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## **Written evidence submitted by the Internet Service Providers' Association (ISPA)**

### **ISPA evidence to the Digital Culture Media and Sport Committee inquiry into Broadband and the road to 5G**

#### **1. About ISPA**

1.1. ISPA welcomes the opportunity to contribute to this inquiry into the future of broadband and 5G in the UK. Our membership is working hard to deliver connections across the UK, and we look forward to engaging with the Committee throughout the inquiry.

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, HFC, wireless and satellite connections at a wholesale and retail level. They play a critical role in delivering broadband and internet services across the country to consumers and businesses.

#### **2. Introduction**

2.1. The Government has rightly set an ambitious target for the industry to achieve nationwide roll-out of gigabit-capable connectivity by 2025. This ambition further highlights the position of telecommunications as the cornerstone of our daily lives and the economy. Broadband roll-out is largely funded through private investment and our members are ready to meet the challenge and are scaling up roll-out programmes.

2.2. The performance of the UK network throughout the COVID-19 crisis strongly shows that the UK networks have the resilience and capacity to keep the country connected. Evidence from our members and Ofcom<sup>1</sup> clearly shows that the UK's telecommunications network is coping well with the extra demand that is currently placed on them. Furthermore, our members have worked with Government to put in place special measures for vulnerable consumer and NHS frontline workers. This should not distract from the need to further upgrade the network to become gigabit-capable at a national level, but it does underline the fact that our members networks provide the backbone for the UK's world leading digital economy.

2.3. ISPA's members have relied on key parts of their workforce being able to continue to travel to work throughout lockdown, adhering to all social distancing rules where possible. This work has been

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<sup>1</sup> Ofcom [Broadband networks stand firm during pandemic](#), May 2020

essential to provide help to consumers in call centres, maintain, repair and build networks and to connect customers to the network. We therefore welcome the Committee acknowledging the importance of telecoms workers throughout this crisis.

2.4. While we have seen some local authorities calling on providers to make the most of the less busy roads and increase the pace of roll-out, we have heard of numerous examples where roll-out has been stopped. While we understand the underlying concerns for the decisions, this only further exacerbates the barriers detailed here and highlights the need for ambitious and strategic measures to overcome them.

2.5. Our evidence seeks to highlight both the specific barriers faced by providers as well as the challenges derived from relationships between various stakeholders, and the wider environment our members operate in. The cross-cutting nature of network roll-out – across national and Local Government boundaries, Whitehall departments and dense urban and remote rural locations – presents a unique challenge. The industry has been working hard to accelerate roll-out, but even without the context of COVID-19, the Government’s ambitions are a huge engineering challenge, which should not be underestimated.

### **3. How realistic is the Government’s ambition of nationwide gigabit-capable broadband by 2025, and what measures (regulatory, financial, technical, other) will be needed to achieve it? And what are the challenges to the roll-out of 5G and gigabit-capable networks? To what extent do existing legislative, regulatory and spending plans address them?**

3.1. The Government’s target of nationwide gigabit-capable connectivity by 2025 is indeed ambitious. The industry is already accelerating roll-out plans to extend their networks as widely as possible in the coming years. To continue to scale up operations the industry will require concerted and coordinated support from across Government departments, the regulator and other stakeholders.

3.2. The timeline outlined in the Government’s ambition is particularly pressing, and considerable progress is needed urgently to address barriers to roll-out. To appropriately tackle these issues in the timeliest way, the Government must take a more coordinated leadership role across departments and other stakeholders including local government.

3.3. The key barriers to the acceleration of broadband roll-out include:

- Wayleaves
- Business rates
- Streetworks
- Skills
- Regulation

#### **Wayleaves**

3.4. The current provisions for telecommunications operators installing connections into homes in the Telecommunications Infrastructure (Leasehold Property) Bill, are only a small first step to address the wider challenges posed by wayleaves.

3.5. Whilst the Bill seeks to address a very specific scenario where unresponsive landlords can cause undue delay to connections, it does not tackle many of the issues around wayleaves more generally, which will continue to pose barriers to the deployment of gigabit capable infrastructure.

