

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills  
Committee  
Seilwaith digidol Cymru/ Digital Infrastructure in Wales  
Ymateb gan Virgin Media / Evidence from Virgin Media

These relate to the questions posed by the Committee, particularly on; the use of public subsidy; the impact of ultrafast broadband; and the opportunity for the Welsh Government to create a supportive investment environment to help drive further digital infrastructure rollout. We have framed our submission around these issues, prefacing this with supporting information on our expansion plans (Project Lightning), and would be happy to elaborate on these during our oral evidence. We are happy for this submission to be made public.

**1. Project Lightning network expansion plan**

- Virgin Media are investing £3bn of completely private funding to connect another 4 million homes and businesses in the UK to our ultrafast fibre optic broadband network. This brings real choice to consumers and enables residents and businesses to access speeds which are three times faster than the competition.
- Project Lightning ([announced in 2015](#)) is the biggest investment in broadband in a decade. This means by the end of 2019, 17 million homes and businesses will be able to access our ultrafast network. We announced plans in November 2016 that at least half of the 4 million new premises that we connect will be Fibre to the Premise (FTTP).
- Many of the areas we will build to are areas where we currently have no existing network coverage, such as recent announcements in [Fife](#), [Wrexham](#) and [Chester](#).

**2. Virgin Media's offer for residents and businesses**

- Virgin Media's infrastructure is completely separate to that of BT Openreach and the other providers which provide retail services over that copper-based infrastructure (such as TalkTalk, Sky and Plusnet).
- At present, our Hybrid Fibre Coaxial (HFC) network combines optical fibre (to the street cabinet) and coaxial cable, powered by DOCSIS 3 technology (to the home or business) to offer superior speeds and reliability. Through increased investment in fibre to the premise (FTTP – see more below) we are building the only genuinely ultrafast fibre broadband network in the UK.
- Given this distinctive network, Virgin Media offers 'Vivid 200 broadband,' the fastest widely available broadband (download speeds of up to 200Mbps), meaning that a whole household can stream movies, music and more all at the same time.
- For small businesses, Virgin Media Business offers ultrafast connectivity, with speeds of up to 300Mbps, almost four times faster than its main competitors' widely available top speeds. This enables businesses to reach their potential by delivering better services and greater capacity (see more below).
- Our superior broadband offer is matched by our entertainment package, with up to 260 TV channels – as well as access to Sky Sports, Sky Movies and BT Sport – exclusive shows and an extensive on demand library.

**3. Fibre is the Future**

- Both central Government and Ofcom have set a strategic objective of encouraging greater coverage of "full fibre" networks in the UK. Virgin Media is delivering the fibre future through its commercial rollout programme Project Lightning, under which we have committed that at least half of the 4 million premises we will build to will be FTTP.

- To bring fibre to the front door of homes and businesses, Virgin Media use an innovative deployment technique called narrow-trenching. This reduces the width of the trench used to lay optical fibre cables from 40cm to just 10cm and enables engineers to cover up to 100m in a day, making it more than twice as fast as current methods and allowing our network expansion to go further and faster. Narrow trenching also reduces disruption and environmental impact, while providing future-proofed technology.
- Wales is at the cutting edge of this new innovative fibre deployment, with Virgin Media announcing earlier this year that Wrexham will be one of the first areas in the UK to benefit from the rollout of ultrafast fibre broadband connected directly to homes and businesses.

#### **4. Expansion in Wales**

- Wales has been at the forefront of Virgin Media's expansion plans. In June 2016, we announced our first expansion in Wales under Project Lightning, with the aim of rolling out Fibre to the Premise to connect 24,000 premises in Wrexham over the course of the next 18 months.
- We have engaged closely throughout 2016 with Wrexham Borough Council and Wrexham's MP on this major expansion of our network to an area that was a significant distance from our existing infrastructure.
- Both the MP and the Borough Council have been supportive from the original planning stage through to liaison with the Council's highways, economic development, business, estates and communications teams, providing a supportive, positive and pragmatic environment for our investment.

#### **5. Driven by demand**

- A key factor in the decision to invest in Wrexham was the significant levels of demand registered on [Cable My Street](#). This online portal, where residents can register their interest in our services with no obligation, drives where we extend our network footprint. Project Lightning is demand-led, investing in areas where residents and businesses are shouting for higher speeds and more bandwidth.
- This is reflected in the [Supercharging Local Communities' Initiative](#) launched earlier this year. Local residents and businesses were urged to vote, via Cable My Street, for their community to be one of the first to benefit from fibre direct to their premises by Spring 2017. 40 communities were subsequently announced in July following over 5,000 votes cast, including three in Wales; Pontyclun and Llanharry in Rhondda Cyon Taff and North Cornelly in Bridgend County.
- This demonstrates the reach of Project Lightning, taking our fibre optic cables to smaller communities and villages registering high demand; areas which previously would not have been commercially viable.

#### **6. Economic impact of ultrafast broadband**

- Virgin Media believe that ultrafast broadband and the increased digital connectivity it brings will act as a real catalyst for economic growth. Our investment alone is expected to boost the UK economy by £8 billion (GVA) and will create 6,000 new direct jobs, including 1,000 new apprentices.
- Ultrafast broadband is increasingly becoming critical for business growth as reinforced by recent reports from the Confederation of British Industry (CBI), [Institute of Directors](#) (IoD) and Federation of Small Businesses (FSB); broadband is vital to help businesses to start up, market and promote their products and services, increase exportability and drive productivity and growth, as well as for areas to attract investors.
- A Virgin Media Business [report](#) published in January 2016 revealed that small businesses said slow internet speeds were their biggest time waster and that if businesses took advantage of the digital age, this could add £92bn to the UK economy.

