

# **A RESPONSE TO THE GOVERNMENT'S SPENDING REVIEW**

Independent Networks Cooperative Association

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## 1 Introduction

- 1 The Independent Networks Co-operative Association (INCA) welcomes the opportunity to submit a response to the government's Spending Review 2025. As the UK's leading trade association representing independent digital infrastructure providers, INCA advocates for policies that support a competitive and innovative broadband sector. Founded in 2010, INCA represents over 200 members, including full-fibre network builders, wireless broadband providers, infrastructure owners, and suppliers committed to delivering high-quality digital connectivity across the UK
- 2 Independent network operators play a crucial role in accelerating full-fibre and gigabit-capable broadband deployment, particularly in underserved and rural areas. A competitive telecoms landscape, underpinned by a pro-investment and pro-innovation policy framework, is essential to bridging the digital divide and ensuring that all communities benefit from fast, reliable, and affordable full-fibre presence, and most importantly full fibre connectivity.
- 3 INCA's response to this Spending Review will highlight the strategic importance of continued government support for independent digital infrastructure investment, ensuring that the UK meets its digital ambitions while fostering long-term economic growth, digital inclusion, and resilience in the telecoms sector.

## 2 Economic Growth

- 4 Reliable high-speed telecoms networks are the equivalent of the railways during the industrialisation period. Connectivity and access to the internet is an indispensable tool necessary to remain competitive globally.
- 5 Higher speed and more reliable telecoms infrastructure and connectivity 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.

- 6 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>1</sup>
- 7 Despite the economic turbulence of recent years, billions of pounds of private foreign direct investment have been invested to build new faster full-fibre networks across the UK, connecting more homes and businesses. Altnets have played a pivotal role in bridging the digital divide, bringing full-fibre availability to previously underserved areas and unlocking significant societal and economic benefits in each region they operate.
- 8 Planned Altnet full-fibre investment is forecast to reach £25 billion by 2028,<sup>2</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. This full-fibre infrastructure will underpin UK economic growth moving forward and the identified growth sectors within the Modern Industrial Strategy<sup>3</sup> will be reliant upon full-fibre infrastructure now and in the future.
- 9 The Growth Duty<sup>4</sup> established economic growth as a factor which regulators should have regard to, alongside or as part of the delivery of their other regulations and duties.
- 10 It is important that issues relating to economic growth and investment in the telecoms sector are recognised by government to cement investor confidence in the sector and in the UK as an ideal investment location. It will add credence to notion that the UK is *open for business*.

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<sup>1</sup> <https://www.gov.uk/government/statistics/economic-estimates-digital-sector-monthly-gva-to-march-2024/using-annual-estimates-from-summed-monthly-gva-data-digital-sector>

<sup>2</sup> The State of the Altnets in 2024, INCA, <https://www.inca.coop/news/altnet-report-2024>

<sup>3</sup> <https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy>

<sup>4</sup> <https://www.gov.uk/government/publications/growth-duty>

- 11 INCA considers that Ofcom, as regulator to the telecoms sector, should have a duty to explain how each of its individual decisions is compliant with its Growth Duty obligation. Ofcom needs to be compelled to report back to government how it is acknowledging the duties within the Growth Duty.
- 12 Furthermore, the government should report on what actions they are taking (and plan to take) to promote full-fibre connectivity. Future economic growth will not be delivered via a network left at the garden gate. Availability of full-fibre at 74.56%<sup>5</sup> of UK premises is a great success story, but availability alone is not the successful measure of growth, but rather full-fibre **adoption** is.

