encourage communications providers to share infrastructure where technically commercially possible, and for them to consult with communities and local authorities, whilst retaining the ability to deploy new infrastructure if they believed there was still merit in doing so.

The consultation attracted 27 responses, which included parish and district councils, local authorities, rural stakeholders and communications providers. Responses were largely split between those who considered that the proposed policy would either not deliver its intended goal and those who opposed the policy goal in its entirety. A number of stakeholders, mainly local authorities and rural and heritage stakeholders, were opposed in principle to the proposals, citing the possible negative impact on visual amenity, whilst voicing concerns over the impact on heritage sites and listed buildings.

Most communications providers believed that the proposals lacked sufficient clarity and certainty, particularly around who should be consulted and how this consultation might take place. Some providers believed the existing regime allowed for sufficient consultation and that the proposed conditions placed on communications providers to consult with local communities were likely to be too burdensome and costly. This would result in limited or no new deployments and would not reach the policy goal of increasing the speed and reach of deployment to remote rural areas where broadband was most needed.

### *2013 Consultation*

In January 2013, the government published a consultation for the current legislative changes and published responses in June 2013. As changes were required to primary and secondary legislation, DCLG consulted separately on changes to the GPDO.

A total of 95 responses to the consultation were received from a range of organisations, including local authorities, communications providers, civic amenity societies, heritage and environmental bodies and members of the public.

The consultation questions essentially asked if the proposals were justified balancing the needs of increasing digital connectivity with the risks of possible adverse impacts on the physical amenity. Nearly all the responses agreed that digital connectivity was important although 71% of respondents disagreed with the method of achieving this who mainly comprised local planning authorities, civic societies and bodies with an interest in preserving the environment.

The 29% in support comprised of communications providers, business representatives and the majority of county councils. They agreed that the proposals would be a valuable support in speeding up and reducing costs associated with deploying superfast broadband infrastructure, particularly in difficult to reach areas. The Government recognised concerns about potential adverse environmental impacts, which is why it was agreed with communications providers, local planning authorities and environmental groups that they should develop and commit to a Code of Practice on the siting and appearance of apparatus. The Code of Practice provides a framework for early engagement between communications providers and local planning authorities to avoid poor siting issues.

### *2016 Call for Evidence*

A call for evidence was carried out in March which had two main elements: to identify the impact of the changes since 2013 in terms of infrastructure deployment and other benefits such as cost savings. We also asked if there were any negative impacts associated with the changes. The second element was a review of the cabinet and pole siting code of practice including compliance levels and how effective it is working by addressing all the circumstances for the installation of infrastructure.

### *Impact on infrastructure deployment*

The call for evidence was sent to a range of interested stakeholders including communications infrastructure providers, the Planning Officers Society; the Association for AONBs, Historic England; the National Trust, the Countryside Alliance and the industry working group set up in 2013 to devise and review the code of siting practice. The working group is comprised of a similar range of representatives from across communication provider, planning and environmental interests.

We received responses from the following organisations:

National Parks UK

NAAONB

KCOM

The Planning Officers Society

UK Competitive Telecommunications Association (UKCTA)

Historic England

Vodafone

BT

Country Land and Business Association (CLA)

Call Flow Solutions

Countryside Alliance

Of these responses, only BT provided qualitative evidence of the impacts the changes had over the last three years. The evidence received demonstrates that there is clear support for making the package of changes relating to the siting of fixed broadband infrastructure permanent. All stakeholders recognise that demand for broadband connectivity is growing and that it is increasingly being seen as having utility status. Communications providers have confirmed that to date the changes made in 2013 have lowered their costs, given them greater certainty about investment plans and speeded up deployment. Importantly they argue that they will be even more important in future as public and commercial broadband investment programmes address the challenges of connecting rural and hard to reach areas requiring network extensions.

Those stakeholders with an interest and potential concerns about negative impacts on the physical amenity report few complaints. The Planning Officers Society report that they are instead dealing with a high comparative

volume of complaints from residents about lack of coverage. As such, they do not envisage any significant harm in making the planning relaxations permanent.

