

ISPA evidence to the Environment, Food and Rural Affairs Committee inquiry into Rural Broadband and digital only services

1. About ISPA

- 1.1. ISPA welcomes the opportunity to contribute to this inquiry into rural broadband, with our membership working hard to deliver connections across the UK, including many focussed predominantly in rural areas.
- 1.2. ISPA is the trade association for Internet Services Providers (ISPs) in the UK, with over 200 members, 90% of which are SMEs. Our members cover the whole spectrum of access provision in the UK using FTTP, FTTC, wireless and satellite connections at a wholesale and retail level. They play a critical role in delivering broadband and internet services across the UK to consumers and businesses.

2. Introduction

- 2.1. ISPA's members are at the forefront of broadband roll out, working across the UK to extend and upgrade networks in the most rural communities. In July 2018, the Government set out their own plans for the future of the market in the Future Telecoms Infrastructure Review (FTIR), which highlighted the importance of not leaving rural areas behind. The "outside-in" approach was welcomed by ISPA's membership, many of whom are already building full-fibre networks in the hardest to reach areas.
- 2.2. ISPA would like to highlight the vast amount of progress made in the last four years since the Committee's previous report. Great strides in technology and investment have been made since 2015 which have allowed ISPA's membership to deliver increasingly quick and reliable rural broadband.
- 2.3. Whilst substantial progress has been made, there is still a lot more to do and there are several ways in which the Government can better support the industry to accelerate rollout through an ambitious regulatory reform programme, including:
 - **Removal of barriers:** The industry requires a reform of wayleaves and more needs to be done to make fibre connections standard for new build developments.
 - **Fibre Tax reform:** In order to fully unlock rollout plans, industry requires a comprehensive review of broadband business rates. In the absence of reform, an extension of the current rate relief is required.

3. Progress

- 3.1. Since the previous Committee inquiry in 2014/5, significant progress has been made to superfast coverage across the country. Industry has worked consistently to deliver increasingly quick speeds, with many of ISPA's membership focussing on rural areas.
- 3.2. Statistics from Ofcom's Connected Nations Reports have shown that Superfast Coverage has increased to 95%¹ from 75% in 2014². The most recent update has also shown that Full Fibre Connections are now available across 1.8 million premises and increasing at a startling rate – 300,000 premises added from December 2018 to May 2019.

¹ Ofcom, [Connected Nations Report](#), 2019 p3

² Ofcom, [Connected Nations Report](#), 2015, p1

3.3. Furthermore, the levels of private investment and announced rollout plans from industry show the scale of commitment of the industry to a full fibre future that will have a concerted impact on rural communities. These plans could be even further accelerated if there was an overarching strategic commitment from Government across departments to fully address the magnitude of the challenge faced by industry.

4. What are the barriers to delivering superfast broadband and improved mobile phone coverage in rural areas at an affordable cost to consumers?

4.1. There are still a wide range of barriers which prevent our members from rolling out broadband as quickly and widely as they would like. These include, for example, regulation around street works. Progress has been made in this area, e.g. the recently announced plans to reform the Specification of the Reinstatement of Openings in Highways standards, but we do believe that the potential introduction of lane rental schemes across the country risks slowing down rollout due to additional cost and administrative burden that is put on providers. More specifically, we believe that action around wayleave legislation and new build connectivity is needed.

Wayleave legislation

4.2. The Government consulted³ on proposals addressing access to buildings to connect tenants requesting a service when faced with an unresponsive landlord. ISPA's members have welcomed⁴ these proposals as a key driver to help accelerate rollout, though in their current form this is likely to largely impact urban and more densely populated areas where Multi Dwelling Units are more common.

4.3. ISPA members are keen to ensure that this legislation is brought forward with further clarity on a number of areas that ISPA hopes to be addressed in the Government's response:

- Health and safety procedures and standards
- Timescales and administrative burdens of a court process
- The temporary nature of court-granted access
- Interpreting the legislation for third-party land

4.4. Throughout the Consultation process ISPA has outlined the significant impact this legislation could have if broadened out to apply in rural scenarios. This legislation could be used to apply to situations where an absentee freeholder may not impede an ISP from connecting a tenant on that property, but rather from building a network in the most effective and efficient way to reach properties further away.

4.5. Currently, absentee freeholders force network builders to make suboptimal decisions, re-routing a network across roads for example to avoid going via a third-party property. This leads to greater disruption of the local community, further uncertainty for those expecting connections, and increased costs for the operator, fundamentally impacting on the huge task of delivering nationwide fibre coverage by 2033.

4.6. Expanding the wayleave proposals to include third-party land would therefore allow rural communities to benefit from the same barrier busting measures as those in urban areas and allow providers to more quickly and cheaply extend their rural networks.