### 3 Incentives to Encourage Full-Fibre Adoption

- 13 INCA believes DSIT and HMT should explore whether there is merit in the introduction of financial incentives for businesses to encourage full-fibre broadband adoption.
- 14 The now abolished *Help to Grow: Digital*<sup>6</sup> scheme had good intentions but was too restrictive, leading to low uptake. In contrast, Australia's Small Business Technology Investment Boost,<sup>7</sup> which allows SMEs to claim a 20% bonus deduction on technology expenses, has been highly successful, surpassing initial projections.
- 15 There remains strong demand for digital adoption among UK SMEs, with evidence suggesting it could boost the economy by £232bn annually.<sup>8</sup>

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<sup>5</sup> <https://labs.thinkbroadband.com/local/uk> - data correct as of 7 Feb 2025

<sup>6</sup> <https://www.gov.uk/government/news/final-opportunity-for-businesses-to-access-help-to-grow-digital-scheme>

<sup>7</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>8</sup> Sage, Digital Britain: How small businesses are turning the tide on tech, June 2022

## 4 Commitment to Infrastructure Competition

- 16 Unlike many other European nations, Great Britain<sup>9</sup> was a late arrival to mass-market full-fibre roll-out. It was not until the advent of infrastructure competition in the UK for full-fibre did the roll-out start gathering pace. This forced the incumbent, Openreach, in the face of vigorous competition from enterprising Altnets, to start investing strongly in their own full-fibre networks.
- 17 Infrastructure competition has been vital in deploying new full-fibre and it would be to the detriment of the country from an investment, productivity and growth perspective if this competition was diminished in any way. As a result, INCA recommends that committed funding for Project Gigabit is retained, and DSIT receives funding to develop a strategy for the final 5% of coverage that sits outside of the Project Gigabit programme.
- 18 Consecutive UK governments have engendered support for the roll-out of full-fibre digital infrastructure from Altnets and the public. Governments have seen the value in connectivity not being provided by monopoly or a duopoly set-up, but rather that the UK's connectivity ambitions can be realised by utilising the services of multiple providers; opening up the market to digital infrastructure competition has been a success but the job is not complete, and universal coverage has not yet been fully realised.
- 19 There must be no reneging on digital infrastructure competition, it must remain as a government priority to retain a competitive marketplace. If it was not for the competitive pressure from Altnets, Openreach would have had no incentive to invest in new full-fibre infrastructure. INCA is pleased that the Minister for Data

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<sup>9</sup> Northern Ireland had early success in rolling-out full-fibre infrastructure.

Protection and Telecoms has acknowledged the “need to maintain wholesale competition”<sup>10</sup>.

20 The Statement of Strategic Priorities (SSP) is critical to ensure that government policy and regulatory action are aligned and consistent. The current SSP was published in 2019 and set a target to deliver “nationwide deployment of gigabit-capable broadband networks at pace”<sup>11</sup> and that competition is regarded as a “key driver of network roll-out”<sup>12</sup>.

21 The government must recommit to infrastructure competition in the forthcoming SSP to deliver long term benefits for consumers and businesses. Infrastructure competition is vital and a core component in delivering adoption of full-fibre connectivity and national economic growth.

22 INCA is also concerned that Ofcom did not adequately implement the current SSP,<sup>13</sup> so it is important that Ofcom is made more accountable to transparently demonstrate where its decisions are consistent with the SSP, and where they are not.

23 INCA believes that Ofcom should be required to produce an annual evaluation of the telecoms market and competition, including how Ofcom’s actions have implemented individual SSP requirements. Ofcom should document how its decisions contribute to the adoption of full-fibre broadband and economic growth.

- a. This annual evaluation should be published in an annual letter to the Secretary of State to ensure parliamentary oversight.

24 The UK telecoms sector is at a seminal moment with Ofcom’s Telecoms Access Review (TAR) on the horizon. This will shape the sector in years to come; it is not hyperbole to claim that this review is of critical importance to the sector, and that it

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<sup>10</sup> Sir Chris Bryant, Connected Britain, September 2024, <https://www.gov.uk/government/speeches/sir-chris-bryant-speech-at-connected-britain-2024>

<sup>11</sup> Statement of Strategic Priorities, s.1

<sup>12</sup> Ibid., s.19

<sup>13</sup> INCA, Securing long-term benefits for broadband customers, Annex: Analysis of Ofcom response to SSP obligations, p.27

will have an impact on the future viability and survivability of Altnets. That, in turn, will have an impact on future full-fibre roll-out, network competition, investment and growth.

