Vital Connection: How Will the UK Achieve Full-Fibre Coverage?

The Fibre-Optic Cable Manufacturing industry (IBISWorld report C27.310) has grown at a steady compound annual rate of 2.6% over the past five years, with revenue expected to reach £622.8 million in the current year. Growth has been supported by government investment to meet high-speed broadband availability targets, increasing consumer demand for high-speed internet for VOD and streaming services, and technological developments. Despite rising demand, growth has been limited somewhat by weak business confidence since the EU referendum, and the introduction of new barriers to trade once the United Kingdom leaves the European Union may hit revenue.

Industry analyst Iyman Uvais has highlighted the importance of public sector support, stating that ‘Government investment is vital in expanding the network, because it is not financially viable for private companies to expand the network to rural areas.’ The government aims to make full-fibre broadband available to 15 million premises by 2025 and for full fibre broadband to be available nationwide by 2033. In order to meet this target, the government established a £530 million fund in 2010 to incentivise the roll-out of superfast broadband into areas the private sector would not reach under standard market conditions, with a further £250 million allocated in 2014. In December 2017, the government announced another £30 million investment for this purpose, which was increased to £75 million in July 2018. This continued investment in extending and upgrading the broadband network has been vital in facilitating industry growth.

In the 2017 Autumn Budget, the government launched a £190 million Challenge Fund to help roll out full fibre broadband to local areas, and the 2018 Spring Statement allocated the first wave of funding, providing over £95 million for 13 areas across the United Kingdom.

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Major operators like Openreach are expected to undertake the bulk of new ultrafast fibre installation over the next five years, supported by government funding, forcing other operators out of the industry. However, according to Ofcom, just 5% of homes are connected to a full-fibre line that is capable of delivering gigabit speeds. This provides opportunities to small, new companies that are able to plug gaps left by the major operators, facilitated by the reclassification of fibre assets as infrastructure, rather than telecoms.

The government has also announced that telecommunications companies in England and Wales will not have to pay business rates on the property on which they install infrastructure to support ultra-fast broadband networks for a five-year period starting from April 2017. This should also stimulate industry demand over the next five years.

As with many other exporting industries, the UK’s vote to leave the European Union is expected to have mixed short- and long-term effects. The weaker pound has boosted exports since 2016-17, and the value of export trade is expected to reach £239.4 million in the current year. Despite the short-term benefits to exports from the weakness of the pound, economic concerns associated with the United Kingdom leaving the European Union are likely to hinder private investment and constrain the industry’s growth in the future, whilst any changes to the net neutrality deal, effective from April 2016, could also affect demand for fibre optic cables.