

# Industrial Strategy

## Independent Networks Co-operative Association

February 2025

### Introduction

1. The Independent Networks Cooperative Association (INCA) is the leading UK trade association representing organisations deploying independent digital infrastructure. Founded in 2010, INCA aims to foster a new approach to digital infrastructure, focusing on full fibre (FTTP) and high-quality wireless broadband whilst campaigning for the policy and regulatory support needed to maintain a healthy, competitive market that continues to attract investment to the UK. INCA has over 200 members and represents most of the full fibre infrastructure builders commonly referred to as Altnets. Members include network owners, operators, suppliers, and managers as well as access networks, middle mile networks, network hubs and exchanges and organisations (including public sector) that are developing or promoting independent networks.
2. INCA welcomes the opportunity to respond to the Business and Trade Committee's inquiry into the industrial strategy. This submission will illustrate the importance of full-fibre digital infrastructure as the primary driver to generate economic growth in the eight identified growth sectors within the Modern Industrial Strategy green paper,<sup>1</sup> and beyond.

### Importance of Full-Fibre Connectivity

3. Consider reliable and high-speed telecoms networks as a 21st century equivalent of the railways during the industrial revolution; connectivity and fast access to the internet are a vital and necessary component for economic growth, GDP acceleration, productivity and the adoption of new technologies. We live in an increasingly digital world; all the identified growth-driving sectors, and many others - from our homes to hospitals, factories to farms and shops to schools – require access to reliable full-fibre broadband, without which, the country will not realise the productivity levels and economic performance the government wants to achieve.
4. The importance of full-fibre broadband is not recognised sufficiently within the industrial strategy. Whilst it acknowledges “*access to fast, secure, and reliable digital connectivity is essential to enabling economic growth*”, specific mention of “broadband” is limited to a single occurrence in the green paper and it does not differentiate between ubiquitous broadband and superior full-fibre; broadband is omnipresent, but fast, secure, reliable full-fibre broadband is not.
5. The availability of cutting edge, fit-for-purpose telecoms infrastructure must not be taken for granted. It cannot be assumed that enhanced connectivity will *just happen*, nor that it will be affordable, but rather, it needs to be considered as one of the most critical components fundamental to the government’s growth agenda. The government should not assume a level of digital connectivity, rather, the industrial strategy should acknowledge that full-fibre connectivity is key for achieving the government’s growth targets.

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<sup>1</sup> Invest 2035, <https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy>

6. A shift in perception is required; not only does full-fibre broadband need to be considered at inception and as a fundamental element to economic growth, but telecoms should also be considered as one of the identified growth sectors on which all the other identified growth sectors are reliant – access to, and subsequent adoption of full-fibre broadband will lead to growth in downstream markets.
7. Furthermore, there needs to be a determined effort to move-on from coverage to premises connected. The government can be proud of its effort in increasing the availability of full-fibre networks, but the benefits of full-fibre connectivity are not felt from a network left at the garden gate. For there to be growth in the identified growth sectors (and beyond) – notably in the identified ‘digital and technologies’ sector - there must be a concerted effort to encourage consumers to voluntarily migrate to faster, more resilient full-fibre networks.
8. Full-fibre broadband is foundational technology – it will accelerate and provide the capability for the UK to become a world leader in transformative technologies, from A.I. to cloud computing to data centres. The adoption of full-fibre broadband is crucial to drive growth, innovation and opportunity, as well as being more physically resilient to climatic events<sup>2</sup>; connectivity across the whole of the UK underpins the vital technology growth areas of tomorrow.
9. As geopolitical tensions continue to rise, and internal communication within the United Kingdom becomes an increasingly important aspect of defence, full-fibre broadband presents a real opportunity to derisk the economy. Reducing the reliance on outdated infrastructure, which is susceptible to cyberattacks and foreign control, must be the government’s priority if it wishes to de-risk the economy. Full-fibre networks are owned and operated domestically, allowing the UK to limit potential disruptions such as damage to submarine cables or cyberattacks. This is crucial not only to a resilient economy but also to inter-governmental communications. In addition, a government that is pro-growth must support the rollout of full-fibre to attract foreign investment from tech, finance, or digital industries. If not, it cannot ensure long-term economic stability. Rapid, efficient, and reliable communication is imperative for a modern-age state which seeks to not only protect itself from international threats but also create a resilient and sustainable economy, unaffected by geopolitical tensions.

