

Consultation Response

New Build Developments: Delivering Gigabit-capable Connections

21st December 2018

Introductory Note

The Home Builders Federation (HBF) welcomes the opportunity to respond to the New Build Developments: Delivering Gigabit-capable Connections consultation.

HBF is the representative body for house builders in England and Wales. HBF's membership of more than 300 companies build most of the market for sale homes completed in England and Wales, the majority of HBF's house builder members are small and medium-sized enterprises. As the main trade association for the house building industry, our members constitute one of the largest customers who will be affected by the outcome of this review. As such, we trust that appropriate quantitative and qualitative weight will be attached to our response, in particular when crystallising any decisions and/or recommendations arising from the review. Moreover, these comments have been collated from the output from a HBF dedicated working group tasked with the challenge of delivering utilities to new developments.

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Please state whether you are responding on behalf of yourself or the organisation stated above	Trade body representing Developers.

Question 1

Do you have any further evidence on the state of New Build Development connectivity in the UK?

It is felt that there is an undercurrent of negativity expressed within the consultation which paints only a somewhat removed picture of the house building industry. It has been noted by HBF's house builder members, that they already provide the necessary infrastructure for new developments to facilitate the delivery of gigabit-capable technology and that the intervening connectivity infrastructure is exclusively within the hands of the network operators, for them to both deliver the availability and to support the provision of an open access market for consumers of broadband content.

We would add that there are few internet service providers who provide Gb speeds, those that do, offer the service typically at a premium when compared to those customers consuming content at 20-30Mbps.

Question 2

Do you have any information or evidence to suggest that the costs developers would incur under the proposed policy would prevent homes being built?

As noted in 1.23 of the consultation - under the requirements of Approved Document Part R – Physical infrastructure for high-speed electronic communications network, house builder members are already bound to provide the necessary physical infrastructure to facilitate network operators providing the required service.

It is not within the gift of house builders to provide the physical connection from the exchange to the site and is therefore necessary that network providers ensure and support new development in timely, off and on-site connections.

Question 3

We propose that developers would be obliged to provide a simple connectivity plan for their developments to LAs. This plan would demonstrate that developers had consulted with at least two network providers to provide gigabit-capable networks and inform LA's when a site is connected. Do you have any comments on this proposal for a connectivity plan?

Many developers already approach more than just one network provider and, indeed, work with multiple providers where possible through a dual lay opportunity in order to provide the customer choice at a retail level.

This desire to provide greater customer choice through dual lay, is sometimes not made possible because it is often explained that there is no viable commercial model for the network provider, due to the risk of not being able to guarantee and secure new customer revenue.

The challenge is then faced in the construction/provision of additional duct runs, and additional chambers, within an already congested highway, as well as additional optical network terminal points (ONT) in the home.

It should also be noted that most developers actively engage with network providers to provide future visibility of where development is planned to enable the provider(s) to plan for the works accordingly.

Furthermore, the environmental impact is also considered due to the need for additional materials and spoil generated as a consequence of a dual lay provision, which is necessary due to the inability of all network providers being in a position to share one duct, one chamber and the reported high barriers to entry, faced by many internet service providers.

We would therefore suggest that an output of this consultation should seek to place the industry in a position where one duct, one type of chamber, one ONT is provided within the home, and that the customer has a free choice of internet service provision through an open access retail market.

We would also strongly suggest that [Street Works UK](#) is also approached to discuss the potential issue around highway congestion, as this approach is generally considered to represent industry best practice.

In terms of engagement with the local planning authority, we see no benefit at this stage. Indeed, the reverse could apply in that an already overburdened planning system could be made much worse at a time when Government is seeking to streamline the planning process, by removing the need for less than effective planning conditions. We would suggest, and have done so in our previous communications, that network providers should be more proactive and seek to review local/neighbourhood plans to plan for future development and work with Local Authorities on the delivery of key areas earmarked for housing delivery, whilst also considering existing homeowners.

Question 4

a. Do you agree with the assumption that deploying the necessary infrastructure to deliver gigabit-capable networks is best achieved when the site is being built?

Yes

b. What technical specifications should the physical infrastructure (ducts etc) have?	As explained under Question 3, we must get to a position in removing the duplication of infrastructure and provide a platform for an open access market for all internet service providers.
c. Do you agree that developers should deploy, and pay for, the necessary infrastructure from the in-building connections to the boundary edge of the development?	House builder members are already carrying out this infrastructure ductwork and chambers as required under Approved Document Part R.

Question 5	
a. Do you agree that developers should have to engage with at least two network operators who can provide gigabit-capable connections to the development?	<p>As discussed in answer to Question 3, most developers already engage with a number of network providers, in particular, at the crucial land acquisition due diligence stage when evaluating the purchase of new land and development opportunities.</p> <p>It is usual for multiple utility providers, including broadband providers to be approached in order to gain an understanding of what utility service provisions are available and at what cost and timescale.</p> <p>It is felt that this proposal would frustrate the planning process further, and in fact slow down the delivery of new homes. House builders thus pose some questions:</p> <ul style="list-style-type: none"> a. What happens at stage one if the Local Authority disagrees with the developer's choice under the connectivity plan? b. Will the Local Authority just insist on the fastest system being installed irrespective of cost? c. Who will deal with the submission at the Local Authority? d. Will this involve an addition fee payable to the Local Authority such as a discharge of condition? e. Will conditions be added to planning permissions about providing this connection?

