

**New Build Developments:  
Delivering gigabit-capable connections**



December 2018

## Broadband Stakeholder Group

### Consultation response on proposals to mandate that new build homes are able to access gigabit-capable connections

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The Broadband Stakeholder Group (BSG) is the UK government's leading advisory group on broadband. It provides a neutral forum for organisations across the converging broadband value-chain to discuss and resolve key policy, regulatory and commercial issues, with the ultimate aim of helping to create a strong and competitive UK knowledge economy.

The Broadband Stakeholder Group (BSG) welcomes the opportunity to respond to the DCMS consultation on proposals to mandate that new build homes are able to access gigabit-capable connections. Individual sponsors of the BSG will be submitting their own responses to the Consultation.

#### *Executive summary*

The BSG is pleased that the Government is focussing its attention on what role it can take to support the practical steps that will have to be taken to enable the wide spread deployment of next generation telecoms infrastructure. Without positive interventions from government, it is clear that the goals set out in the Future Telecoms Infrastructure Review to reach nationwide full fibre coverage by 2033, making full fibre available to 15 million premises by 2025, will not be met.

That homes are currently not being built with gigabit capable networks as standard shows lack of both foresight as well as recognition of the importance that better and faster internet connectivity means to the future homeowners and the UK ambition as a whole. We therefore welcome the proposed measures to ensure that developers must build homes that offer connections that will not only be desirable to buyers, but an absolute necessity if the UK is to maintain relevance in a world of digital connectivity.

We would also ask Government, in light of its ambitious goals in the scale and pace that it has set for full fibre reach, to look at what other useful tools available there might be in helping network operators to achieve these aims. Although these proposals are a positive step, other, supplemental, actions from Government would serve to further enhance the deployment process. These measures could include a focus on amending planning regulations, changing building regulations, or incorporating a requirement of broadband in the mortgage certificate process.

Whilst the proposals to mandate access to gigabit capable connections in new build homes is a very much welcomed step forwards, we note that for the proposals to result in maximum efficacy in deployment, as well as the additional measures high-lighted above, the Government should address the limitations that the current proposals would imply. Our concerns are detailed in the responses set out below.

1. **Do you have any further evidence on the state of New Build Development Connectivity in the UK?**
  
2. **Do you have any information or evidence to suggest that the costs developers would incur under the proposed policy would prevent homes being built?**

From a commercial angle, any costs incurred in the laying of gigabit capable networks would more than be subsumed in the final house price, representing as they would a tiny percentage of overall price. This is evidenced by research carried out showing that a doubling of speed can add 3% to a house price<sup>1</sup> and 28% of buyers willing to pay more for a house with a fast internet<sup>2</sup>.

It is equally more likely, as consumers are increasingly demanding faster and better broadband speeds, that any absence of such a network would negatively influence potential house buyers from purchasing a property or affect the willingness to pay the listed price. Conversely, having access to full fibre broadband would likely command a premium, and as such, the initial outlay by a developer would be adequately compensated - as is highlighted in a growing body of evidence<sup>3</sup>.

3. **We propose that developers would be obliged to provide a simple connectivity plan for their developments to LAs. This plan would demonstrate that developers had consulted with at least two network providers to provide gigabit-capable networks and inform LAs when a site is connected. Do you have any comments on this proposal for a connectivity plan?**

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<sup>1</sup> <https://www.imperial.ac.uk/news/154966/imperial-study-suggests-that-internet-speed/>

<sup>2</sup> <https://www.rightmove.co.uk/advice/renter-advice/renter-news/broadband-and-your-new-home/>

<sup>3</sup> See; <https://www.ispreview.co.uk/index.php/2018/07/uk-house-buyers-would-reject-homes-with-poor-broadband-speed.html>

<https://communityfibre.openreach.co.uk/news/article/106/superfast-helps-to-keep-house-prices-up-to-speed>

The Connectivity Plan - as set out in Figure 3 - gives rise to certain questions. In the first instance, the requirement on developers to consult with at least two operators should result in a meaningful process whereby competition is actually enabled, and not, in practice, a potentially burdensome or delaying mechanism for developers.

