

## **Written evidence submitted by Openreach (PEG0099)**

Openreach welcomes the opportunity to respond to this inquiry. We are in the process of building the UK's largest full fibre network, which will deliver significant economic and social benefits to communities across the UK.

We have already passed 3.0 million premises with full fibre and recently announced the aim to pass 20 million premises by the mid to late 2020s. We remain on track to meet our short term targets of passing 4.5 million premises by March 2021, despite the recent challenges the pandemic has posed.

Before the onset of the pandemic and national lockdown, we were passing more than 30,000 premises per week with full fibre, and are continuing to ramp up our deployment to meet our longer term ambitions.

- **What core/guiding principles should the government adopt/prioritise in its recovery package, and why?**

Openreach welcomes the government's commitment to 'building back better,' and investing in job creation and the economic recovery. We believe ministers should be including the following as guiding principles:

### ***1. Development of infrastructure, including the full fibre network***

The national lockdown has demonstrated the importance of the UK's digital network and achieving the national roll out of full fibre broadband. Our existing network has ensured the country has remained connected: enabling businesses to function where remote working is possible; accelerating transformative change in how health services are delivered; and allowing separated families including those shielding and the most vulnerable to remain connected.

Research from Centre for Economic and Business Research (CEBR), commissioned last year by Openreach, estimated the rapid deployment of Fibre to the Premises (FTTP) could boost productivity and generate £59 billion in increased GVA if the national roll-out is completed by 2025. Through enabling increased home working, it could also bring 500,000 people back into the workforce, and support the development of new home-based businesses.

We believe prioritising the full fibre roll-out and supporting the development of the UK's digital infrastructure should be one of government's guiding principles in the recovery package.

### ***2. Achievement of carbon net zero and encouraging greater use of electric vehicles***

A consequence of reduced travel during the crisis has meant lower carbon emissions and improved air quality. Ministers must include the environment in their guiding principles for recovery, and this should include working with local authorities and the private sector to ensure the availability of charging points that will encourage greater use of electric vehicles.

Openreach maintains the second largest commercial fleet of vehicles in the UK and has set an ambition to migrate our fleet to EVs by 2030. We have launched - alongside BT and The Climate Group - the Electric Fleet Coalition, which has recently set out some of

the policy interventions which will be required in order to support this transition towards a green fleet.

### **3. Job creation and upskilling the workforce**

The Learning and Work Institute has estimated that unemployment could rise to more than four million, a level not seen since the Great Depression. Young people will be particularly affected, with youth unemployment projected to increase to more than a million this year.

We welcome the government's prioritisation of employment and measures outlined by the Chancellor in his summer statement, and support measures to incentivise apprenticeships and vocational training.

In addition, it is worth considering the extent to which further support can be given to onshore manufacturing. Openreach already sources large volumes of supplies from within the UK, but being able to access a wider range of supplies from within the UK would both support the economy and increase supply chain resilience. This includes electric van manufacturing, which would enable us to meet our carbon reduction targets while supporting UK manufacturers.

#### **• How can the government borrow and/or invest to help the UK deliver on these principles?**

The National Infrastructure Commission has estimated the cost of the national FTTP roll-out to be c.£33 billion. Much of this will be delivered through private sector investment, with the government having committed £5 billion for the roll-out in the hardest to reach areas of the country.

The issue for government is less one of committing additional public investment to the roll-out as to removing the obstacles to an accelerated build rate in order to support the private sector case for investment. Alongside supporting the investment case, it is also important to enable the private sector to deliver at both pace and scale, so removing barriers to deployment is vital. It is also critical to ensure that the existing financial commitment from the Government is deployed in the most effective manner possible for the hardest to reach areas of the UK.

