

## Ofcom 'Building a Full Fibre Future' conference, 26 April 2018

### **Gavin Patterson**

Thank you. It's a privilege to be invited to share a little of BT's experience of the last decade, and to give our view of the future of fibre.

As a global British company, we at BT are proud to have served this country for many years. We have been powered by Britain's workers, and we have invested in Britain's future.

Two of our key strategic goals are delivering the best possible experience for our customers, while also investing for growth.

Days like today remind me how closely these two are linked.

To understand what must be done next, we must consider what our customers want today, and what they will want in a digital future.

When it comes to assessing future demand, there are a number of questions around what - exactly - customers will want. And as we must meet that demand, we must also address the biggest question of all: how. This is a collective challenge, not just BT's.

Let me be very clear: at BT, we strongly believe in what Ofcom and government are trying to do in delivering a full fibre future.

The UK is the leading e-economy in the G20, and one of the most competitive telecoms markets in the world. It is right that we should work to protect and build on this position.

Over 95% of the UK now has access to superfast speeds of at least 24Mbps. This is a real achievement.

Success to this point has relied on the Government's ambition – and support – to get superfast speeds to as many people as quickly as possible, alongside the excellent work of commercial infrastructure providers like those here today.

Regulation has ensured that UK consumers are getting a good deal, with access to a full range of fibre-based services at highly competitive prices. In the majority of the country there are at least two competing network providers, with a number of new players now emerging.

But if anything, success to date shows how much further we still have to go.

With the increasing link between connectivity and productivity, it is vital for the UK that we stay ahead of the pack.

Demand for bandwidth among BT's consumer customers has more than doubled over the past three years. Our heaviest users already want speeds above 50Mbps at the busiest time. And average usage is growing at around 40% each year.

Video is the key driver of this demand. With the rise of pay TV, it's estimated that video will take up 80% of all internet traffic by 2021.

The number of connected devices in the home is also growing, and - with the internet of things - the need for bandwidth and reliability is going to be ever greater.

When we think of the TVs, tablets, smartphones, game consoles, and other devices that people use today, it's easy to see how a family home might one day need more than 100Mbps.

That said, we also need to recognise that the fastest available broadband speeds are not yet the most popular. Ultrafast is starting to grow in popularity, but we've yet to see significant demand.

And we must not forget there's still a huge amount of work to be done to connect the final 5%.

We are doing all we can to make sure this happens, using innovative engineering techniques, and working with local communities, the Government, and industry partners to make the economics work.

The Government's new Universal Service Obligation can be a further driver towards 100% coverage. But it will need a smart design. Our shared goal must be to reach the final 5% at the same time as boosting speeds nationwide and rolling out full fibre.

At BT, we want to perfect the connected experience for our customers.

That means creating universal ultrafast connections.

It means making them simple to use, converging fixed and mobile. And it means putting customers in control of their internet experience – their security, their data, and the choices they make.

To achieve that, we need a world-leading network combining fibre, WiFi and 5G.

But this is a very significant investment, and it needs to be made ahead of demand.

We are already investing in a full fibre ultrafast future. In February the BT board agreed to Openreach's plans to increase its FTTP build from 2 million to 3 million premises by the end of 2020. And, if conditions are right, we believe we can extend the target to 10 million by the mid-2020s.

But to get there, network providers need help from Government and Ofcom. In part, by addressing a number of barriers - such as setting business rates for fibre to reflect the long-term nature of the investment, and removing red tape around civil engineering. By reducing cost, this would enable a faster pace and create more scope for infrastructure competition.

We will also seek their support for a process to switchover customers from copper to fibre.

And we will need to agree the terms of a 'fair bet' on the next stage of ultrafast investment. The fair bet should mean that any company taking the significant risks of building a network should have the opportunity to capture an appropriate share of the benefit.

We compete in global capital markets for the finance to enable investment, and a reasonable return for the risk – based on clear, predictable rules - is essential.

These are complex issues to resolve, but I am confident we can address them in the next year or so. And if we do that, I am extremely optimistic about what we can achieve together.

We have a Government that recognises and understands the importance of infrastructure, and investment in that infrastructure.

We look forward to the outcome of DCMS's Future Telecoms Infrastructure Review, and hope the Government takes the opportunity to address points raised by infrastructure builders and other stakeholders.

I am sure that Ofcom is capable of creating the new regulatory regime to usher in an ultrafast future.

That regime needs to maintain and build on today's infrastructure competition. Indeed, we see scope for deregulation, where competition is - or could be - effective, to free up commercial opportunities to help drive further investment.

It also needs to recognise that the economics mean there are limits to the scope of infrastructure competition, and regulation has a vital role to play. To unlock the full economic value, investment needs to flow across the UK, not just in competitive urban areas.

Whatever the regime, it needs to be clear, predictable and proportionate – and based on a set of enduring principles.

In conclusion, this is a real opportunity to move the UK into an ultrafast future without leaving anyone behind.

We – the infrastructure providers, the government, the regulator, and the investor community – have a shared responsibility to find a way to work together.

We have already proven it's possible to transform the broadband landscape in a relatively short period of time, but our next challenge is even greater and more complex than the last.

With the right support from our partners, we at BT are confident that we can once again play a key role, using our presence and expertise to help deliver Britain's digital future.