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21 December 2018

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**Response to Department for Digital, Culture, Media and Sport: New Build Developments:
Delivering Gigabit Capable Networks**

Introduction

We welcome the Government's ambition to ensure that newly built homes are connected to gigabit capable networks during the build process. Developers do not prioritise securing gigabit capable connectivity for new developments, as is evidenced by the continuing low levels of full fibre connectivity in newly built premises. This is particularly concerning in rural areas, where high speed connectivity is increasingly critical in addressing rural isolation and delivering banking and social care services.

To achieve the network coverage goals set out within the Future Telecoms Infrastructure Review (FTIR)¹, this market failure must be addressed. The interventions set out within this consultation are then timely. In our view they are also well balanced; conscious of the dangers of placing onerous conditions on property developers or unreasonable requirements on network operators. We also commend the decision to compel developers to engage at least two network operators when securing the delivery of gigabit capable network infrastructure. This ensures that infrastructure competition is protected, as network operators cannot then create exclusivity agreements with property developers.

Our primary ask is that, in light of the FTIR's commitment to an 'outside in' approach and the likelihood of further full fibre state aid programmes in the future, further consideration is given to how the network operator liability cap would operate within a gap funding state aid programme. Such programmes are currently administered by BDUK and function to use state aid to fund the differential between what the network operator would accept as a commercial investment and the total investment required to connect premises within a (often rural) intervention area.

Background

The UK's Digital Strategy set out the Government's commitment to delivering 'world-class digital connectivity' that is ultrafast, future proof and delivering full fibre speeds to as many households as possible.² DCMS's Future Telecoms Infrastructure Review took this further, setting out an ambition for 15 million full fibre connections by 2025 and nationwide coverage by 2033.

As the UK's largest rural Fibre-to-the-Premises (FTTP) network operator, Gigaclear is committed to delivering on the most difficult part of that ambition; bringing full fibre to the UK's most remote, rural

¹ <https://www.gov.uk/government/publications/future-telecoms-infrastructure-review>

² <https://www.gov.uk/government/publications/uk-digital-strategy/1-connectivity-building-world-class-digital-infrastructure-for-the-uk>

locations. We then welcome the Future Telecoms Infrastructure Review's commitment to a 'outside-in' approach to full fibre rollout, which aims to ensure that full fibre delivery progresses across all parts of the UK at the same pace, so that 'no areas are systematically left behind'³.

Given our shared commitment and ambition, we are delighted to see that Government is looking to address a critical barrier to the efficient delivery of full fibre networks. The most efficient means of delivering gigabit capable digital infrastructure is to lay the network as a new development is constructed. Failure to do so and attempt to retrospectively deliver the network often triples the cost of delivery, resulting in comparatively fewer premises ultimately receiving connectivity. As the property development market has failed to address this inefficiency, we fully support this proposed intervention.

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

Through the process of delivering 20 BDUK contracts, Gigaclear has encountered multiple new build sites located within state aid intervention areas, where improved connectivity has not been considered and the broadband service provided is simply what is deemed appropriate as part of the Universal Service Directive and the Voice Universal Service Obligation. Some proactive local authorities may attempt to see these new build premises included within the state aid network rollout and 'Requests for Change' (RFCs) are raised through the appropriate BDUK process where this is viable. However, more often than not, new builds in live full fibre rollout areas are built without a consideration of the opportunity for gigabit capable connectivity during build.

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?

Costs associated with delivering full fibre networks would be easily subsumed by the increase in the value of the house created through delivering the connection. This is evidenced by research carried out showing that a doubling of speed can add 3% to a house price⁴ and 28% of buyers willing to pay more for a house with a fast internet⁵. It is then likely that any cost incurred by developers under the proposed policy would be wholly compensated⁶.

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?

The process around the Connectivity Plan should ensure that the consultation with at least two operators is meaningful and that competition is genuinely enabled, otherwise the process risks simply endorsing a preferred network operator. The LA should be empowered to scrutinise this tender process to ensure that this is the case, in the same manner as it does for other planning enforcement remedies.

Further clarity should also be provided as to how the 'duty to connect' mechanism is triggered. In particular, measures should be put in place to ensure that developers do not resort to the 'duty to connect' mechanism as a means to simply subvert the tender process and chose a preferred network operator. We

³ <https://www.gov.uk/government/publications/future-telecoms-infrastructure-review>

⁴ <https://www.imperial.ac.uk/news/154966/imperial-study-suggests-that-internet-speed/>

⁵ <https://www.rightmove.co.uk/advice/renter-advice/renter-news/broadband-and-your-new-home/>

⁶ <https://www.ispreview.co.uk/index.php/2018/07/uk-house-buyers-would-reject-homes-with-poor-broadband-speed.html>

would then advise that the LA is best placed to assess when commercial negotiations have failed and a developer can be permitted to trigger the 'duty to connect' process.

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

It is far simpler, quicker and more cost effective to deploy full fibre networks when a site is being built, as opposed to fitted retrospectively. This is often due to easier access during build, as well as avoiding the need to reinstate which comes when conducting retrospective delivery.

The technical specifications of the physical infrastructure delivered should follow established open access requirements, which dictate parameters that permit multiple network operators to use the available infrastructure. These are already well established as requirements of the 2016 State Aid decision covering Broadband in the UK, as administered by BDUK.

We agree that the developer should be responsible for deploying and paying for the relevant infrastructure delivery between the in-building connection point and the boundary edge.

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?
(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?

We agree that developers should engage at least two network operators. However, we recommend that the relevant LA is best placed as to advise which networks may be the most appropriate, as they will have sight of which operators have a footprint in the area of the proposed development. Without this, the developer may reach out to network operators that have no presence in the area, to the detriment to those that do.

Early engagement and greater coordination between network operators, LAs and developers would also assist with driving down costs and minimising disruption.

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

The proposed cost thresholds appear reasonable. However, further consideration should be given to how the network operator liability cap would operate within a gap funding state aid programme, where cost per premise past can often be above the £1000 network operator cap.

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 strongly support cost aggregation as the means of assessing 'in scope' sites. 'Cost per premise past' is a well-established metric that both network operators and developers who proactively engage with network rollout are familiar with. Alternatives mean of defining scope, such as a minimum number of units, would undermine the 'outside in' commitment within the FTIR, which seeks to ensure that rural areas are not left behind as gigabit capable networks are rolled out.

8. 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)? How would this policy affect small housebuilders?

Yes, we agree with this approach. However, the relationship between network operators and developers should be monitored to assess if network delivery works undermines the viability of sites by increasing developer costs through delay.

It is critical to ensure that smaller housebuilders (often delivering smaller developments) are not excluded from this remedy, as it is smaller developments that are often the costliest to deliver fibre networks to retrospectively/after build. As explained above, this should not be viewed as a 'burden' as gigabit connectivity increases the value of the development so should have a net positive financial impact for small housebuilders.

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?

The proposed legislative approach appears reasonable and justified given the evidenced property development market's failure to prioritise the delivery of full fibre networks within new builds during the build process, particularly for smaller developments in rural areas.