- 25 Whilst Ofcom is independent of government (a position INCA supports), government must make it clear through the SSP that infrastructure competition and economic growth must be at the forefront of Ofcom's thinking when determining the outcome of the TAR.
- 26 The current SSP and the Wholesale Fixed Telecoms Market Review (WFTMR) 2021-2016, the precursor to the forthcoming TAR, served the UK well in driving forward availability of full-fibre networks. The next SSP and TAR need to continue that momentum whilst becoming the drivers for full-fibre adoption.

## 5 Public Information Campaign

- 27 INCA believes it would be beneficial if DSIT was to initiate a government-led campaign on the migration from copper networks to full-fibre and why consumers should proactively adopt full-fibre connectivity in their premises. Moving from a copper to a full-fibre networks represents a significant change which will require end users to change their telecoms equipment and necessitate a new network installation into the premise; this will undoubtedly lead to a level of confusion and resistance from the public.
- 28 INCA believes that government, with the support of the regulator and industry stakeholders, should initiate a national information campaign which outlines the benefits of what the adoption of full-fibre will mean to consumers, businesses and for societal gain. There is a precedent for a government to be involved with such a campaign, for example, the government, Ofcom and Digital UK were responsible for managing and implementing the digital television switchover, with the Department



for Culture, Media and Sport and the Department of Trade and Industry responsible for managing the digital switchover policy.<sup>14</sup>

- 29 Looking further afield, in Singapore, full-fibre was rolled-out 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>15</sup> This included promotion of 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.
- 30 This new campaign should be competitively neutral, explaining that new, modern, full-fibre networks are being built by multiple operators across the country. If led by government it would be able to explain from an impartial position that new full-fibre networks are faster, more resilient, more reliable and not susceptible to the same problems experienced with the existing copper networks.
- 31 A campaign to encourage consumers to pro-actively migrate to full-fibre networks – migrations which will need to happen at some point regardless – will be to the benefit of the identified growth sectors within the Modern Industrial Strategy. Not only will it lead to improved productivity within those sectors (and beyond) but will also drive further inward investment into the country.
- 32 INCA recommends that this communications campaign is led from the Cabinet Office, ensuring proper co-ordination across government departments.
- 33 INCA further encourages transparency with regards to government plans and targets in adoption of full-fibre in central and local government. This would be a great barometer of its own desire for efficiency and growth applied to itself; a positive approach to the transition to full-fibre would send a strong message to investors that the UK is serious about building and adopting full-fibre networks.

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<sup>14</sup> Parliamentary Office of Science and Technology, *Analogue to Digital TV Switchover*, June 2006, POSTnote #264

<sup>15</sup> Frontier Economics, *Unlocking the Gigabit Dividend*, Aug 2022

## 6 Project Gigabit

- 34 The introduction of Project Gigabit has been a success in allowing for hard-to-reach areas deemed to be economically unviable to have availability of full-fibre networks through the use of taxpayer subsidies.
- 35 But all areas of the UK should have access to full-fibre connectivity and there remains urban locations which are disconnected from gigabit connectivity. Whilst the majority of Project Gigabit subsidies have been spent on the hard-to-reach areas, it is correct that urban not-spots are identified and acted upon to connect everyone, everywhere to 21<sup>st</sup> century digital infrastructure.
- 36 Large swathes of the country remain languishing in the digital slow lane, unable to adopt full-fibre connectivity. It is vital that Project Gigabit retains government backing to reduce the digital divide and to reap the benefits of what superior connectivity will deliver. But it also needs to be considered how the BDUK contracts are delivered.
- 37 Some Altnets have had to return BDUK contracts as a result of the economic headwinds of recent years, and the contracts now being insufficient in the face of inflation and increased build costs.
- 38 Furthermore, BDUK needs to consider the use of wireless operators and wireless networks to reach the very-hard-to-reach locations so consumers can adopt gigabit-speed connectivity.
- 39 INCA has serious concerns with regards to Openreach overbuilding Altnets in locations which were considered to be economically unviable and subsequently received Project Gigabit subsidies to connect them. For example, INCA is aware of Openreach overbuilding an Altnet on the Isles of Scilly only two months after the Project Gigabit contract was awarded. Similarly, a BDUK contract was awarded to an Altnet in Northern Ireland for which Openreach overbuilt c.30% within three years of the Altnet starting the build.

