All-Party Parliamentary Group for Rural Business and the Rural Powerhouse

Call for Evidence: Rural productivity

Written evidence from Mobile UK

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About Mobile UK and the sector

1. Mobile UK is the trade association for the UK's mobile network operators - EE, Telefonica UK (O2), Three and Vodafone. Our goal is to realise the power of mobile to improve the lives of our customers and the prosperity of the UK.
2. 98% of adults in the UK have a mobile phone and there are 94 million active connections. The mobile operators employ 30 thousand people and maintain a strong presence in the high street with 1,800 retail stores across the UK. Digital infrastructure, of which mobile is a key component, is estimated to contribute each year around £33 billion to national Gross Value Add (c.1.8%)[1]. The Covid-pandemic starkly demonstrated how essential it has become. Mobile connectivity alone is estimated to have safeguarded about 20% of GDP during the first lockdown[2].
3. Customers have come to expect more extensive coverage, more capacity and greater capabilities. Our role is to identify the barriers to progress, and work with all relevant parties to bring about change, be they Government, regulators, industry, consumers or citizens more generally.
4. As such, Mobile UK welcomes the opportunity to submit evidence to the All-Party Parliamentary Group for Rural Business and the Rural Powerhouse. This inquiry is extremely timely, as the UK looks to rebuild its economy in the aftermath of the pandemic.

Summary of main points

- New work patterns in the wake of the pandemic and new uses of digital connectivity undoubtedly present opportunities for productivity in the rural economy
- Our immediate focus in rural areas is on the delivery of the £1 billion Shared Rural Network programme, whereby 4G coverage from all 4 operators will extend from 67% of the UK's landmass to 84% (with 95% having coverage from at least one operator)
- Mobile UK supports Government plans for regulatory reforms of permitted development rights for telecoms and the Electronic Communications Code. These are important interventions to encourage investment in the UK, which is a very challenging territory
- Mobile UK supports calls for reform to the Apprenticeship Levy so that mobile operators and others are able train and upskill teams to work with new digital technologies (this applies to both rural and urban areas)
- So as not to penalise investment in rural areas, mobile infrastructure should be given equivalent business rates holidays as are available for fixed full fibre.

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/808980/Connected_Growth_Manual.pdf

[2] https://news.o2.co.uk/press-release/20-of-uk-business-safeguarded-by-the-power-of-mobile-connectivity-during-lockdown/

Mobile UK Response

Connectivity - To what extent is digital connectivity the key to unlocking rural productivity?

5. Notwithstanding the devastating impact of the pandemic, behavioural changes experienced in this period undoubtedly present considerable opportunities to the rural economy. Numerous surveys, such as a recent one by McKinsey[3], forecast that the new work practices seen during the pandemic will not be fully reversed. Work and employment patterns will evolve into more people working remotely and at a greater distance to their nominal place of employment.

6. Purchasing patterns[4] now emerging for rural housing suggest that much of this remote working will be undertaken from rural areas. While this will present challenges for rural housing supply and services, the overall impact on productivity will be positive. Rural areas will now support a much more diverse employment market, with a greater mix of higher-skilled jobs. Larger rural populations should also enable rural places to develop into more sustainable local economies.

7. Improved digital (fixed and mobile) connectivity will underpin these new opportunities.

8. In the last 20 years, mobile operators have, in aggregate, invested over £45 billion in their networks (as well as the near £30 billion paid in spectrum licence fees). They continue to invest at a rate of over £2 billion per year to meet the triple challenge of upgrading the technology, increasing network capacity and extending the geographic footprint across the UK.

9. The current centrepiece of investment in rural areas is the £1 billion Shared Rural Network programme[5] (c.£532 million from the operators and £500 million from Government). This programme will transform mobile coverage in rural areas. Individually, each operator will reach 90% geographic coverage, which will result in 84% of the UK having 4G coverage from all four operators (up from 67% today), increasing choice and boosting productivity in rural areas. It is expected that mobile coverage will be extended to an additional 280,000 premises and an additional 16,000km of the UK's road network.

10. A report from Development Economics[6], commissioned by O2, has estimated that the first phase of the SRN programme will increase turnover for rural businesses by £187.7 million per annum and enable rural communities to contribute an added £58.9 million to UK GDP each year.

11. This extensive 4G coverage will also provide the underpinning for 5G investment in the future. Governments and numerous partners, including mobile operators, are exploring the use cases for 5G in rural areas through initiatives such as the Rural Connected Communities[7] project and the Scottish Government's 5G rural connectivity hub[8] in Dumfries and Galloway. Mobile UK has produced a 'minipack'[9] which outlines how 5G could boost rural opportunities.

12. In summary, digital connectivity will boost rural productivity by enabling more high-skilled jobs to be carried out in rural areas and enabling the existing rural economy to work more productively.

[3] https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-after-covid-19
[4] https://www.bbc.co.uk/news/business-56359865
[5] https://www.mobileuk.org/shared-rural-network
[6] https://www.mobileuk.org/news/first-phase-of-the-shared-rural-network-to-bring-ps187-million-boost-to-rural-businesses
[7] https://uk5g.org/discover/funding-competitions/rural-connected-communities-project/
[8] https://uk5g.org/5g-updates/read-articles/dumfries-galloway-host-scotlands-first-rural-5g-co/
[9] https://uploads-ssl.webflow.com/5b7ab54b285dec5c113ee24d/60194bd77c55a755b9cd8fe5_MobileUK-5G-Rural-Life.pdf

Digital Divide - Has the pandemic renewed the focus on the digital divide?

