PURPOSE OF REPORT

At its meeting on 16\textsuperscript{th} December the GMCA agreed a report that gave an update on digital infrastructure investment in Greater Manchester.

One of the report’s recommendations was that New Economy will engage with GM infrastructure providers to shape our response to Government’s Call for Evidence for Full Fibre Networks to inform the Digital Infrastructure Investment Fund (announced in the Autumn Statement).

That Call was published on 29\textsuperscript{th} December with a deadline for responses by 31\textsuperscript{st} January.

The purpose of this report is to seek GMCA agreement to the proposed response to the Call for Evidence which has been prepared with the input of industry, local authorities and the LEP.

RECOMMENDATIONS:

That the GMCA agrees that the five areas set out in this report are highlighted in the GM response to the Government’s Call for Evidence.

CONTACT OFFICERS:
Eamonn Boylan, Portfolio Lead Chief Executive for Investment and Simon Nokes, New Economy

BACKGROUND PAPERS:
Digital Infrastructure Update report to GMCA on 16\textsuperscript{th} December 2017.
Extending Local Full Fibre Networks – Call for Evidence - December 2016
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<td>Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:</td>
<td>No</td>
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<td>Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?</td>
<td>Yes</td>
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1.0 Background

1.1 The Autumn Statement signalled a significant shift in Government policy for digital infrastructure in the UK with recognition that action was needed to accelerate investment in fibre infrastructure if we are to remain competitive internationally.

1.2 The Call for Evidence document confirms that “in order to move to the next level of ubiquitous high speeds and reliability, it is clear that, whilst there are a number of interim technologies giving connectivity at ever faster speeds, full fibre is the future”

1.3 The response to this Call will inform how the £400m Digital Infrastructure Investment Fund is delivered. It is likely that the Fund detail will be formally set out in the Budget on 8th March 2017.

2.0 Call Response

2.1 It is proposed that our response is set within the context of our ambition to a top 20 global City at the forefront of the digital revolution.

2.2 It will confirm that we want our digital infrastructure to be an enabler of these ambitions and not a barrier. To get there we will need full competitive fibre infrastructure in place as quickly as possible.

2.3 It will drive the further expansion of our digital, tech and creative sectors; be a key enabler of manufacturing, finance and other business sector growth across our economy; critical to the development of high value skills and fundamental to the delivery of innovation and transformation across our public services.

2.4 For example, the integrated 21st century health service we are looking to build in Greater Manchester will need fibre infrastructure to be able to offer ubiquitous high speed cloud based high definition video and other services across our care homes, GP surgeries, hospitals and into patient homes.

2.5 It is therefore proposed that we welcome the Government’s £400m funding as a means of leveraging market investment but highlight that it can only be a starting point. For example, it is estimated that the

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1 For example the UK has 2% fibre coverage compared with Spain and Portugal which both are both at 60% coverage.

2 E.g. connectivity that still utilises slower copper infrastructure from a fibred street cabinet to the premises which both BT and Virgin Media deliver as standard.
investment required for to deliver full fibre to the premises in Greater Manchester alone would be in the region of £750m$^3$.

2.6 Evidence and views are being sought in the following four areas:

1. Successful local approaches both in UK and internationally that have delivered fibre networks;
2. Successful demand side approaches including aggregating public sector demand and use of assets to leverage fibre investment;
3. Views on changes that are needed to reduce the cost of full fibre roll out e.g. changes to wayleaves and street works; and
4. Views on an effective and efficient delivery models Government can use to deliver investment in full fibre networks across the UK

2.7 In our response to the first three areas we will draw upon the work being undertaken in GM which was highlighted in the 16th December paper agreed by the GMCA which includes:

- GM local authorities working collectively to reduce the burden of securing wayleaves and exploring potential for Standardised wayleaves in line with the approach recently adopted by London;
- The positive progress by many of our local authorities in aggregating demand both on business estates and multi tenanted residential blocks to drive marketing investment in digital infrastructure;
- Our evaluation of our successful Connected Cities business vouchers scheme which concluded that even better outcomes can be achieved through a more targeted approach and further integrated delivery of business support services; and.
- Exploring the potential to use planning policy to drive fibre to the premises investment through the Greater Manchester Spatial Framework.

2.8 This report focuses on the fourth area which seeks views on effective and efficient delivery models and approaches that Government can use to deliver investment in full fibre networks across the UK. The Government’s conclusions here will ultimately inform how the Government chooses to invest the £400m it has currently allocated to the Digital Infrastructure Investment Fund.