- 40 Overbuilding (and even anticipated or potential over build) by Openreach in these locations creates barriers to competition, as the presence of multiple networks in the same rural area limits the ability of Altnets to achieve economies of scale and provide cost-effective, high-quality services to consumers.
- 41 Not only is this poor value-for-money for the taxpayer and contrary to the objectives of Project Gigabit, but it also has a long-term impact on the viability of Altnets; if Openreach is allowed to swoop-in and overbuild locations previously considered to be commercially unviable, bringing with them a suite of ISPs who are unwilling to utilise Altnet networks, then this makes it much more difficult for an Altnet to be competitive. It allows for Openreach to reassert their dominance, squeezing the market, leading to a lack of competitive pricing and reduced incentives for innovation and service improvements in the long run.
- 42 In the longer term, many Altnets could be squeezed out of the market entirely as a result of this potentially anti-competitive practice, and if there is little-to-no competition to Altnets, then the current pace at which full-fibre networks are built slows down and consumers are less likely to adopt gigabit-speed connectivity, thus hampering future economic growth and productivity.
- 43 INCA recommends the following actions to improve and sustain Project Gigabit:
- Subsidy levels more accurately reflect current real-world deployment costs, particularly in harder-to-reach areas where network build costs are higher.
  - Greater flexibility is introduced in contract structures to accommodate unforeseen challenges without causing unnecessary delays.
  - Stronger engagement with independent network providers ensures that funding models support sustainable infrastructure growth and long-term digital resilience.
  - Consider the use of wireless operations to reach the final few percent of very hard to reach properties.

- Develop a policy which halts anti-competitive overbuild of taxpayer subsidised digital infrastructure.
- Trial a voucher scheme which encourages full-fibre **adoption** once an area has coverage.

44 Project Gigabit remains a force-for-good and INCA remains committed to working with the government to refine the programme, ensuring that all communities – whether they be rural and remote or located in urban not-spots - benefit from world-class, full-fibre digital connectivity.

## 7 Digital Inclusion Strategy

45 Whilst access to competitive and affordable full-fibre broadband infrastructure is of critical importance for universal coverage and future economic growth, availability alone does not guarantee it.

46 A holistic policy approach is required which tackles the complex interaction between factors that contribute to the digital divide, specifically: affordability, skills, confidence and availability. Each of these factors requires careful consideration for digital exclusion to be overcome.

47 INCA advocates for the introduction of a national digital confidence metric for consumers and businesses to assess gaps in digital capability and the effectiveness of inclusion initiatives. Our members witness daily the impact of low digital confidence, which continues to limit economic opportunities and the full potential of digitisation across the UK.

48 We believe it is vital that the government consults with the industry on its development. Ensuring that digital inclusion is properly embedded in policy will be crucial to unlocking economic growth and enabling individuals to fully participate in modern society. We look forward to working with the government to ensure that interventions are collaborative, targeted, and deliver meaningful impact.

49 It is vital that a new digital inclusion is developed and delivered; growth through digitalisation will only become apparent if it can be accessed and utilised. There must be a concerted effort to move from network coverage to premises connected and for the population to have the requisite skills to take advantage of what the full-fibre will deliver for them.