



## **Street Works UK response to Department for Digital, Culture, Media, and Sport consultation: *Future Telecoms Infrastructure Review***

As the UK's only trade association representing utilities and their contractor partners on street works issues, Street Works UK promotes best practice, self-regulation and a two-way relationship with Government and other relevant stakeholders. We have an established record of working constructively with government, business and campaign bodies to develop street and road work policies that deliver government priorities and key infrastructure as swiftly and efficiently as possible, with minimum impact on the public.

We represent utilities across all sectors: gas, electricity, water, sewage and telecommunications. In communications we represent the largest operators in the market in Openreach and Virgin Media, as well as their contractor partners, and a range of affiliate companies that provide goods, materials, equipment, and services to the industry.

Street Works UK welcomes the opportunity to respond to this consultation on the government's Future Telecoms Infrastructure Review. We would emphasise the role of street works in enabling new and upgraded network infrastructure, and the impact they have on the economic viability of communications infrastructure projects.

### **1. *What is the existing UK telecoms market structure and policy framework able to deliver?***

- ***When will it deliver, and how certain can we be that it will fulfil the Government's ambitions for full fibre networks and 5G deployment?***
- ***What will this mean for roll-out of these technologies and for competitive models in different geographic locations?***

Rolling out Fibre To The Premises (FTTP) will be one of the largest infrastructure programmes undertaken in the UK's recent history. While the benefits of faster broadband for communities and the UK economy as a whole are numerous and well documented<sup>1</sup>, the rollout itself will require investors and utilities to meet significant upfront costs before returns can begin to be generated.

The National Infrastructure Commission (NIC) has estimated that street works make up between 50 and 60 per cent of the total Capex costs when installing new communications infrastructure.<sup>2</sup> Street works therefore constitute the primary cost for utilities and investors in communications under current market structures.

Much of this cost is avoidable and could be reduced through reforms to the policy framework which would lead to the simplification and consistent application of existing noticing, permitting and lane rental schemes. Communications providers reported to the NIC that street works licences and other consents alone constituted between 10 and 30 per cent of project costs (average 17 per cent). This is

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<sup>1</sup> National Infrastructure Commission, *Future Benefits Of Broadband Networks*, 2017

<sup>2</sup> National Infrastructure Commission, *Investing in a digital Future*, 2017



a significant factor in overall costs which could be minimised.<sup>3</sup> Similarly, there are savings that could be achieved in other areas such as the effective coordination of works by highway authorities.

The high costs imposed by current street works policy reduces the impact of investment in the fibre rollout by increasing the cost of connection per premise. These costs also reduce the economic viability of more remote projects in particular, where more substantial works may be necessary to reach premises.

Improving the policy environment for street works has the potential to spur increased investment in communications, money which can be more effectively targeted on connecting a higher number of premises, while making viable more remote projects which would have otherwise had to be connected through alternative technologies.

**2. *What barriers exist to long term investment in the UK telecoms market (beyond work underway by the Local Full Fibre Networks programme to stimulate demand, and by the Barrier Busting Taskforce to reduce build costs)?***

- ***What effect do existing revenue streams have on investment plans?***
- ***What effect do visibility and predictability of returns have on investment plans?***
- ***What is the effect of current infrastructure deployment models?***
- ***What impact do current infrastructure sharing arrangements have on investment?***
- ***What is the impact of the existing relationship between wholesale and retail markets?***
- ***What changes to spectrum licensing and sharing could foster greater innovation and investment in 5G?***

We recognise the Barrier Busting Taskforce is addressing the issues surrounding build out cost in particular. We welcome their work, seeing it as critical to encouraging investment, and are working closely with them on it. While we've discussed this with them extensively, for completeness sake, these are the issues we would see as priorities to address.

Utilities and their contractor partners currently face a complex policy environment when undertaking street works which can incur a significant cost and compliance burden. Central government and local authorities have consistently introduced new policy measures and regulations which increase this burden. There is a danger the complex policy environment and the introduction of new measures could restrict the attractiveness of long term investment in the industry.

With much of the policy framework – including lane rental and permit schemes – facing a period of review by the Department for Transport (DfT), DCMS should use this as an opportunity to work with the DfT to understand how the policy burden on utilities companies and investors can be minimised, while still reducing disruption to motorists. To encourage investment in the sector, this should include the development of an incentive driven environment to avoid cost penalties for works related to the fibre rollout.

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<sup>3</sup> TACTIS & PRISM for the National Infrastructure Commission, *A Cost Analysis of the UK's Digital Communications Infrastructure options 2017-2050*, 2017



Communications providers' delivery and build speeds are measured by Ofcom with financial penalties for delayed works. This is an overhead cost risk to any build plans. Inevitable delays such as collapsed ducts can also incur financial risk through penalties from highways authorities and the cost for a new work permit. New permits then delay works further by requiring planning to be duplicated, effectively doubling lead times. Authorities should remain flexible, extending permits where there are barriers to works to keep lead times and costs to a minimum.

Policy should also support innovation to incentivise investment. Advances in infrastructure deployment models such as through narrow and micro trenching should be quickly incorporated into regulations to allow for their use. For example, the DfT is currently reviewing SROH regulations which determine how utilities and their partners reinstate street works. To allow innovative practices to develop, this review should prescribe the desired outcome of work rather than dictating the specifics of technical delivery.

**3. The Government wants to consider all market models that will facilitate the next generation of technologies.**

**a. What should Government consider when assessing the potential for migration from copper to full fibre networks?**

- **Over what time period could migration occur?**
- **What phases might migration be required to go through?**
- **What would be the pros and cons for markets and competition?**
- **What would the implications be for different groups of consumers?**

The speed of migration from copper to fibre can often be slowed by a lack of early involvement in the planning process and insufficient coordination on the ground. Local bodies should be encouraged to assist network deployment wherever possible to speed migration. The cooperation of local highways authorities is particularly important for the successful delivery of street works, given their role in coordinating works.

Utilities also face different interpretations of legislation across different authorities which can slow or complicate the delivery of infrastructure. Clarity through national guidelines on the interpretation of rules would help to address this issue.