

Broadband Regulation and State Aid in the UK

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14 September 2020

Current Status of Fixed Broadband in the UK

In the UK previous government and regulatory interventions, plus the presence of a strong cable competitor, have helped broadband rollout and upgrades

- Incumbent (BT)
 - Continuously upgrading broadband technologies and access network
- Cable (Virgin Media), c.50% coverage
 - Strong competitor
 - Continuously upgrading cable technology and speeds
 - Recently extending its coverage footprint
- Others (CityFibre, Hyperoptic, GigaClear, ...)
 - New ‘fibre’ providers

| Speed | Availability | Take-up |
|------------|--------------|---------|
| Any | 100% | 83% |
| ≥10Mbit/s | 98% | 70% |
| ≥30Mbit/s | 95% | 54% |
| ≥300Mbit/s | 55% | 3% |
| Full fibre | 12% | 3% |

- **60Mbit/s** – average download speed
- **315GB** - average download capacity per month

Increasing Availability of Fibre/Gigabit Networks

Government and regulatory objectives

UK Government Aspirations

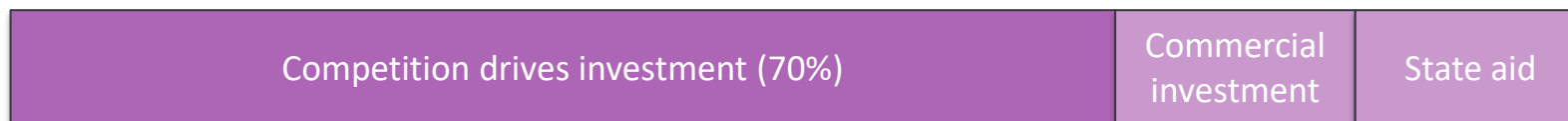
- To get Gigabit capable networks to as many UK homes and businesses as possible by 2025
- £5bn set aside to fund deployment in areas that are not commercially attractive

Ofcom Strategy

- To maximise commercial investment in fibre/gigabit capable networks
- Protect consumers from abuse of market power

Policy Framework

- We are proposing to use three policies to deploy fibre/gigabit networks across the UK
 1. Use competition to drive investment, where possible
 2. Use regulatory pricing to incentivise BT to commercially invest, where competition unlikely to work
 3. Use state aid (£5bn) to target the remaining areas



- The main regulatory approaches are:
 - Require BT to provide access to its ducts and poles, to promote competition
 - In areas where competition likely have light regulation, leaving margin for investors
 - In remaining areas have cost orientation but include any fibre investments
 - Help BT retire its copper network
- Regulator and Government to work together to target state aid in non-commercial areas