	<p>f. How long will the process take to get some form of agreement or acknowledgment from the Local Authority?</p> <p>g. Why does a developer need to demonstrate it has gone to two network operators if one will suffice?</p> <p>It is worth noting that where other network providers are available and can deliver connectivity to the site, the network providers review their commercial model/interest before committing to providing service to the new site.</p> <p>At present, only a small number of superfast services are available on Openreach's fibre to the premise network. Priority should be given to working with Openreach and other major service providers to expand competition on this network, as well as encouraging additional infrastructure.</p> <p>We would also note that local authorities are unlikely to have the in-house skill to properly scrutinise the proposed document and will therefore rely on either a third party (though it's not clear who) or the exercise will become a tick box that does which does not add any real value to the process.</p> <p>There is currently no other utility where the developer is expected to dual lay, it is one gas main, one electrical main, one water and waste water provision therefore question why broadband provision is operated differently in this space.</p>
<p>b. What further measures could we consider to promote the availability of networks from multiple providers at an early stage to minimise costs and disruption?</p>	<p>Please refer to Question 3.</p>

Question 6

Taking £3,000 as a suggested aggregated cost cap per premise, do you agree with the proposed how should costs be divided between developer and operator?

It has been noted that the developer has a requirement to provide the necessary infrastructure to the individual properties and to the boundary edge of the site under AD Part R.

The developer, depending on size of development, may receive a Service on Demand Payment (SoD) which varies from £50 to £200/dwelling depending on the commercial terms and network provider. Some network providers will also provide the ducts and chambers as part of this commercial model, but this again varies with the supplier.

It is recognised that the development itself is providing additional consumer revenue for the providers years to come, which would not have been made available if the development had not taken place and is therefore in effect, gifting the asset to the network provider. Therefore, seeking further financial contribution from developers seems unreasonable, acting essentially as a subsidy to the telecoms industry.

It is also suggested that any additional uplift in cost to the developer could be consumed within a corresponding uplift in the sales revenue. We would strongly disagree with this comment based on developer's vast experience and cite work carried out on the improvement of energy performance of new homes, and which has not seen any uplift in revenue to compensate for the energy saving technology installed.

House builders are price takers, not price makers. The values for new builds are largely determined by the second-hand property sales prices locally. Valuers working on behalf of mortgage lenders are also critical to this and their assessment of what does – and does not – affect house values is important. That is, there is little evidence to demonstrate that like-for-like properties with differing broadband choice or speed will significantly change valuations. We would recommend that DCMS further engages with mortgage lenders and valuers on this matter to add further evidence and practical experience to these discussions.

The consultation also fails to consider that between 25-40% of dwellings on new developments are affordable for which there is limited scope to recover costs from housing associations. Indeed, around half of all new affordable homes are derived from cross-subsidy via private development. Again, it is not clear that these costs will be recoverable from housing associations upon purchase of these new homes. Therefore, the cost would be borne disproportionately by market housing which could increase in cost by as much as £5k.

Question 7

What information and evidence can you provide to help refine the 'in scope sites' policy design choice - aggregated cost cap or number of premises?

We would suggest as an aid to the process, that a statutory notification through the planning application be in place to inform network operators of the development coming forward. This would further support the work already carried out by developers when working through the due diligence process as described previously.

Question 8

a. Do you agree that developers should have the overall responsibility to ensure Gigabit connectivity for their developments (allowing for the fact that developers can oblige operators to connect using the 'duty to connect' provision).

As explained, it is not within the gift of the developer to ensure that the physical connection of the fibre network has been carried out, and therefore is a combined responsibility on both the developer to provide the on-site infrastructure and the network provider to provide service within the agreed timescales for each new development.

b. How would this policy affect small housebuilders?

The same process should apply for all sizes of development. The issue of placing more unreasonable responsibility onto a smaller developer would create further delays in housing provision due to understanding the point of connection process and the expertise required by the developer to physically carry out any work that is required.

SME house builders have declined in number by more than 80% over the course of a generation. The Government has an ambition to diversify housing supply, including through greater contributions from small firms and start-ups. We would strongly oppose measures that disproportionately affect small builders, already facing unpredictable and costly planning system, burgeoning regulatory commitments and a lack of development finance on reasonable terms.

Question 9

Do you have any comments on the proposed legislative approach? Do you have an alternative solution that would deliver gigabit-capable connections to NBDs?

We would seek to ask the question, what engagement is being sought to provide gigabit-capable connection provision to existing homes and upgrade the existing infrastructure, understanding that the new build market contributes a small proportion in relative terms, per year to the overall existing housing stock.

It is also worth noting that the delivery of most of the infrastructure is dependent on backhaul connections provided by the network provider and that in order to improve delivery there needs to be an incentive or some form of redress to ensure that they meet the proposed delivery timescales on developments through penalties. HBF members have reported many experiences of late delivery despite all on-site work being completed.

We would also suggest a sensible approach that could be taken by Government would be to seek to legislate against the use of copper for all new sites, this would go a long way towards addressing the concerns raised within this consultation.

Summary/Conclusion

The HBF is fully supportive of this consultation and would be more than willing to discuss any of the points raised in this response. The underlining message received from the HBF membership is that as industry we want to simplify the system and would welcome the opportunity to work alongside Government where appropriate.

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