Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith / Climate Change, Environment and Infrastructure Committee
Cysylltedd digidol yng Nghymru / Digital connectivity in Wales
DC04
Ymateb gan / Evidence from Openreach

Evidence to the Climate Change, Environment and Infrastructure Committee which aims to gain an initial snapshot of progress and the associated challenges that are being faced in this policy area with an emphasis on broadband.

1. Openreach welcomes the opportunity to respond to this call for evidence. Openreach has been at the forefront of upgrading Welsh digital infrastructure and deploying full fibre in Wales - both under the Superfast Cymru contract with the Welsh Government and our own commercial investment.

2. Independent research company Think Broadband Broadband Coverage and Speed Test Statistics for Wales (thinkbroadband.com) shows that 52% of Welsh premises can access ultrafast speeds of 100Mbps and above, and 96% of Welsh premises speeds can access superfast speeds of 30Mbps and above. This compares well with the rest of the UK.

3. While investing in full fibre is the right investment for the future, the existing network has performed well and has delivered real value to Welsh consumers and businesses. The superfast network, which is available to almost all Welsh premises, has underpinned the overnight transition to home working and home schooling during the pandemic.

4. While there is more to be done on reducing the barriers to deployment, and further steps the Welsh Government could take to further incentivise investment, it is clear the overarching policy and regulatory framework in which the sector operates is delivering good outcomes for Wales.

5. Recent research by the Centre for Economics and Business Research (Cebr) Full fibre delivering for the UK highlighted the clear economic benefits of connecting everyone in Wales to full fibre. It estimated this would create a £2 billion boost to the Welsh economy through increased productivity. It also estimated that 50,000 people could move to rural parts of Wales with improved connectivity. Full fibre was also estimated to enable c.34,000 Welsh carers to re-enter the workforce or increase their hours, could enable 12,000 Welsh over-65s to take new flexible working opportunities, and

help over 18,000 working age parents to re-enter the workforce. This increase in workforce participation would help boost Welsh GVA by a further £1.2 billion. Across the UK, reduced commuting owing to increased home working could abate up to 700,000 tonnes of carbon emissions.

Openreach's investment

6. Openreach is continuing to accelerate the pace and scale of our nationwide full fibre deployment. We have set out plans – as part of a £15 billion commercial investment – to deliver full fibre to 25 million homes and businesses by December 2026. Depending on our ability to attract further funding, we want to continue our deployment beyond this point – bringing the benefits of full fibre to even greater numbers of consumers. Delivering this transformative investment will go a significant way to meeting the UK Government's objective of reaching 85% of the country with gigabit capable networks by 2025.

7. We (Openreach) have now passed over 7.2 million homes and businesses, and are currently building at a weekly run rate of over 50,000 premises. We are continuing to accelerate the pace of our deployment to meet our longer-term objectives of passing 4 million premises a year with full fibre. This would be one of the fastest commercial deployments in the world.

8. In May 2021 we announced that we would increase our commercial deployment in harder to reach areas by 3 million premises (the vast majority of which are in what Ofcom classifies as Area 3), building on our previous industry-leading commitment, made in June 2020, to build to 3.2 million premises in harder to reach communities. This means we have publicly committed to building full fibre to at least 6.2 million premises in harder to reach areas as part of our commercial delivery. This balanced build approach means we are not just building full fibre in urban areas, but are helping to level up the UK by delivering full fibre to communities across the country.

9. Our commitment to deliver full fibre to at least 6.2 million premises in harder to reach areas as part of our commercial investment is clearly a positive intervention for rural communities across the UK. Ofcom calculates there are c.9.5 million in Area 3 which means our commercial build will cover a significant percentage of the hardest to reach premises. This is relevant to the wider public interest,

as our commercial investment reduces the number of areas where there is likely to be a market failure and consequently areas which may require public subsidy as part of the Project Gigabit programme. Therefore, our commercial investment will deliver better value for the taxpayer by ensure public funds are targeted towards the areas of most need.