## Economic Growth

10. Higher speed and more reliable telecoms infrastructure increases productivity and economic growth by reducing the time it takes for consumers and workers to complete tasks online and by enabling innovation in new business models and/or products.
11. According to the Department for Science, Innovation and Technology, in 2023, GVA by the telecommunications sector was approximately £35 billion (in 2022 prices), 5.7% higher in real terms than in 2022.<sup>3</sup>
12. Billions of pounds of private foreign direct investment have been invested to build new faster fibre networks across the UK, bringing full-fibre availability to more homes and businesses. Altnets have played a pivotal role in bridging the digital divide, bringing connectivity to previously

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<sup>2</sup> ISPA & INCA, Climate adaptation in the telecommunications sector, Fourth Adaptation Reporting Power (ARP4) report

<sup>3</sup> <https://www.gov.uk/government/statistics/economic-estimates-digital-sector-monthly-gva-to-march-2024>

underserved areas and unlocking significant societal and economic benefits in each region they operate.

13. Planned Altnet full-fibre investment is forecast to reach £25 billion by 2028,<sup>4</sup> bringing much needed investment into this key component of UK infrastructure, which is the primary and secondary growth engine for sectors across the UK economy.
14. The UK Altnet sector is considerably larger than it was a decade ago and continues to attract significant sums of private investment. INCA believes that the government should strengthen its industrial strategy by bolstering the importance of continued full-fibre rollout and adoption; this in turn will signal to investors that the UK is *open for business* and continues to be an ideal investment destination.
15. Whilst growth and GDP improvement are well-publicised ambitions of government, so is cost reduction and efficiency across central and local government. Adoption of full-fibre, alongside the digital services which can be delivered from it, are key to delivering efficient public services and boosting productivity.

## Competition

16. Invest 2035 correctly identifies that competition is an important lever both across the identified growth sectors, as well as beyond them. The fact that consumers and businesses in 74.69%<sup>5</sup> of UK premises can access full-fibre broadband today, is a direct result of government adopting a strategy to encourage infrastructure competition. INCA welcomes the Committee's question on sharpening competition, and we believe the industrial strategy would benefit from explicitly committing to a competitive broadband market as a key lever to support the Industrial Strategy.
17. Without Altnets, and the resulting competitive pressure on BT Openreach, the UK would still languish near the bottom of international fibre league tables and full-fibre would be prohibitively expensive for many. Consumers and businesses would suffer the consequences with an inevitable impact on UK innovation, productivity and efficiency. Maintaining a competitive environment is vital for inward private investment to flow and a key enabler for growth.
18. To support the government's policy of infrastructure competition in telecoms, the regulator (Ofcom) must be subject to an unequivocal duty to promote infrastructure competition. This is, however, not presently the case and INCA urges the government to rectify the situation.
19. This can be achieved by issuing ministerial guidance to Ofcom, requiring it to always promote infrastructure competition in telecoms, while allowing flexibility to do so only 'where appropriate' in other sectors, such as public broadcasting. This approach will encourage economic growth. INCA also believes that government should undertake a review of Ofcom's duties as well as the scope of Ofcom's responsibilities to ensure they do not undermine infrastructure competition, which in turn would hinder economic growth.
20. To drive economic growth, INCA recommends that the Committee encourage the government to prioritise competition in digital infrastructure networks. Without sufficient competition, provided by Altnets, network development and full-fibre rollout will slow down, creating a domino-effect across the economy. Slower rollout means less people and businesses can

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<sup>4</sup> <https://www.inca.coop/sites/default/files/metrics-for-the-independent-network-sector-2024.pdf>

<sup>5</sup> ThinkBroadband – Data correct as of 18 Feb 2025 - <https://labs.thinkbroadband.com/local/>

access fast broadband, leading to lower adoption of full-fibre services. This in turn, stifles innovation and will hamper growth across all the identified sectors in the Industrial Strategy.