- 3.6. This includes where landlords are responsive but uncooperative and refuse access on any grounds they chose. This legislation is therefore considerably diluted from the original policy ambition set out in the Future Telecoms Infrastructure Review. This makes the case for telecoms operators' "right to entry" to be brought in line with the gas, energy and water sectors, and states that "We [Government] do not think it is acceptable for landlords to be able to deny their tenants a service if an operator is prepared to provide it." <sup>2</sup>
- 3.7. Another key area where the Bill fails to make an impact is in situations where an unresponsive landlord impedes wider network roll-out rather than specific connection to a tenant. This is particularly the case in rural scenarios given the focus of legislation has thus far been on multi-dwelling units (MDUs) which are predominantly found in urban settings.
- 3.8. Given the specific challenges of building networks in more remote areas, and the need to reduce digital divides across the UK, ISPA would encourage Government to expand the scope of measures so that when faced with choices, such as whether to cross a river, road or rail line or to route a network via a third-party property, operators are not forced by irresponsible landlords into suboptimal decisions, often leading to greater disruption, delay and worse economic outcomes.
- 3.9. Irrespective of unresponsive landlords, securing a wayleave remains a significant barrier for many providers across the country. Actions to increase education to landlords, and more effectively encourage them to engage meaningfully in the process are needed if targets for roll-out are to be met. Action should also be taken to reduce the administrative, legal and financial burden of negotiating wayleaves and to allow the easier sharing to the purpose of upgrading and extending telecommunications networks.

***3.10. We urge the Committee to take forward the recommendation to Government to undertake a comprehensive reform of the wayleave regime for telecommunications infrastructure at a minimum to address unresponsive landlords in urban and rural settings, including third party land.***

### ***Business Rates***

- 3.11. Business rates have a huge impact across the economy, particularly in the telecoms sector, where they are especially complex, and act as a clear disincentive for investment. Fibre optic cables and other parts of the telecommunications infrastructure provide the ultimate foundations of the digital economy. By treating these assets in the same way as business premises, the Government is failing to take account of the crucial role connectivity has in underpinning the economy, both today and in the future.
- 3.12. 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. The costs for deploying infrastructure are very high, with operators consistently building ahead of demand making the business case even more marginal.
- 3.13. The end of the current rates relief in 2022 seems to come in direct contradiction to the Government's stated target of nationwide gigabit coverage by 2025 – just at a time when the sector

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<sup>2</sup> DCMS, [Future Telecoms Infrastructure Review](#), 2018, p 30.

will need to speed up roll-out significantly, the end of the relief will have a significant dampening impact. To properly incentivise investment, an extension to the rates relief is therefore a crucial component in improving the sectors chances of hitting the 2025 target. The relief should also be expanded to accommodate all infrastructure involved in the building of new gigabit capable networks. Limiting the relief to fibre only goes against the Government's technology-agnostic approach for gigabit capable broadband rollout.

3.14. If the UK Government wishes to achieve their ambitions for the UK's connectivity, they must cohere the business rates system with their wider strategy for the sector. In the medium term, this should include a wider reform of the rating system for the telecommunications infrastructure which is unnecessarily complex.

***3.15. We urge the Committee to recommend that Government align the rating system for telecommunications infrastructure with the overall ambition of achieving national gigabit coverage by 2025. This should include an urgent extension of the current relief period and consideration of wider reform.***

### **Streetworks**

3.16. ISPA's members have repeatedly drawn attention to the need for a consistent approach to streetworks and permitting across local authorities. As such, the introduction of Street Manager in an attempt to modernise and update existing mechanisms is encouraging. It should be noted, however, that the implementation of permit schemes or additional communication functionality, for example, are not directly addressed by this change. The importance of consistency in streetworks to the ability of broadband operators to extend and upgrade their networks nationwide makes the need to manage this transition even more critical, particularly if the Government's ambitions for the sector are to be met.

3.17. Furthermore, ISPA's members are keen to ensure that permit or lane rental schemes are not used by local authorities to generate fee income in excess of their costs as stipulated in regulation. ISPA would therefore recommend that additional guidance is issued to highway authorities requiring an annual review of fee income against allowable costs to be undertaken, with any surplus used to reduce fees charged in subsequent years

3.18. ISPA's members were encouraged with the shift in approach towards innovation in the most recent update to the Standardisation of Openings in Highways (SROH). This includes the use of new materials and allowing techniques trialled in one authority to be used across the country without individual trials and negotiations. Given that the roll-out of telecommunications networks often spans many authorities and regions this is particularly important and underlines the need for coherent policies towards streetworks and network roll-out across local authorities.