#### *Review of Cabinet and Pole Siting Code of Practice*

The review of the Code of Practice was conducted by a working group consisting of representatives from communications providers, the Planning Officers Society and the National Parks. There were a small number of complaints about non-compliance with the Code of Practice which are mainly around lack of early notification with the right bodies in protected areas by communications providers. This needs to be viewed in context with the amount of overall deployment taking place. Overall the group agreed that the Code of Practice was working well. There were improvements to the code of practice agreed by the working group. Communications providers will in future consult parish councils as well as local planning authorities and the guidance on local planning authority fees and site notices for new poles have been clarified.

### **Description of Options Under Consideration**

#### Option 1: Allow sunset clause to come into effect

Previous regulatory changes are due to expire on the 6th April 2018. Without further intervention, those changes will no longer apply after this date and the regulations will revert to their original state before the 2013 intervention. As a consequence, the following procedures will continue to apply:

#### *1a) General conditions*

There are a number of statutory requirements in the Electronic Communications Code (Conditions and Restrictions) Regulations 2003 aimed at ensuring the amount of electronic communications apparatus, and its impact on the visual amenity, is kept to a minimum, and these provisions will remain unchanged. The relevant provisions are the General Conditions under Regulations 3(1)(b), 3(3)(a), and 3(4):

Regulation 3(1)(b) requires communications providers to consult “planning authorities in relation to the installation of electronic communications apparatus, including installation in a local nature reserve;”

Regulation 3(3)(a) under which a communications provider when installing electronic communications apparatus shall, so far as reasonably practicable, minimise “the impact on the visual amenity of properties, in particular buildings on the statutory list of buildings”;

Regulation 3(4) under which a communications provider “where practicable, shall share the use of electronic communications apparatus.”

#### *1b) Overhead lines*

Once the current 5 year regulation expires, the Electronic Communications Code (Conditions and Restrictions) Regulations 2003, state that (in addition to a number of other minor exceptions) all new telecoms lines have to be buried underground, except where lines already exist, or if there is no viable alternative. This is the only restriction that stops communications providers from deploying this type of overhead infrastructure, which is already allowed under planning Permitted Development Rights, as telegraph poles are generally less than 15 metres high.

#### *1c) Cabinets*

Once the current 5 year regulation expires, for broadband cabinets in non-protected areas, communication providers are required to give one month’s statutory notice of siting to planning authorities and make changes if they are reasonable and proportionate. Under Part 16 of the General Permitted Development Order 1995 (as amended) local planning authorities are required to consider siting and design for cabinets in protected areas.

Communications providers will be required to give 56 days' notice to planning authorities, who can place conditions on both siting and appearance. Deployment cannot proceed if the planning authority objects.

### Option 2: Remove Sunsetting Provision (Preferred Option)

We are proposing to remove the sunsetting provision, thereby making the previous 2013 amendments to the Electronic Communications Code (Conditions and Restrictions) Regulations 2003, which had a sunset clause of 5 years, permanent. These changes were, and will be:

#### *2a) New overhead lines*

Changing existing requirements for the deployment of overhead lines will give communications providers a great deal more flexibility and certainty when deploying superfast broadband networks. It will also allow superfast broadband to be deployed more extensively than would otherwise have been possible because of the cost savings involved.

The Government proposes that the requirement to underground new telecommunications lines in Regulation 4 of the Electronic Communications Code (Conditions & Restrictions) Regulations should be removed. This will allow communications providers to deploy new overhead infrastructure as Permitted Development, as outlined above. This is complementary to the proposal by the Department for Communities and Local Government to remove the prior approval requirement as it applies to protected land. This will enable communications providers to deploy overhead infrastructure in all areas other than SSSIs.

We expect communications providers to look to share infrastructure where technically and commercially viable. In commercial terms, sharing of infrastructure is usually cheaper than deploying new infrastructure and therefore a possibility that we would expect communications providers to exhaust before deploying new overhead lines. This could be the existing BT Openreach network of ducts and poles but could also mean use of the electricity distribution and local access networks. The Regulation 3(4) general requirement for operators to share apparatus, where practicable will continue to apply, but we do not however propose to make this a specific requirement in the revised Regulations in relation to new overhead line deployment.