10. Last financial year, 36% of our build was in Area 3, with over 2.3 million Area 3 premises now having access to full fibre. We also uplifted over 300,000 premises in superfast not-spots to full fibre. No other operator is building, or currently plans to build, full fibre at anything like the scale that we have set out under our commercial plans - or has the same track record of delivering in challenging rural locations as we do.

11. Our innovative Community Fibre Partnership programme (which utilises DCMS gigabit vouchers) has also helped deliver FTTP to over 180,000 homes in some of the most isolated communities in the country. We also work with the designated Universal Service Provider (BT Group) to provide fixed line connections to some USO-eligible premises and are delivering the R100 contracts across Scotland and the three Next Generation Broadband Access Wales (NGBAW) contracts across Wales. Our FTTP plans build on our successful partnership with DCMS and Building Digital UK (BDUK) to deliver the previous superfast upgrade, which bought superfast connectivity to over 97% of the country.

12. Our commercial deployment is therefore helping to meet the UK Government's targets, deliver for urban and rural communities across the UK, and support better value for the taxpayer.

Our build in Wales

13. Between 2014-2018 Openreach co-funded the Superfast Cymru Programme, also known as Next Generation Broadband Access Wales, increasing coverage to 95% connecting 733,000 premises (77,505 via FTTP and 655,495 via FTTC). In 2019 we commenced the latest co-funded contract

to connect 26,000 premises to full fibre by March 20/21 which was further increased to 37,000 due for completion in summer 2022.

14. Across Wales, we've built to around 480,000 properties with Full Fibre (59% of which is to premises within Area 3) and more than 120,000 homes and businesses have already ordered a full fibre service from a range of retail service providers using the Openreach network.

15. We've announced and publicly share plans of our commercial roll out locations. Across Wales, more than 250 exchanges have been announced as being included within our full fibre build plans over the next few years.

16. Over the last two years we've contracted with more than 3,500 premises across Wales through our Fibre Community Partnership programme to upgrade to Full fibre and with hundreds more working with us through the journey.

17. Openreach employs over 2,300 people in Wales. In February 2022 we announced 250 additional jobs across Wales this year including more than 200 apprentices. The new recruits will be based across all parts of Wales including Denbighshire, Flintshire, Gwynedd, Powys, Pembrokeshire, Swansea, Cardiff and Newport.

18. Openreach already employs the nation's largest team of telecoms engineers and professionals and has committed to building a more diverse and inclusive team in an industry that's traditionally been very white, male dominated.

19. Openreach's National Learning Centre for Wales in Newport expects to train up to 6,000 new and existing Openreach engineers from across Wales, as well as further afield, during a typical year. The new trainee apprenticeship roles come with a starting salary of £21,845 and recruits can be earning up to £28,353 following 12 months of specialist training to achieve an NVQ level 2, in one of Openreach's world class training centres.

Wider market context

20. Ofcom's regulatory approach has sought to promote competition and investment in gigabit-capable networks as a means of bringing faster, better broadband to people across the UK and in support of the Government's objectives - and the evidence to date shows this approach is clearly working. Ofcom's approach aligns with the goals set out in the 2018 Future Telecoms Infrastructure Review, and the 2019 Statement of Strategic Priorities.

21. In recent years the market has been characterised by growing numbers of alternative network providers (altnets) emerging. These altnets have secured significant amounts of private funding to support their deployment. Many of these altnets are also making use of our passive infrastructure (PIA) (e.g. our underground ducts and overhead poles) to drive down the costs of their deployment. Some altnets are building primarily in urban areas (such as CityFibre and Hyperoptic) where there may already be gigabit capable networks present or being planned, whereas others are focussing efforts in more rural areas.

22. The level and intensity of competition has clearly strengthened in recent years. There are now 99 alternative network providers in the UK, up 28 from last year. We estimate that altnets secured over £4 billion in funding in 2021 alone. Their network coverage has doubled to 5.9 million premises, and the largest six alt nets have now set ambitions to reach 25 million homes by the mid 2020s. They have already connected near 1 million end customers to their networks as well.

23. There are now 143 operators registered to use PIA – enabling them to build networks across the country. We're providing a good quality of service, and have seen order volumes continue to grow, despite the challenges posed by lockdown. We have received over 56,000 kilometres of noticed duct and 440,000 of noticed poles with 4,900 kilometres of duct and 29,000 poles built over last 15 months.