The role of Local Authorities is also unclear. For example, would a Local Authority be able to reject all or part of the Connectivity Plan as set out in three parts? Further clarity and details on how this would all work in practice would be necessary before further comments can meaningfully be given.

As the proposal places the obligation on developers to consult with more than one network provide and ensure gigabit connectivity to the development so that it sits outside planning processes, it is unclear how compliance will be enforced. In the event that planning approval is not conditional on a broadband connection, it is unclear what incentives the developer has to comply, or indeed what – if any - enforcement measures a Local Authority will have access to.

Furthermore– where commercial discussions fail, the developer is granted the option to utilise a ‘Duty to connect’ mechanism. It is presently unclear as to who would decide at what point commercial discussions have failed, and we would not want to see potential for a misaligned incentive for developers to call on duty to connect to be developed. The ‘duty to connect’ fees cannot impose a higher rate than would be commercially viable for operators.

4. **(a) Do you agree with the assumption that deploying the necessary infrastructure to deliver gigabit-capable networks is best achieved when the site is being built?**

**(b) What technical specifications should the physical infrastructure (ducts etc) have?**

**(c) Do you agree that developers should deploy, and pay for, the necessary infrastructure from the in-building connections to the boundary edge of the development?**

(a) Yes

(b)

(c) Yes

5. **(a) Do you agree that developers should have to engage with at least two network operators who can provide gigabit-capable connections to the development?**

**(b) What further measures could we consider to promote the availability of networks from multiple providers at an early stage to minimise costs and disruption?**

(a) As stated in our response to question 3, we would want to see a meaningful process whereby the intention to provide for competition is achieved under this requirement. It may be that this requirement could go further in facilitating multiple networks on a new build site and achieving the goal of enabling end to end competition, for example by obliging the developer to allow more than one network infrastructure on site – where commercially viable. In its present form, this consultation does not allow for distinction to be made between retail and end to end network competition.

So as to avoid the process rendering the unintended consequence that developers are instead delayed or confused on not knowing how to locate communications providers operating or wanting to deploy in the area, the forward looking publishing of a ‘site connectivity’ plan should not only be carried out well in advance, but a process should be in place to promote the development to operators.

(b) Early engagement and greater coordination between operators, Local Authorities and the planning department and developers could help here.

**6. Taking £3,000 as a suggested aggregated cost cap per premise, how should costs be divided between developer and operator?**

As a general principle, regulation shouldn’t cut across commercial arrangements that are already operating effectively. The decision and ability to roll out networks must, for commercial businesses, be commercially viable. These proposals should not result in operators being penalised which would in fact be the end result for smaller sites, if operators are obligated to cover the initial £1000 cost of deployment.

Moreover, it is well within the developers’ abilities to pass on the cost as they are best placed to factor in a premium for connectivity, and the actual cost to a homebuilder will be a tiny fraction of the total house value. The business case for operators must stack up as they are unable to pass on the cost in a way that developers can.

Clarity on the caps regarding where State Aid funding sits would also be welcomed. It would be unfortunate if the split in costs did not reflect the compensated costs addressed by State Aid funds and so penalised operators providing connectivity under the State Aid regime.

**7. What information and evidence can you provide to help refine the ‘in scope sites’ policy design choice – aggregated cost cap or number of premises?**

**8. (a) Do you agree that developers should have the overall responsibility to ensure Gigabit connectivity for their developments (allowing for the fact that developers can oblige operators to connect using the ‘duty to connect’ provision).**

**(b) How would this policy affect small housebuilders?**

(a) Yes – this would be the correct, and in fact only, place for responsibility to lie. We would however welcome additional information on who would be holding the developers to account – what would the enforcement mechanism be and who would enforcement sit with?

**9. Do you have any comments on the proposed legislative approach? Do you have an alternative solution that would deliver gigabit-capable connections to NBDs?**