#### *2b) Cabinets*

We are proposing to permanently remove the prior approval requirement for fixed broadband cabinets except in SSSIs under the Electronic Communications Code (Conditions & Restrictions) Regulations 2003. This is to help speed up the deployment of superfast broadband and reduce uncertainty and delay for communications providers. Removal of the prior approval requirement for broadband cabinets in protected areas does not however remove the requirement for consultation with planning authorities about their siting. As noted previously the general obligation under Regulation 3(1)(b) of the Electronic Communications Code (Conditions & Restrictions) Regulations to consult local planning authorities about the siting of apparatus will continue to apply. In addition to this, under the proposed new arrangements, prior approval will be replaced by the notice requirements under Regulation 5, and will ensure that communications providers notify planning authorities about the deployment of any new apparatus and take notice of their objections if reasonable and proportionate.

Also for the purposes of the proposed relaxation in protected areas we are proposing to extend the range of consultees under regulation 5 to include those that currently exist for protected areas, as set out in Regulation 8 of the Electronic Communications Code (Conditions & Restrictions) Regulations 2003.

"8.(1) When a code operator intends to install electronic communications apparatus in

(a) a national park, the Broads, the New Forest or a limestone pavement area he must give written notice to the planning authority;

(b) a national nature reserve, site of special scientific interest, area of special scientific interest or marine nature reserve he must give written notice to



- (i) English Nature, in England;
  - (ii) Scottish Natural Heritage, in Scotland;
  - (iii) the Countryside Council for Wales, in Wales; or
  - (iv) the planning authority, in Northern Ireland (in the case of a national nature reserve, area of special scientific interest or marine nature reserve);
- (c) a natural heritage area or national scenic area he must give written notice to Scottish Natural Heritage; or
- (d) any land which the National Trust or the National Trust for Scotland has notified the code operator that it owns, or holds any interest in, he must give written notice to its relevant regional office.

### **Monetised and non-monetised costs and benefits of each option**

#### **Option 1. Allow sunset clause to come into effect**

Under this option, the changes made in 2013 will no longer apply after the sunset clause comes into effect and the regulations will revert to their original state before the 2013 intervention.

This option is treated as the baseline, against which the impact of the preferred option is assessed.

#### **Option 2. Remove Sunsetting Provision (Preferred Option).**

During the consultation, we asked industry to provide us with information of the impact they have seen over the last 3 years of the regulatory changes. Specifically:

Question 2 'To what extent have the amendments provided the increased rate of infrastructure installation intended? Please provide numbers of any new poles and overhead lines deployed so far and the numbers of cabinets in protected areas';

Question 3 'Please describe any benefits arising from the changes to the regulatory framework, including any operational and administrative cost savings, or any additional premises covered'.

DCMS received a number of responses to our 2016 call for evidence. However, only BT provided specific and quantitative answers to these questions. Other responses gave helpful qualitative answers, however these cannot be used in the cost benefit analysis.

In their response, BT (an important player in the market, who have a 32% market share in the retail broadband market<sup>3</sup>, offer broadband to almost the whole of the UK, and offer next generation broadband to 68% of premises<sup>4</sup>), set out how they have made cost savings, mainly related to reduced timescales, thanks to the legislation.

This impact assessment will use BT's response to our consultation as the foundation of our cost benefit analysis. We know the saving that BT have made from the policy. From that, we can extrapolate using the size of BT's infrastructure network (68% coverage) to estimate a total benefit to industry.

### **Benefits**

#### *Cost saving to BT.*

In their consultation response, BT stated "the amendments have ensured that planning times are 50% faster, and saved planning fees". They later wrote "We have made cost reductions as a result of savings on prior- approval application fees. In addition, the timescales involved in the previous prior-approval process (56-day decision time) have now reduced to one calendar month, enabling far greater assurance on rollout."

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<sup>3</sup> <http://media.ofcom.org.uk/facts/>

<sup>4</sup> <http://stakeholders.ofcom.org.uk/binaries/research/infrastructure/2014/infrastructure-14.pdf> pp. 20-21

Due to these changes, BT estimate that their “approximate savings to date have been £1.4m on poles and £250,000 on cabinets, totalling £1.65m; this has been reinvested in the programme”. The policy has been in place for 5 years, so we can estimate that BT have benefitted by £330,000 per year.