24. This network-based competition is good for consumers – offering a wider choice of network providers and retail options. It is also helping accelerate the deployment of full fibre and to bring

the benefits of full fibre to a wider range of communities than would have otherwise been possible, and has kept broadband costs to the end users amongst the lowest in Europe.

25. In agreement with DCMS, we publish a list of exchanges we intend to build in, which we have updated regularly since 2019. This information can be found here and includes more than 250 exchanges across Wales that form part of our plans. We publish details of each exchange we plan to build in as part of our major build programmes – which captures the significant majority of all our commercial deployment. We do not publish details about some smaller programmes where it is not logistically feasible for us to do so. For example, these smaller programmes include our delivery of FTTP to new housing developments, in-fill for some newer housing developments (known as retro new sites) and deployments to meet our universal service obligations (USO).

26. Publication of this information – and our wider footprint selection – follows a robust and audited process to ensure that we maximise commercial opportunities while also being fully compliant with competition law and all our other legal obligations. We assess a number of different factors to decide where full fibre deployment offers the best chance of a commercial return, including for example anticipated costs of build and projected take-up of services. We do not target overbuild of competitor networks – indeed where there is limited competitor overlap we may anticipate higher take-up of our services. Equally, where we anticipate lower costs to build, even if there is competitor overlap we may still consider we have good prospects of a commercial return. As above, this aligns with Ofcom and DCMS's overarching strategy to promote competition and investment in gigabit capable networks to deliver better outcomes for UK consumers and businesses.

Supporting the deployment with UK Government

27. There are a number of areas where we continue to engage with DCMS and other Departments. Addressing different deployment barriers remains critical to support the sector to deliver at both pace and scale.

28. The National Infrastructure Commission (NIC) highlighted the importance of access to multi-dwelling units (MDUs) in in their annual report last year. We estimate that up to 1.5 million flats may not be accessible owing to challenges operators face in securing wayleaves. The success of our rural deployment – and Project Gigabit – will both also depend on how easily we and other network builders can negotiate wayleaves with landowners. The scale of the deployment is huge, there are nearly 180,000 poles on private land in Wales .

29. DCMS have proposed some reforms to the Electronic Communications Code, and we're continuing to engage with the Department to demonstrate that further amendments could be made to accelerate deployment and avoid these risks. Stronger reforms would benefit operators in both urban and rural areas. In particular, where we have copper infrastructure in place, we believe we can upgrade this with minimal visual impact or burden on the landowner and that reforms should be delivered to enable us to do so.

30. In July 2019, DCMS confirmed their intent to ensure that all new build properties were delivered with gigabit capable infrastructure. While our commercial efforts have ensured that the significant majority of new builds are now contracted with full fibre, there are too many new builds which remain on copper-based networks. Amendments to building regulations are expected later this year.

31. These changes to building regulations will need to be mirrored by Welsh Government, as the proposed changes will only apply in England. We urge Welsh Government to take this step as a priority.

32. The Department for Transport (DfT) are also considering measures to reduce bureaucracy around streetworks. One measure being considered is to introduce a new flexi-permit which would cover a number of minor and standard works in a limited area for a limited period of time. This would reduce the volume of permits which operators would need to apply for, and enable a more efficient build through reducing the amount of time we have to stop work while waiting for streetwork permits to be granted. It is positive to see DfT consider this measure, and we hope it is introduced as quickly as possible so as to allow operators to benefit from this change.

33. We continue to engage constructively with BDUK on the framework for Project Gigabit, and look forward to seeing the final framework for delivery. We believe that a framework which incentivises scale build in the intervention area would offer value for money while rapidly improving build levels. In the meantime, we're continuing to deliver full fibre across the country – bringing the benefits of world class connectivity to communities in both urban and rural areas.

34. We're also aiming to transition to a green fleet by 2030. We have the second largest commercial fleet in the UK, so this represents a significant challenge and opportunity for the UK. Recent changes to the Government's grant programmes have added additional cost to the transition and appear to run counter to the overarching drive towards net zero.