³ DCMS, [Ensuring tenants' access to gigabit capable connections](#), 2018

⁴ ISPA, [Response to DCMS consultation on ensuring tenants' access](#), 2018

New Build Connectivity

- 4.7. The DCMS consultation on New Build connectivity⁵ is another key area where the industry would like to see a full commitment from Government to encourage roll out in a joined-up way by taking forward the proposals.
- 4.8. New builds present a clear opportunity to make fibre capability standard. There is a pressing need to ensure that this is considered at the earliest stage possible in the planning and building process to avoid the costly and often disruptive retrofitting process. This does not have to be limited to large housing developments, but also business parks and smaller developments, often in rural areas, where connectivity is so important, yet so often forgotten.
- 4.9. ISPA's members welcomed the measures set out in the consultation⁶ and the attempt to ensure connectivity is central to the building process, although further clarity is required regarding the negotiation process.
- 4.10. To have the biggest impact on rural communities, where many new housing developments are being built, the Government should mandate for the agreement of a connectivity plan with providers to be a condition of planning permissions. This would apply appropriate pressure to ensure that negotiations move forward, and that connectivity is factored in at the earliest stage.

5. Questions 3: Is the current Universal Service Obligation (USO) adequate for the needs of rural communities and businesses and will it be effectively delivered? Given technological developments, including provision of 5G, will the USO provide the necessary level of connectivity for rural areas in the next decade?

- 5.1. We will leave it to our members to comment in detail on the USO but believe that a joined-up approach to broadband rollout is most critical in rural areas due to the variety of interventions that have the potential to cut across one another. This will be increasingly important as Government and Ofcom bring forward plans for the least competitive regions. In this context, further clarity on how they will interact with one another, the USO, and other state aid programmes is crucial.

6. Question 4: Are the Government's recent policy and funding announcements for improving digital connectivity adequate for rural areas, and how robust are the plans for delivery?

- 6.1. Government's recent policy and funding announcements are welcomed by our members and have helped to improve the business case for rollout, particularly in rural areas. However, there is a real risk that a lack of joined-up thinking from Government will curtail investment as the business rates levied on broadband infrastructure have a significant impact.

Fibre Tax

- 6.2. Business rates have a huge impact across the economy, particularly in the telecoms sector, where they are particularly complex, and the fibre tax acts as a clear disincentive for investment. By taxing

⁵ DCMS, [New Build Developments: Delivering gigabit capable connections](#), 2018

⁶ ISPA, [Response to DCMS Consultation on new build connectivity](#), 2018

the ultimate foundations of the digital economy, the Government is failing to take account of the crucial role connectivity has in underpinning the economy, both today and in the future.

- 6.3. The Telecommunications Infrastructure (Relief from Non-Domestic Rates) Act 2017 provides five years of 100% business rates relief for all newly built fibre from April 2017-2022. This was welcomed by the industry as an encouraging initial step, however, there is concern that the impact will be short-lived. Fibre infrastructure projects are planned with timelines of 15-20 years to recoup the investment made, meaning that a five-year window will only have a limited effect.
- 6.4. Extending this relief would incentivise fibre build across the country and have a marked effect on the business case, especially for projects in rural areas where the cost of deploying infrastructure is already high.
- 6.5. The business rates system must cohere with wider Government strategy for the sector and alongside an extension to the relief, the Government must commit to reviewing the current system for telecoms. As a sector quite distinct from other applications of business rates (i.e. to buildings), this could be done with little impact on the wider system. The wider benefits derived from the roll out of high-speed broadband infrastructure are considerable and help businesses across sectors and on the Highstreet to thrive.
- 6.6. ISPA would urge Government to review the current system to ensure rates are applied in a simple, transparent, fair and predictable way applied consistently across operators. The differing business rates regimes across the industry will become an increasingly critical issue as the number of available networks increase and ISPs look to switch across platforms. If rates continue to be levied as they currently are by the VOA, the same piece of infrastructure could be differently rated depending on who owned it and how it fitted into their wider network, which could create an anti-competitive environment.
- 6.7. Re-evaluating fibre taxes will allow Government to properly incentivise fibre rollout, which underpins productivity and economic growth. Therefore, any reduction or continued rates relief will still derive higher overall economic output and benefit.
- 6.8. In the absence of any reform, it is vital that Government extends the current rate relief to properly match the investment cycle for broadband infrastructure – the current 5-year limit is simply too short to properly incentivise investment.

7. Conclusion

- 7.1. Broadband provision has come a long way since the Committee's last report due to the continued efforts of the industry to improve and expand networks. There is still more to do, particularly in the most rural areas, where FTTP provision would unlock economic opportunity for many.
- 7.2. Industry is committed to rolling out next generation networks across the country, with a clear focus on the hardest to reach areas. This commitment must be matched by Government, with an ambitious, rounded and coherent approach to support industry to meet the FTIR full fibre ambitions.

- 7.3. This requires support from across Government. DCMS has put in place a good support framework for the industry, but action so far has not been as bold and ambitious as it needs to be. Given that broadband rollout is largely privately funded, the industry would like to see a stronger commitment not just from DCMS but also MHCLG, the Treasury and local government to remove barriers and enable investment.
- 7.4. This strategy must encompass a consistent approach to business rates, mandating fibre to new build developments and extending current proposals around wayleaves to apply in a rural setting. These changes are needed, fast. Industry is ready to meet the challenge of nationwide fibre coverage by 2033 and calls on the Government to act decisively to support them as they embark on this huge infrastructural challenge.