These outcomes can best be supported by Government through:

- 1. Extending the holiday on business rates relief on the full fibre network:** The current business rates structure is a disincentive to investment. We pay rates on both our existing copper infrastructure and the full fibre we are installing. The latter incurs higher business rates, meaning we are paying more for the technology the government wants for the country. There is a strong case for the extension of business rate relief on the FTTP network as it is developed. This would support scale investment in full fibre.
- 2. Effective deployment of the £5 billion public subsidy:** The government's commitment of £5bn for the roll-out in the hardest to reach areas is welcome. We've been working with BDUK and DCMS on how these funds can most effectively support the deployment of full fibre in the hardest to reach areas.
- 3. Improving access to premises:** Accessing blocks of flats is a major challenge for network builders, as we often struggle to access properties owing to difficulties in

securing wayleaves. The government has the opportunity to strengthen provisions in the Telecommunications Infrastructure (Leasehold Property) Bill. Whilst the Bill is welcome in addressing some challenges in installing FTTP in blocks of flats and other multi-dwelling units (MDUs), there is insufficient provision to compel landlords to engage with telecommunications operators and reach an agreement for access. We believe the measures in the Bill could be strengthened whilst respecting property rights to ensure tenants are not disenfranchised from the benefits of full fibre.

**4. Mandating the installation of FTTP in new builds:** It is vital all new housing sites are connected with full fibre. The Government have set out their proposals, and we're engaging on the technical details of how this policy will be delivered in practice.

**5. ATI review:** The DCMS review of the Access to Infrastructure regulations is an opportunity to open up passive infrastructure and support deployment. This review should also use the opportunity to address issues of telecommunications operators being 'locked out' of new housing developments, which means consumers have minimal choice in their broadband provision.

- **What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?**

As noted above, achieving the national roll-out of FTTP can generate significant benefits for the economy, increasing productivity and helping people return to the workforce – including via remote working that is intrinsically linked to equitable growth across the country.

Consequently, there is a need for government to assist telecommunications operators to accelerate build rates and create the investment case for the UK's digital infrastructure. This should include extending business rates relief on the full fibre network; mandating installation in new builds; and improving operators' ability to engage with landlords and access premises, including MDUs.

Take up rates of superfast, and full fibre, services continue to lag, so there may be a case for Government to take more of a role in driving consumer take up – including moving public services online as full fibre becomes more widely available.

- **Whether the government should give a higher priority to environmental goals in future support?**

There is a strong case for prioritising environmental goals, and we recognise that the national full fibre roll-out has an important role to play. As noted above, research commissioned from the CEBR suggests the availability of FTTP may allow greater flexible and remote working that can significantly reduce travel needs and consequently carbon emissions.

- **Whether the government should prioritise certain sectors within its recovery package and, if so, what criteria, if any, should it use when making such decisions? What conditions, if any, should it attach to future support?**

We recognise that particular sectors have been harder hit than others by the impact of coronavirus. We believe it is important government efforts are directed towards sustaining and creating jobs, and to ensuring recovery takes place across the country.

As a 'shovel-ready' infrastructure project, the FTTP roll-out will create jobs both directly and indirectly through better connectivity for businesses. We would also note that the measures

needed to aid the roll-out require no 'new' money from government, although legislative changes will be required in many cases.

- **How can the government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?**

Openreach welcomes the steps taken by the government to encourage greater use of traineeships and apprenticeships, and commitments to support skills development.

- **Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post-pandemic growth?**
- **How should regional and local government in England (including the role of powerhouses, LEPs, and growth hubs, mayoralities and councils) be reformed and better equipped to deliver growth locally?**
- **What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?**

There is an opportunity to reset the economy, and this can help meet priorities including carbon net zero and the levelling up agenda.

As noted above, CEBR research has shown how the national FTTP roll-out will enable greater remote working, reducing the need to travel and consequently carbon emissions. Openreach has also committed to migrating our commercial fleet – one of the largest in the UK – to electric vehicles by 2030.

The full fibre roll out will improve connectivity across the country, enabling business start-ups and growth outside of cities. This can ensure that economic recovery is felt more evenly across the country. This underlines the importance of the roll-out and in ensuring operators are able to invest (e.g. by extending the business rates holiday) and the barriers to the build rate are removed.

- **What lessons should the Government learn from the pandemic about actions required to improve the UK's resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?**

The crisis has demonstrated the importance of the UK's digital network in enabling business to remain operational where remote working is possible; ensuring the virtual provision of healthcare and other public services; and connecting separate families – including those shielding and amongst the most vulnerable.

Upgrading the network to full fibre must be considered a national priority to support greater future resilience. As above, if Government could take further steps to improve domestic supply chains, this would both help to support UK jobs and improve supply chain resilience.

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