

## Written evidence submitted by CityFibre

### 1. Overview of Progress

- 1.1. CityFibre is the UK's largest independent digital infrastructure platform with a £4bn investment programme already underway to bring Full Fibre to 8m homes and businesses across the country. Despite our name, we also intend to play a major role in delivering significant rural coverage and have been in detailed discussions with BDUK throughout the Market Engagement process.
- 1.2. As a core manifesto commitment, and cornerstone to the Government's ambitions to Level Up the UK, accelerating the rollout of next-generation digital infrastructure across the country has never been more important, particularly in the context of the pandemic.
- 1.3. Over the last few years there has been a significant shift in the pace at which Full Fibre has been rolled out by operators, including CityFibre. In the year since the Committee's report, we've seen operators from right across the industry announce and expand their build plans across urban and rural environments.
- 1.4. There is clear evidence, however, that even with the ramping up of commercial delivery, there will still be a significant portion of premises across the country which will only gain a gigabit connection via Project Gigabit and public subsidy.
- 1.5. We are fully supportive of Government's strategy to upgrade the hardest to reach parts of the UK in parallel with the rest of the country. This is the only way to avoid exacerbating the digital divide between urban and rural areas, with those in rural communities left waiting for serviceable connections once again whilst others reap the benefits and opportunities afforded by a Full Fibre network.
- 1.6. Allowing this disparity to grow unchecked runs completely counter to the Government's flagship policy to 'Level Up' all communities, not just those in larger cities or towns. To achieve this BDUK must press ahead with their programme as a matter of urgency. We believe that the Programme, as designed, will deliver the Government's objectives of pace and good value for money through a competitive process.
- 1.7. **Recommendation: The challenge for BDUK now is to 'draw the line in the sand' for each bundle and execute a competitive procurement. We are encouraging BDUK to proceed with regional-scale procurements as soon as possible to enable industry to deliver the Government's target of 85% Gigabit coverage by 2025.**

### 2. Pace

- 2.1. The need for high-quality digital connectivity in households, businesses and schools across rural communities has only increased since COVID and the Committee's report. With more people now working from home and all aspects of our lives increasingly moving online, this digital divide will only be exacerbated if not urgently addressed.
- 2.2. The progress made by BDUK in 2021 has been good, however we get a sense that a change to a subsidy control regime has led to increased governance, which in turn has led to a delay in approving the Intervention Areas for the first phase of bundles.
- 2.3. BDUK has designed an effective and competitive process which, once through governance, must be accelerated to ensure the market can plan for and direct its own private funding toward the rural objective in combination with the subsidy.

### 3. Value

- 3.1. Recent decreases in the subsidy value, due to a reduction in the number of subsidised premises (Intervention Area) through the Open Market Review (OMR), Public Review (PR) and Pre-Procurement Market Engagement (PPME) has also led to some uncertainty around the viability of the program for suppliers like CityFibre.
- 3.2. The relationship between premise count and subsidy is not linear. Although the subsidised premises have reduced in number, they remain spread throughout the region, including the urban areas, so still need the same extensive network build. This means the overall cost is not materially changed, but the lower volume of subsidised premises drives up the Cost Per Premise and consequently the required subsidy per premise.
- 3.3. For example, in the early procurement phase areas, where subsidised premise counts have reduced, the composition and geography of the proposed intervention means that similar levels of subsidy that were originally specified in the Summer Update would still be required.