If we assume that the benefits experienced by BT over the last five years will continue over the next 10 years, then we can assume that the preferred option would benefit BT by £0.33m per year over the next ten years. There is a good chance of BT continuing to invest in infrastructure at the same rate, as they not only expand into the final 5% of premises, but continue to upgrade their current infrastructure network, for example through the rollout of superfast and ultrafast fibre networks.

#### *Scaling up BT saving to whole industry.*

We know that BT currently offer superfast broadband to 65% of UK premises. Virgin Media, the second largest fixed broadband provider (20% retail market share<sup>1</sup>) offer superfast broadband to 44% of UK premises. If we assume that Virgin take advantage of the relaxed planning regulations in the same way as BT have done/will do, then we can calculate a benefit to Virgin.

Size of Virgin relative to BT =  $44 / 65 = 0.677$ .

Benefit to Virgin = benefit to BT \* 0.677 =  $£0.33m * 0.677 = £0.2234m$ .

There are other, smaller firms in the market, such as KCom and Gigaclear, but their infrastructure covers less than 1% of UK premises, so they will not see such a significant benefit from the proposals.

#### *Total benefit to industry*

BT and Virgin Media together own the vast majority of broadband infrastructure in the UK. Estimating the benefit to these two firms combined provides a close estimation of the benefit to industry as a whole.

The total benefit is therefore benefit to BT + benefit to Virgin:

$£0.33m + £0.2234m = £0.5534m$  benefit to industry per year over ten years.

Therefore, total NPV = **£4.76m** (price base 2016, base year 2018 over 10 years).

#### *Non-monetised benefits*

The ultimate objective of this policy is to increase the provision of broadband internet available to UK consumers. As set out above, this could occur through faster rollout where commercial investment is already taking place, through reducing the costs in areas where investment decisions are marginal, and potentially through the savings to firms being invested in new areas. Improving access to broadband has significant and wide ranging impacts on firms, consumers, and the public sector. In 2013 DCMS commissioned a study on the impact of broadband on the UK economy. The Broadband Impact Study estimated that ‘the availability and exploitation of faster broadband will lead to a net annual GVA impact of about £14 billion by 2024, through enhancing the productivity of broadband-using firms’.

#### **Costs**

##### *Cost to business*

In building infrastructure, a firm will necessarily incur costs. However, this policy makes no obligation on firms to invest and build infrastructure, and therefore those costs do not count as direct costs of the policy.

The department does not consider there to be any direct costs to business as a result of this policy.

### *Other costs*

Visual Amenity and Environmental costs: Code operators will remain under statutory obligation to minimise any impact on the visual amenity, but some impact is possible, particularly in relation to new overhead line deployment. All Sites of Special Scientific Interest are exempt from the proposed deregulation.

DCMS received responses to our 2016 call for evidence from, among others, the Country Land and Business Association (CLA), Countryside Alliance, and the National Association for Areas of Outstanding Natural Beauty (NAAONB). The responses were overwhelmingly positive, with the CLA fully supportive of the proposal, and the NAAONB saying that many locations in AONBs have been served with minimal impact on visual amenity.

### **Direct costs and benefits to business calculations**

We have quantified the benefit to industry as £0.5534m per year over ten years. Using the impact assessment calculator, we can estimate the NPV and EANDCB of the preferred option.

Total NPV = **£4.76m**

EANDCB = **-£0.54m**

Note: EANDCB price base 2014, 2015 present value. NPV price base 2016, base year 2018 over 10 years.

Following discussion with the Better Regulation Executive and the Regulatory Policy Committee it was agreed that the removal of a sunset clause was not a regulatory provision in itself. Therefore, this measure and the quantified costs and benefits which flow from it are out of scope of the Business Impact Target and One-In Three-Out. As the measure is not a regulatory provision this impact assessment has also not received scrutiny from the Regulatory Policy Committee, as agreed with the Better Regulation Executive.

### **Risks and Assumptions**

The estimation of benefit to BT assumes that they continue to take advantage of the deregulation at the same rate as they have done in the last five years. The estimation of benefits to industry as a whole assume that Virgin take advantage at the same rate as BT.