- Virgin Media [announced](#) plans early in the year to provide infrastructure to 9,000 small businesses in underserved business parks and industrial estates over the next six months, with thousands more to benefit in the future. In addition, Virgin Media provides unrivalled connectivity through a dedicated 1GB SME proposition in major city centres to support the growth of tech clusters in multi-tenanted buildings, including in Leeds, Manchester, London, Birmingham and, most recently, [Glasgow](#).

#### **7. Social impact of ultrafast broadband**

- We believe the power of connectivity can be a positive force, making good things happen for people, communities and society. Better broadband has a significant social impact; increasing job prospects for young people and those socially excluded (a study by [O2](#) found that businesses are rating digital skills on a par with business development abilities), raising skills levels, promoting learning (many schools now rely upon good connectivity for lessons and lesson planning) and joining residents and communities together.
- Furthermore, the rollout of ultrafast broadband has been shown to reduce social and digital exclusion, boosting digital participation and the ability of residents to access public services and shop online to reduce bills and access the digital economy.
- Broadband is also now a key decision when moving home; 2016 [research](#) found that one in five of us sort out broadband before water supply and two thirds have not bought a house because of poor broadband.
- We recognise the importance of working with residents and businesses to boost digital skills as can be shown through our peer to peer business support community, [Virgin Media Pioneers](#), and our business pitching competition, [#VOOM](#).

#### **8. Contributing to Welsh Government policy**

- Central and devolved Government policy places a large focus upon the rollout of superfast broadband infrastructure, encouraging commercial providers to invest in order to ensure homes and businesses can access superfast speeds, and examining how to increase digital skills and participation.
- Virgin Media's current network and ongoing expansion through Project Lightning is supporting government efforts to increase coverage of ultrafast broadband, as well as wider central and local government aims to increase digital participation, boost the use of online public services, raise digital skills levels and drive the growth of small businesses.
- OFCOM research has found that competition increases take-up of services by 20%, thus boosting digital participation and economic growth, while reducing digital and social exclusion. Such infrastructure competition produces the best results for the consumer; take-up increases, innovation and technology improvements are catalysed, thus leading to faster speeds, more focused products and lower prices.

#### **9. Our views on the use of public subsidy**

- Our investment is contingent on the UK and Welsh Governments' and Ofcom's continued efforts to create the best environment for private investment in broadband and we want to work with the Welsh Assembly to stimulate and incentivise such investment in Wales.
- We believe that public subsidy should be a last resort and specifically targeted at the most hard to reach areas where market failure is proven and where return for the taxpayer is maximised. The risk of wholesale rollout of a publicly-subsidised network is that it undermines where the private sector is investing, or considering investing, constraining competition, innovation and, rollout.
- This is particularly so given not just the investment that Virgin Media are making in the UK, but also that planned by BT (G-Fast to be rolled out to 10million premises by 2020), CityFibre, Hyperoptic and Gigaclear.

- Project Lightning is founded upon a demand-led business model, where investment is driven by interest from residents and communities. This makes it extremely challenging to predict where our rollout will take us in a two to three year time horizon.
- Where assumptions are made about the limits of our potential investment, the adverse consequence is the overbuild – or stymieing – of private investment by public subsidy. The types of communities we are building to in Wales, both large conurbations and more rural areas, are clear evidence of how Virgin Media can build robust business cases in diverse areas.
- In addition, Ofcom recently announced proposals to consult on reducing the cost of providers accessing BT Openreach’s duct and pole network to stimulate investment in alternative fibre networks, while the UK Government’s Market Test Pilots have shown that there are ways of intervening in the most hard-to-reach areas without subsidising large areas (and adversely impacting on commercial operators).

#### **10. Working in partnership to enhance ultrafast broadband provision in Wales**

- Consequently, we believe that the focus of the Welsh Government should be to concentrate on removing those obstacles that are preventing the private sector from being able to rollout infrastructure quickly, efficiently and cost-effectively and help us to build demand.
- In this regard, we are engaging with the Welsh Government and Superfast Cymru with the aim of creating the most conducive environment possible to further expand our ultrafast broadband network and thereby play our part in the aim of Wales becoming a truly digital nation.
- Working in partnership with central and local authorities is vital for us to ensure we are investing in the right places, minimising disruption and maximising the economic and social impact outlined above. Key areas of collaboration to boost deployment of ultrafast broadband are as follows:
  - Working with the Welsh Government, Welsh Highways Authorities, Welsh Trunk Road Agencies and Welsh Highway Authorities and Utilities Committee (HAUC) to coordinate our deployment (including proactively providing infrastructure in areas with planned public realm works), negotiating noticing mechanisms and allaying any concerns around narrow trenching. We comply fully with the New Roads and Streets Works Act (NRSWA) and the associated Specification for the Reinstatement of Openings in Highways (SROH).
  - Identifying, stimulating and aggregating areas of demand to enable us to extend our network as far as possible; including informing residents and businesses of how they can register at Cable My Street, raising the visibility of Virgin Media’s expansion plans and offer (for residents and businesses) and linking in to Town and Community Councils.
  - Working with local authority estates and housing teams, and Housing Associations, on how we can provide digital connectivity to commercial tenants and residents in social housing without being held to ransom for crossing publicly owned land through the current wayleave system
  - Aiming to place ultrafast broadband as a key element of planning policy and Local Development Plans for new housing and commercial developments. We welcome the objective in [Planning Policy Wales](#) to facilitate the deployment of an advanced broadband network throughout Wales. We believe such connectivity is a modern necessity and Virgin Media have recently signed agreements with the [House Builders Federation](#) and launched a dedicated portal for developers, including free site surveys.