



## **Federation of Master Builders (FMB) response to the Department for Digital, Culture, Media & Sport (DCMS) consultation on proposals to mandate that new build homes are able to access gigabit-capable connections**

**December 2018**

### **About the FMB**

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry, and with over 8,000 members, it is the recognised voice of small and medium-sized (SME) construction firms. Established in 1941 to protect the interests of construction SMEs, the FMB is independent and non-profit-making, lobbying continuously for members' interests at both the national and local level.

### **Consultation response**

**Consultation question 1** - Do you have any further evidence on the state of New Build Development connectivity in the UK?

A - No.

**Consultation 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?

A – Based on anecdotal information from the FMB's Home Builders' Group, a policy group made up of members, developers are currently paid between £120 and £150 per unit by Virgin to install fibre-capable infrastructure in new build homes in Nottingham and Cleethorpes, respectively. On sites of over 30 units, the service is offered by BT free of charge, and this is evidence from a developer based in Norwich.

Developers consider fibre connectivity as a standard amenity which they should offer the client, and which will help them to sell the property. However, creating a duty to connect for developers could risk the viability of new build developments, as the proposal that costs could be incurred up to £3,000 per unit is a significant change to existing costs and one which they will struggle to absorb into their projects.

Only [one fifth of builders](#) are able to pass increased costs onto clients, and neither are they able to push these additional costs onto the land value. The experience of most developers suggests that owners of smaller plots of land have a fixed idea of how much the land is worth, are in no hurry to sell, so they are willing to sit on the land until the price is right.

FMB [research](#) shows that there are a number of increasing costs for small construction companies at present, including material prices, skips and diesel costs. The FMB has also produced [research](#) showing that the ever-increasing wage rates in the construction industry, resulting from the skills crisis, are also adding to cost pressures.

Legislating that developers are required to spend up to £3,000 installing gigabit-capable connections would add to these cost challenges and would not be feasibly passed onto

either the client or the landowner. This in particular would affect the viability of rural developments where the infrastructure for connection is limited and unavailable.

**Consultation 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 LAs when a site is connected. Do you have any comments on this proposal for a connectivity plan?

A - The [FMB House Builders' Survey 2018](#), which had 116 responses from SME firms during August 2018, shows that 51% of respondents believe that the planning system is one of the main constraints on their output, and this rises to 52% when those surveyed were asked to look ahead over the next three years. Concerns over the disproportionate cost and delay in bringing small scale developments through the planning system are a consistent feature of this survey. SME house builders have consistently reported that the burden of information required for any given application has increased substantially over time, and this factor was rated the most significant cause of additional cost in the planning process.

While the connectivity plan is promised to be a straightforward document, it still contributes to the substantial amount of paperwork required for SME developers to put forward, and which renders the planning system disproportionately burdensome for SMEs. Developers are not required to provide connectivity plans for telecommunications, and most view that fibre connectivity should be offered as standard to clients where available, just as they do for telecoms.

Introducing the requirement that developers consult at least two providers could cause extra delays in the building process because the connectivity market is not a fair one. It would take a significant amount of time for a provider to send their surveyors to a site, and give a meaningful quote, where the site is located miles from the provider's box. Consulting two providers would cause additional delays in a planning system, and it is already disproportionately challenging for smaller developers.

**Consultation 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?

A – Yes. Delivering connectivity after landscaping is completed is a more expensive process because the garden or driveway will need to be dug up.

(b) What technical specifications should the physical infrastructure (ducts etc) have?

A – The ducting should be just a slightly shallower depth than the phone ducting, i.e. 50mm, and with an in and out.

(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?

A – N/A

**Consultation 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?

A – Introducing the requirement that developers consult at least two providers could cause extra delays in the planning process because the connectivity market in a given area tends to be dominated by one provider. It would take a significant amount of time for a provider to

send their surveyors to a site, and give a meaningful quote, where the site is located miles from the provider's box. Consulting two providers would cause additional delays in a planning system, which is already disproportionately challenging for smaller developers.

(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?

A – Existing commercial contracts provide good incentives for developers to offer gigabit-capable connectivity at an early stage because property buyers are looking for this service when making decisions about purchasing a home. Furthermore, providers are keen to acquire new customers, either now or in the future, and are therefore incentivised to pay developers to deliver the necessary infrastructure at the point of build.

**Consultation question 6** - Taking £3,000 as a suggested aggregated cost cap per premise, how should costs be divided between developer and operator?

A – Qualitative evidence from the FMB's house builder membership suggests that developers are paid between £120 and £150 per unit to install gigabit-capable infrastructure, and on sites above 30 units, BT offer this service free of charge. The cost should remain with the provider. If developers were required to commit up to £3,000 per unit towards installation this could affect viability.

Developers are essentially acquiring new custom for providers, and as such should be rewarded on a commission-like basis. This is all the more important where the network will not be used for years to come, and neither the developer nor the homeowner will benefit from the connectivity infrastructure.

**Consultation 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?

A – N/A

**Consultation 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).

A – No. The FMB believes that existing commercial motivations are sufficient incentive for developers to offer gigabit-capable connectivity at an early stage of the development because property buyers are looking for this service when making decisions about purchasing a home. Furthermore, providers are keen to acquire new customers, either now or in the future, and therefore look to enter into a contract with developers to deliver the necessary infrastructure at an early stage of development, even if the box does not reach to the site at present because it will do so in the future.

Legislation could risk disproportionately penalising SME developers for the reasons outlined in the response to the consultation question 3.

(b) How would this policy affect small housebuilders?

A – The Government is looking to diversify the house building market by bolstering the SME sector. According to National House-Building Council statistics, in 1988 more than 12,000 SMEs were responsible for nearly 40% of all new homes. In 2017, there were only around 2,500 SMEs active in the sector, responsible for just 12% of new homes. These statistics show that there is more to do in terms of removing barriers for SME house builders.

Recent FMB [research](#) shows that the number of costs for small construction companies are on the rise, due to rising material prices, skips and the price of fuel. Further FMB [research](#) has highlighted the ever-increasing wage rates in the construction industry due to the skills shortages. Adding to these already-tight margins by introducing a £3,000 cost per unit for fibre broadband delivery onto the developer could affect viability because of existing rising costs.

In terms of passing costs on, nearly [one fifth](#) of builders pass these rising costs onto clients. Developers are typically not able to pass these costs onto landowners because they tend to have a very fixed idea of the price of their land, and are inclined to not be flexible and wait until the price is right to sell. SME developers would struggle to pass these costs onto the client or the landowner, and are already facing tightened margins. Introducing a £3,000 per unit threshold could threaten the viability of some developments in light of this.

**Consultation 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?

A - The FMB believes that the Government should look to introduce incentives as opposed to legislation to increase the number of connected NBDs. A lot of work has been done to remove barriers to SME house builders but this proposal would put up extra barriers and would introduce disproportionate costs and penalties in the planning system for SMEs. Furthermore, as the number of new build homes are increasing year-on-year, incentives would be a faster route to securing an increased rate of connectivity as opposed to legislation, which is the slowest route.