



## UK CHAPTER MEETING

### INVESTMENT IN NETWORKS: WHAT'S HAPPENING ON THE GROUND, AND WHAT CAN WE DO (OR NOT DO) TO HELP? LONDON, 1 JULY 2019

Chaired by **Richard Hooper** CBE (Broadband Stakeholder Group UK), the IIC UK Chapter meeting began with Openreach, the UK's main wholesale provider, showing the state of the art in the UK and their future plans.

#### KEYNOTE

**Clive Selley**, CEO, **Openreach** explained that the company embarked on a new programme to deliver superfast connectivity to the whole of the UK through its fibre-build programme. Its contribution is both about building a new network and about facilitating others to build. As well as putting together the foundation for a Brexit-proof comprehensive building plan (including adding thousands of new hires in the UK and ensuring appropriate skillsets are in place), the company has many new building projects taking place simultaneously in various places. There are 20 new fibre centres and £2bn were spent in the current financial year - a very substantial increase in capital expenditure. Openreach is building at scale in rural areas, with government subsidies to help, and is currently testing feasibility in smaller towns (starting with NI). The Government set a target of 15M connections by 2025, a goal that Openreach is confident of achieving, and one of full fibre coverage by 2033. The company is committed to deploying 4M FTTP connections by March 2020. Initially, the deployment strategy was to use the existing network to deliver fibre in urban areas, but now the company is working on new areas and new solutions – also looking at international best practices. The government stated that their policy focus is to bring down barriers to investments but there are still great obstacles – improvements in access to MDUs, road work authorizations and wayleaves are still taking place at snail pace. Policies to help demand are also urgent. Mention was made of the cumulo tax, where tax is paid on physical infrastructure and, with projects taking 20 years before value is realised, that is difficult for investors to swallow. Government was called upon by all the panel to make industry involvement and commitment a smoother process.

Finally, regulatory stability and a pro-investment stance were required so that shareholders can recognise the value they are getting for their money. Equally, there needs to be a debate on value generation - customers taking up services and providers making a fair return.

#### PANEL

**Reinold Krüger** (Vodafone), **Wenbing Yao** (Huawei) **Brigitte Trafford** (Virgin Media) and **Richard Feasey** (National Infrastructure Commission for Wales), provided additional viewpoints, some of which included research which showed infrastructure in the UK was not at a standard that one would expect. This meant that the UK was falling behind in certain areas, such as the deployment of 5G.

In response to the questions from the audience the panel discussed the best policies to foster investments in new networks and echoed the view that the Government could be a lot more robust at reducing cost. Policymakers (not just regulators) need to provide stronger policies to facilitate

building works, looking at returns on capital and investment conditions. While different countries will require different policies, a recently commissioned study on the subject concluded that spectrum licensing is mediocre in the whole of Europe. Easier (or even mandated) access to Multiple Dwelling Units, revised wayleave regime and simpler/harmonized authorization processes from local authorities were among several key steps listed by speakers. Other suggestions included fiscal incentives/tax cuts for firms investing in fibre and, especially, a comprehensive digital strategy that looks at all players/parts involved. Not everyone was confident about a number of parallel infrastructures being able to survive, and some speakers suggested that public intervention may need to be significantly larger than it is currently anticipated.

It was imperative that both government and regulators recognised the various issues in play as policies are made (for example, risk of overbuild was cited as an element that could deter investment). Some on the panel argued that capital is coming in to the country, and all looked, again, to government to help the reduction of costs, and to offer a stable environment for both investment and build.

Q&A
<p><b>What is the biggest concern for investors?</b></p> <p>Competition comes not just from other operators deploying similar networks, but also from other technologies enabling the same service: the key ingredient is building the right environment for investments: stable, predictable regulatory consistency with a pro-investment stance. Governments need to emphasize that digital infrastructure will enable advances for society at large, not just new or faster entertainment services. If we keep thinking of adding up a bit of competition, or just building in some areas <i>“we may realize, years after, that it did not work”</i>. There needs to be a debate on value generation - customers taking up services and providers making a fair return. Policies to help demand are also urgent, for example better business rates to help business customers take up fibre products. Regulatory certainty and a pro-investment stance are also necessary to allow investors and companies to undertake these long-term projects. However, there also needs to be public recognition that costs might vary geographically and that may impact retail prices – this may not be politically comfortable but is a reality. These economic policy issues must be taken seriously.</p>
<p><b>What are the best policies to support demand?</b></p> <p>There is no silver bullet, and not one size will fit all. The focus should be on investment/infrastructure competition and economics in the market, with a recognition that not all markets are the same. But a range of policies can work well. For example, a gigabit voucher scheme which subsidizes build is good idea, and the customer gets to choose. Copper network switch off would also help boost the market.</p>
<p><b>What more could be done to deliver digital?</b></p> <p>New builds/buildings need to be mandated to be built digital-ready. Achieving universal superfast connections will require a massive concerted effort. Policies need to consider the demand side, as well as facilitating network investments, they need a strong vision to drive those efforts, and public money to support the private sector-led efforts. Customers care about the services and demand must be encouraged, as well as build.</p>