## Government Interventions

21. INCA believes it would be beneficial for the government to lead a national campaign to support the transition from copper to full-fibre networks. This shift represents a major technological upgrade, requiring end users to update their telecoms equipment and install new network connections in their premises. Without clear guidance, some consumers may face confusion or be resistant; there is a need for government leadership in raising awareness and ensuring a smooth migration.
22. INCA believes that government, with the support of the regulator and industry stakeholders, should initiate a national campaign which outlines the benefits that the adoption of full-fibre will offer to consumers, businesses and the resulting societal gain. If led by government it would be able to explain impartially that new full-fibre networks are being built by multiple operators across the country, and these networks are faster, more resilient, more reliable and not susceptible to the same problems experienced with the existing copper networks.
23. Several European countries, as well as jurisdictions further afield have rolled-out full-fibre networks ahead of the UK and have witnessed a gap between premises passed and premises where full-fibre has been adopted. These nations had more favourable conditions for a migration to full-fibre than the UK; consumers were reliant on ADSL connections<sup>6</sup> when full-fibre was being rolled-out, and there was not widespread fibre-to-the-cabinet coverage as an intermediate solution as seen in the UK. Therefore, full-fibre represented more of a step change in service than it represents in the UK.
24. The transition to full-fibre in Singapore is also a useful example. Singapore rolled-out FTTP through the publicly funded *Next Generation National Broadband Network* and achieved 100% coverage in 2013 but had only 36% full-fibre adoption. Now, the adoption gap between coverage and take-up is negligible, but this was only minimised through further state intervention.<sup>7</sup> This included contests to promote full-fibre adoption organised by the telecoms regulator as part of a public outreach effort and led by grassroots leaders who engaged with communities and explained the benefits of full-fibre adoption.
25. INCA believes that a similarly-focussed government-led campaign to encourage adoption of full-fibre connectivity in the UK would prove to be a valuable and worthwhile endeavour; experiences of other countries tell us there is likely to be an adoption gap in 2030 (the ambition of government to have full gigabit coverage) between coverage and full-fibre adoption. INCA believes for government growth objectives to be realised, for the identified sectors within the industrial strategy to be a beacon for growth, a catalyst of consumer communications are needed by government and regulator alike.
26. INCA believes the government should consider financial incentives for businesses to encourage full-fibre broadband adoption. The now defunct *Help to Grow: Digital*,<sup>8</sup> introduced under the last

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<sup>6</sup> Asymmetric Digital Subscriber Line - a connection provided over existing copper wire telephone lines to homes and businesses

<sup>7</sup> Frontier Economics, *Unlocking the Gigabit Dividend*, Aug 2022

<sup>8</sup> <https://www.gov.uk/government/news/final-opportunity-for-businesses-to-access-help-to-grow-digital-scheme>

government, was designed to provide SMEs with vouchers worth up to £5,000 to cover up to 50% of the costs of buying pre-approved software. It was a well-intentioned scheme, but it was restrictive and overly cautious, and subsequently, utilisation of the scheme was disappointing, but there remains significant demand for digital adoption across the UK, with polling of UK SMEs showing strong support for incentives.<sup>9</sup>

27. Looking further afield, other nations have economic incentives which have greater flexibility. For example, Australia introduced the *Small Business Technology Investment Boost*<sup>10</sup> which allowed for SMEs to claim a 20% bonus deduction on technology expenditure. Eligible expenditure included “computer and telecommunications hardware and equipment, software, internet costs, systems and services that form and facilitate the use of computer networks.” The Technology Investment Boost is projected to result in \$1.15 billion in forgone tax revenue between 2023-2024 and 2025-2026, which is \$150 million above the plan put forward by the Australian government but is expected to deliver a further \$300 million in benefits.<sup>11</sup> This indicates that the scheme, ergo technology adoption, has been far more popular than anticipated.
28. INCA would like to see government consider similar financial incentives for businesses in the UK as part of the industrial strategy. Evidence suggests there remains strong support for such endeavours; investments in technology could boost the UK economy by £232bn annually.<sup>12</sup>