### 4. Voucher Scheme Overlap

- 4.1. In the recent Autumn Update, BDUK note that “vouchers potentially avoid the need for a procurement altogether”. We believe this view is short-sighted and could result in both delay, poor value for money and ultimately detrimental consumer outcomes.
- 4.2. By delaying procurement to allow small pockets of commercial build, that is in fact subsidised through vouchers, and “giving room for active voucher projects to deliver fully”<sup>1</sup> BDUK risk increasing the overall subsidy value required for the region. This also can cause confusion between commercially viable investment areas and those only viable through subsidy.
- 4.3. The Gigabit Voucher Scheme was created to target very specific areas for intervention at a postcode level. Allowing for vouchers to be used to pick off very small pockets of disparate premises will not facilitate a saving to complete the wider region due to the reasons noted above on build efficiencies.
- 4.4. There is a real risk that interim Government interventions in the form of vouchers will undermine the build efficiencies of the larger procurement area to such a degree that the cumulative Government subsidy for the region is higher than necessary, notwithstanding the time lost to delay.
- 4.5. Beyond cost, this approach could lead to further risks for the consumer. Whilst some premises may be connected sooner, the very targeted nature of the Gigabit Voucher Scheme allows for operators to cherry pick only some of the premises in a village or hamlet. By using vouchers to subsidise this build to small number, a larger number of households could then be put at risk of serious delay as the cost per premise to reach such scattered locations will be so much higher. This risks a postcode lottery as those using the voucher scheme as currently devised cannot be compelled to complete a whole village and remain able to pick and choose.
- 4.6. Moreover, consumer choice may be unnecessarily affected. Relying on smaller operators using vouchers risks leaving consumers with a more limited retail choice as under the Gigabit Voucher Scheme, unlike the BDUK procurement process, there is no requirement to wholesale infrastructure. Under a wholesale arrangement multiple ISPs are able to run over the top of the same infrastructure enabling effective retail competition where this may be commercially impossible at an infrastructure level.
- 4.7. By not requiring wholesale arrangements for voucher usage, yet relying on the scheme to continue to deliver connectivity to uncommercial areas, the net result may be isolated communities where they are in effect “locked-in” to one particular ISP with no effective retail competition, running contrary to the Government’s objectives for competition at all levels of the market.

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<sup>1</sup> [Project Gigabit, Autumn Update](#), October 2021  
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## 5. Coverage

- 5.1. The number of premises needing to be removed from the Intervention Area due to newly reported commercial build plans has been over-estimated by BDUK. Early PPME results indicate that a range of Altnet providers are proposing to exponentially scale up their build plans to achieve a level which far exceeds their current rates, capacity and committed investment. The adverse effect of this is that regional-scale suppliers will need to cover a higher proportion of scattered premises across a territory and may need to continually re-evaluate plans and fill in gaps if other commercial build projections are ultimately not fulfilled.
- 5.2. It will be far more costly to return to infill areas having lost the synergy of plan and build continuity. The communities promised connectivity under Altnet plans will have to wait even longer to receive upgrades and, in the worst cases, these costs may be so prohibitively high that they risk leaving areas without Gigabit coverage.
- 5.3. **Recommendation: BDUK must accelerate their market review processes and ‘draw a line in the sand’ as they did under the Superfast scheme. Commercial build plans submitted must be considered out of scope if they fall beyond 24 months to enable a faster and more efficient process for defining, approving, procuring, and awarding each bundle. Only by taking such a pragmatic approach will the Government ensure rural communities are not left behind whilst their more urban neighbours enjoy the benefits of next-generation broadband.**

## 6. Other Barriers and progress

### Wayleaves

- 6.1. Through its commercial rollout, CityFibre is building at pace to meet the Government’s Full Fibre targets. Whilst excellent progress is being made, a major barrier to meeting the 2025 target is the difficulty telecoms operators face obtaining the access to land consents needed to connect properties – otherwise known as wayleaves. The problem is particularly acute with tenanted properties, especially social housing, where protracted negotiations can often drag on for months without an effective backstop.
- 6.2. Under the current Electronic Communications Code, which governs the process of agreeing wayleaves, even the most non-controversial attempt to secure a wayleave from landlords of tenanted properties to install a simple fibre optic cable can lead to protracted negotiations lasting months, if not years. These delays are not simply inconvenient: they threaten the achievement of the 2025 target and can lead to properties being left out of the build programme altogether.
- 6.3. With one third of UK properties non-owner-occupied there is a significant risk that a further digital divide could emerge leaving islands of poor connectivity centred around social housing stock.
- 6.4. In addition, the current Code has also created a barrier to securing wayleaves to access BT’s existing poles where they are located on private land – most notably in Scotland where approximately 50% of all BT’s poles are in private gardens. This means that other operators are unable to make use of existing ducts and poles to rollout new networks, substantially increasing operator costs, time and disruption for local residents.
- 6.5. Given these two significant problems with the current Code, there is a strong risk that a series of digital divides emerge, between those living in tenanted and social housing and those in owner-occupied housing, between urban and rural, and between England and Scotland.
- 6.6. **Recommendations: Government should bring forward the Product Security and Telecoms Infrastructure Bill as soon as possible to reform the Electronic Communications Code, this must include:**
  - **A streamlined wayleave negotiation process with effective means of dispute resolution to provide a meaningful backstop for negotiations.**

- A requirement to share wayleaves when other operators use BT infrastructure on private land, regardless of the date of the wayleave.

**November 2021**