3.19. Overall, we believe that a more consistent cross-local authority approach to streetworks would be welcome and help to speed up rollout programmes that frequently cross local authority boundaries. The response from local authorities to COVID-19 exemplifies this as some Councils have tried to stop roll-out programmes while others have tried to encourage an expansion. Given that we are looking at a national rollout ambition, and in the context of delays due to COVID-19, a more coordinated approach to streetworks is essential.

3.20. This extends to Whitehall Departments, and the inter-relationship between DCMS as the lead digital department, and DfT where streetworks policy sits. More coordinated working practises between the departments are key to delivering on the 2025 target.

**3.21. ISPA would recommend Government seek to reduce the burden of streetworks on infrastructure roll-out by minimising inconsistencies in local authorities' treatment of the applications from the telecommunication sector and committing to annual reviews of revenue generated from permit and lane rental schemes used by Local Authorities.**

### **Skills**

3.22. Given the rapid acceleration of infrastructure deployment needed to reach targets, and the geographic spread, it is likely that an increase in the number of engineers will be needed to keep this pace.

3.23. While the sector is investing strongly into recruiting, educating and training a UK workforce, the impact that the UK's future immigration systems will have on the country's capacity to build networks must be considered. In light of the Government's new Immigration Bill, the industry is concerned that the proposed points-based system, including salary thresholds, would prevent the necessary engineering skills from entering the UK.

3.24. To mitigate the potential shortfall in labour supply, the Government should seek to add those engaged in network build to the shortage occupation list, thus reducing the salary threshold and enabling those with the right skills to enter the workforce at a time when they are most needed.

**3.25. We urge the Committee to recommend that Government fully support network build through its future immigration system, including through the appropriate consideration of that sector in the shortage occupation list.**

### **Regulation**

3.26. The regulation of the telecoms market is naturally a complex endeavour and the industry works closely with Ofcom to ensure that this is delivered in a proportionate and targeted way. There is a clear need to align Government and regulatory policy if the target is to be met. The Statement of Strategic Priorities to Ofcom is one such tool the Government can use under the Digital Economy Act, but this must be appropriately considered by the regulator to have any real impact.

3.27. There are some concerns, however, that Ofcom currently runs the risk of effectively overloading the industry by concurrently running significant consultation exercises and industry engagements. ISPA's memberships would also highlight the tendency, particularly in consumer regulation to layer interventions on top of one another at pace rather than allowing regulation to appropriately bed in. ISPA would therefore welcome if Ofcom and Government adopted an iterative process that fully considered the impact of interventions and voluntary measures before proposing and implementing further changes to ensure this is as measured and targeted as possible.

**3.28. ISPA encourages the Committee to recommend that both Government and Ofcom take a proportionate and iterative approach to regulation that fully takes account of the impact of previous interventions and voluntary measures, and how those might affect gigabit capable broadband rollout.**

**4. How effectively do the different stakeholders (UK and devolved governments, local authorities, Ofcom, industry) work together in both the mobile and broadband sectors? How might these relationships be improved to support gigabit-capable roll-out?**

- 4.1. The roll-out of broadband infrastructure relies on the coordination of many different stakeholders, from different central government departments to local authorities, and landlords, all of which can have a huge impact on a project.
- 4.2. In this context, and given the scale of the Government's ambition, ISPA's members are keen to see a coordinated approach from central Government to these challenges. 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. Recent legislation concerning both wayleaves and business rates have been tentative, and "good first steps" to help solve key barriers. The Government must commit to supporting the industry with more comprehensive measures if it hopes to reach its 2025 ambition.
- 4.3. Given that broadband roll-out 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. A truly cross-Whitehall commitment is necessary to enable industry to accelerate roll-out most effectively.
- 4.4. Alignment between the Government vision and the regulator is another aspect which is important for the Committee to consider. Following the first Statement of Strategic Priorities (SSP) to Ofcom after the Digital Economy Act 2017, DCMS gave a steer to the regulator around its aims set out in the Future Telecoms Infrastructure Review (FTIR). Whilst the independence of the regulator is important, the alignment of strategic aims remains crucial, and ensuring that Ofcom's continued work to regulate the sector appropriately marries Government strategy is encouraged by the industry.
- 4.5. Outside the public sector, the relationship between landlords and operators is very important, and one which ISPA members are keen to protect and continue to nurture. As indicated in the Telecoms Infrastructure (Leasehold Property) Bill, the negotiation of wayleaves and access to buildings to connect tenants is frequently delayed due to both absentee and unengaged landlords. ISPA believes that continued dialogue and education are key to increasing understanding amongst landlords of the benefits derived from better connections. The consistent delays caused by wayleaves, however, shows that further intervention from Government could be used to both inform and incentivise landlords to engage in a timely manner.
- 4.6. ISPA's membership also note that local authorities are often large landlords in their respective areas and should consider leading by example to enable the installation of upgraded connections, including around wayleaves and access to buildings. Alignment across local authorities on other barriers is also crucial – particularly around streetworks as indicated above.