## Cross-departmental Priority

29. INCA contends that digital connectivity, adoption and inclusion needs to be considered as a whole-government priority. The objective should receive support not only from DSIT - but from the range of Departments which play a critical role in promoting technological adoption as well as removing/reducing barriers to roll-out. This will help in ensuring that the role of full-fibre connectivity receives the maximum attention to deliver economic growth and productivity, in line with the objectives of the industrial strategy.
30. The competing priorities of various governmental departments can often act as obstacles, preventing the effective roll-out of full-fibre connectivity. Such obstacles need to be overcome for the benefits of full-fibre connectivity to be realised, for the identified sectors to experience material and sustained growth.
  - a. It is in this vein that INCA recommends better policy coordination across Whitehall and this could be achieved by establishing a digital infrastructure cross-departmental working group. Given adequate access to broadband impacts many essential services, we recommend the working group comprises:
    - i. DSIT (lead agency)
    - ii. Department for Health and Social Care
    - iii. Department for Work and Pensions

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<sup>9</sup> Sage, Digital Britain: How small businesses are turning the tide on tech, June 2022

<sup>10</sup> <https://www.ato.gov.au/businesses-and-organisations/income-deductions-and-concessions/income-and-deductions-for-business/deductions/small-business-technology-investment-boost>

<sup>11</sup> <https://www.smartcompany.com.au/tax/small-business-technology-training-boost-bonus-tax-deductions-estimates/>

<sup>12</sup> Sage, Digital Britain: How small businesses are turning the tide on tech, June 2022

- iv. Ministry of Housing Communities and Local Government
- v. Department for Environment, Food and Rural Affairs
- vi. His Majesty's Treasury
- vii. Department for Education
- viii. Home Office

## Digital Inclusion

31. Digital exclusion was flagged as a key issue by almost all witnesses to the Women and Equalities Committee inquiry looking into the rights of older people<sup>13</sup> and that COVID-19 had precipitated a move to “digital by default” services across society. It is not a problem solely for the older population though, but rather a complex interaction between factors, all contributing to the digital divide – affordability, skills, confidence and availability. A holistic policy approach is needed which requires careful consideration for digital exclusion to be overcome.

32. The last UK government Digital inclusion strategy was published in 2014.<sup>14</sup> By 2023, the House of Lords Communication and Digital Committee concluded that digital exclusion was “a serious problem” with digital skills “set to become the UK’s largest skill gap by 2030”.<sup>15</sup> It is vital that a new digital inclusion strategy is developed and delivered as soon as possible.

33. Growth through the identified sectors will not materialise if 1) full-fibre connectivity is not adopted by businesses up-and-down the country, 2) if a significant proportion of the country do not have access to full-fibre connectivity, and 3) if a significant proportion of the population do not have the requisite skills to engage in the digital world we live. Growth through digitalisation will only become apparent if it can be accessed and exploited to allow for the public and businesses to reap the rewards of what full-fibre can deliver.

## Conclusion

34. In summary, INCA recommends the Committee to consider the following in its inquiry:

- a. The government should explicitly recognise full-fibre broadband as a fundamental enabler of economic growth and ensure it is prioritised within the Industrial Strategy.
- b. There should be a national campaign to drive consumer and business adoption of full-fibre broadband, including financial incentives for businesses to transition from copper networks.
- c. The government should reaffirm its commitment to infrastructure competition in telecoms and provide Ofcom with a clear duty to promote competition in the sector.
- d. Digital connectivity should be treated as a cross-departmental priority, with improved co-ordination between departments to remove rollout barriers.

35. INCA’s Chief Executive Officer, Paddy Paddison would welcome the opportunity to provide evidence to the Committee at an inquiry session with the telecoms sector.

<sup>13</sup> Women and Equalities Committee, The Rights of Older People, Third Report of Session 2024–25

<sup>14</sup> <https://www.gov.uk/government/publications/government-digital-inclusion-strategy/government-digital-inclusion-strategy>

<sup>15</sup> <https://lordslibrary.parliament.uk/digital-exclusion-in-the-uk-communications-and-digital-committee-report/>