2.9 This report has been prepared following consultation with industry recognising the limited timescale available and with the input of the GM LEP. Consultees have included most of the smaller providers in GM with

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$^3$ Based on average industry construction costs in UK which assumes £600 for each premises in GM
known fibre infrastructure (Gamma, Metronet and City Fibre). Both BT and Virgin Media have been contacted and are currently in the process of developing their own corporate responses to the Call and therefore their views are not reflected here. However, it is important to note that the Government has made it clear that it is seeking to accelerate fibre investment through smaller connectivity providers in response to wider industry concern that BT Openreach was the sole beneficiary of the BDUK\(^4\) funding nationally. The Government’s view is that by supporting smaller providers it will grow market competition and galvanise both BT and Virgin to invest further and faster in fibre commercially at scale. As reported in the December meeting, both providers have recently announced plans to invest in fibre in parts of Greater Manchester.

3.0 Key issues

3.1 In response it is proposed that we highlight the following five key issues:

**A. The need for the Fund to focus investment in city regions to maximise the speed of fibre deployment;**

A key concern is that whilst £400m is a significant investment in itself, given the scale of the challenge nationally, it is unlikely to leverage significant fibre investment from the private sector unless intervention is focused on city regions. Most city regions already have some fibre infrastructure together with a strong and diverse provider base that can be built upon. If this Fund is to encourage investment and competition from the smaller providers then attention needs to be focused on those areas where those providers are located. Cities will also be able to leverage high investment returns through having the scale of public and private sector demand that will drive early provider investment.

**B. The need for support for the public sector for specialist expertise to aggregate public demand and assets and best position city regions to leverage market investment;**

It is clear from the industry consultation that aggregating demand from within the public sector and opening up publically controlled assets that can be used to deliver fibre (e.g. road, rail, street furniture) is a very important in unlocking investment that will deliver the fibre infrastructure.

\(^4\) BDUK is the £530m broadband delivery funding programme the Government established in 2011 to tackle gaps in broadband provision across the UK providing speeds of at least 24Mbps to those households benefiting.
For example, a number of secondary cities in the UK including York, Edinburgh, Coventry, Peterborough have aggregated public sector demand and, after a procurement process, appointed an external provider, City Fibre to fund and undertake construction of an open fibre network to connect public sector buildings.

This has proved to be a very effective way for the public sector to facilitate rolling out of new fibre networks within current State Aid rules\textsuperscript{5}. This is because this business model involves installing fibre for its commercial revenues in the same ducts it uses to connect public premises.

It highlights the opportunities we have to leverage the collective value of our public service connectivity needs and assets to accelerate fibre investment.

Therefore, given the importance of public sector aggregation in bringing forward fibre investment it is proposed to highlight the need for funding support (through Digital Infrastructure Investment Fund) to enable local authorities to acquire the necessary dedicated resource and specialist expertise to undertake this work.

C. The opportunity for a targeted business voucher scheme that works with major landlords to aggregate demand for fibre in key business districts and estates to drive provider investment in network extensions;

Generating business demand for fibre connectivity will be important to drive provider investment. Our experience suggests that a business focused voucher scheme for fibre has an important role to play.

The independent evaluation of the Connected Cities business voucher scheme implemented in GM concluded that, whilst very successful, it had the potential to deliver better outcomes through a more focused approach.

In our response it is therefore proposed that we support the idea of a business voucher scheme for fibre on the basis that is focused on areas where there are already clusters of “fibre ready” businesses and that schemes seek to aggregate demand working closely with major landlords. It would then be possible for providers to take advantage of marginal costs being involved in connecting adjoining

\textsuperscript{5} This situation may change follow EU exit. But it can be assumed that there will not be a significant change within the next two years.
businesses to the network. The public sector can have a key role in working with key landlords as our local authorities did under the Connected Cities scheme.

D. The need for the Government to allow for tailored approaches that fit with local needs and opportunities

The Government may be considering the establishment of a generic procurement framework as part of its approach to the delivery of the Fund. It is therefore proposed to highlight concerns that this could be counter-productive. This is because it could limit the extent to which city regions are free to tailor a solution. We would therefore want to see flexibility in the Government approach so that it is possible to take full account of local needs, opportunities and markets.

E. The opportunity for the Government to make a statement of intent about its commitment to 5G technologies by piloting it a major UK City.

There are important synergies between the roll out of 5G and the investment core fibre infrastructure needed to support it. Whilst the standards for 5G mobile are being finalised there is the opportunity for the Government to demonstrate the power of this technology through an early pilot project in a City that has the profile to promote the UK brand internationally. This will encourage the mobile market across the UK bring forward investment in their fibre infrastructure to ensure they are best placed to exploit 5G when it is rolled out.

4.0 Next Steps

4.1 The consultation we have undertaken with fibre providers in response to this Call has highlighted key opportunities and challenges for Greater Manchester. These will now be fully evaluated with a view to the development of a plan of action to ensure we are well positioned to take advantage of the Digital Infrastructure Investment Fund when it is formally launched – most likely following the Budget on the 8th March.