**4.7. We urge the Committee to take forward the following recommendations to Government:**

- *Take forward a coherent and coordinated Government strategy that encompasses all Whitehall departments that have a direct impact on network roll-out, with a clear strategic lead from DCMS.*
- *Engage in a meaningful way with Ofcom to ensure alignment of Government policy direction and regulatory action.*
- *Consider further interventions to ensure landlords are appropriately incentivised to engage with operators, including guidance on standard wayleaves, as well as using Local Authorities to spread best practise examples.*

**5. What needs to happen to ensure the Government's 'outside in' approach successfully addresses the digital divide while also delivering value for money?**

- 5.1. The fine details of the 'Outside In' programme and, in particular, the procurement process are still far from finalised, and as such ISPA will not make specific comments around its design, however, there are several principles that should be considered. These include designing a process that is both transparent and fair, which is designed with continued input from the industry to ensure it is a system that can work for all. Moreover, ensuring that any public subsidy is focused on truly non-competitive areas, thus avoiding overbuild remains important.
- 5.2. A project of this size and scale will require input from the full breadth of the industry and it is therefore imperative that any processes work for all, including the national players and those with a very specific regional scope. Ensuring the process remains transparent and is not too onerous for the full range of providers will therefore be key.
- 5.3. It is also important to ensure that 'outside-in' does not exclusively focus on rural communities, and that the digital divide in more urban areas is not overlooked. This includes connectivity to business premises, including business parks and highstreets, making the focus on all properties as opposed to 'residences' a clear priority.

*5.4. ISPA urges the Committee to recommend that the mechanisms created to deliver the 'outside-in' approach adhere to the principles of transparency, fairness and are created with considerable industry input and consultation.*

## **6. Question 4: What does take-up of broadband and mobile services indicate about consumer and business attitudes to digital connectivity? What needs to be learnt from this for the roll-out of, and switchover to, gigabit-capable networks?**

- 6.1. The telecoms industry in the UK has consistently sought to build ahead of demand on the basis that take up will increase as faster speeds become more widely available and ubiquitous. Furthermore, in the current uncertain times, the importance of a strong home internet connection has been further underlined. While there is a strong market willingness to pay for high quality connections, the capacity increase of moving to a gigabit-capable connection is significant and this issue needs to be kept under review to ensure that consumers get the best possible benefit while enabling providers to achieve a return on network investment.
- 6.2. Building ahead of demand does however throw up some challenges when presenting the business case for new investment, especially with the acceleration of the target from 2033. This is particularly the case in the context of fibre business rates and the upcoming cut of the moratorium. Investing in infrastructure that will have a long pay off – over 20-30 years in many cases – makes such taxes a considerable burden. As outlined above, the extension of the fibre rates relief is a key way to reduce this barrier and enable further investment in gigabit-capable network roll-out.

## **7. Conclusion**

- 7.1. ISPA's recommendations cover the breadth of the numerous challenges faced by telecoms providers whilst rolling out networks. The variety of barriers faced in the process underline the scale of the challenge, and the need for a clear commitment throughout all levels of Government to supporting the industry as it endeavours to take this on.

ISPA's members seek a firm shift from Government to unlock this potential in the recommendations listed above, including further action on major barriers including wayleaves and financial disincentives such as business rates, as well as tackling key issues in the inter-relation and coordination of the many stakeholders involved, notably Local Authorities, Ofcom and landlords.