13. Yes.

14. While the urban/rural digital divide is essentially being addressed through the Shared Rural Network Programme, there are still many who struggle to access the internet effectively, even when connectivity is available. Lack of skills, lack of suitable devices and/or appropriate data plans can all cause issues. The research consultancy Assembly calculated that the communications industry stepped in to provide around £940 million in emergency assistance[10] during the pandemic, including special programmes for the most digitally disadvantaged – particularly those needing to access online learning.

15. This assistance was provided on an emergency, non-commercial basis that would not be viable over the long term. In light of the urgency, it was also fragmented, with several government departments devising their programmes (DfE for online learning, for example, and DHSC for NHS staff) where there was quite a bit of overlap on the targeted groups and quite an absence of data on who really needed support.

16. While Industry will continue to work constructively on these issues, there is a clear need for the Government and local authorities to develop together a proper plan to address these systemic shortcomings with well-targeted, properly funded and sustainable solutions.

Planning – Is the planning system fit for purpose for economies and communities in rural areas?

17. Deploying mobile equipment in rural areas is complex. Examples of barriers that present themselves in the remoter areas are: the difficulty of finding suitable sites, serving remote sites with power and access tracks, linking masts into the rest of the network (the so-called 'backhaul'), which can be delivered by fibre or a fixed wireless link, and obtaining planning permission.

18. Mobile UK is very pleased that the Government is currently consulting on a modernisation of the planning regime for telecoms equipment in England. Proposals currently being consulted upon will allow masts of up to 30 metres (in non-protected areas) to be built under permitted development (albeit with the need to obtain prior approval for siting and design).

19. Overall the proposals are welcomed and will allow equipment to be rolled out more swiftly and simply than at present, further enhancing the industry's ability to meet national ambitions for 4G and 5G mobile coverage.

20. The proposals will make it easier to upgrade existing infrastructure and to share infrastructure with multiple operators. It is further welcomed that the proposals would bring mobile telecoms closer in line with the rules and regulations that cover fixed-line operators.

21. A planning system that is fit for purpose, though, goes beyond getting the legislation right.

    - It requires political leadership that recognises and extolls the benefits of digital connectivity and can confidently dispel the spread of misinformation
    - a well-resourced & trained planning staff and appeals system

22. At the outbreak of the Covid pandemic, a large of amount of misinformation was distributed through the social platforms linking the spread of Covid-19 to the rollout of 5G. As a result, Mobile UK created its #5Gcheckthefacts campaign with the twofold purpose of explaining the future benefits of mobile, while also providing fact-based information to combat health concerns[11].

[10] https://www.mobileuk.org/news/new-report-ps940m-of-support-from-uk-telecoms-operators-during-covid-19
[11] https://www.mobileuk.org/5g-and-health

23. This industry backed campaign has been well received by our stakeholders but we would welcome wider distribution and endorsement by local authorities, a source of information that is well trusted by the public.

Land Use – How can we better manage the land to meet the demand for environmental delivery and food production?

24. In addition to all the uses to which individual consumers put mobile, mobile connectivity is increasingly being used to connect 'things'. Ofcom's Communications Market Report 2020 states that, of the 94 million active connections in the UK, 9.45 million are now 'machine to machine' (aka IoT). Looking to the future, it is expected that rural businesses will make greater use of remote connectivity (for example, to locate hill sheep, to monitor pregnant cows or to optimise irrigation systems).

25. Mobile connectivity will also be used to manage smart power grids, contributing to the drive towards greener energy.

Capital investment and regulatory reform

26. To support all this connectivity, though, it is essential that UK mobile operators are able to attract the capital for investment in fluid global capital markets. (it is estimated that over the next 5 years, operators globally will invest $1.1 trillion[12]).

27. The UK is currently a tough investment environment and there is plenty of scope to reform the regulatory framework to make the UK a better prospect for growth and attractive to investors. The reforms to the Electronic Communications Code introduced in 2017 were one important measure in this regard.

28. They were necessary, welcome and reflected the new reality that mobile connectivity is now regarded as an essential service for all.

29. Operators, as with other essential services, must be able access [relatively small parcels of] land on which they can install their equipment at a reasonable cost and it is crucial that the ECC works effectively. The ECC is a fundamental piece of legislation that underpins all that the UK hopes to achieve through its digital infrastructure regarding social inclusion, innovation, and economic growth.

30. The 2017 reforms placed digital infrastructure on a more equal footing to other essential services such as power and water, thus making more resources available for network investment and removing the premium rentals driven by the demand for telecoms services, particularly mobile. However, the ECC still needs further adjustment to make it work properly, in particular:

    - Removing the financial disincentives to site providers from concluding renewal agreements
    - Removing the inconsistencies between the different legislative regimes
    - Ensuring operators can use code rights to upgrade existing sites
    - Clarifying the Code's intention for the sharing and upgrading of sites
    - Giving equal importance, through the tribunal process, to the conclusion of the new site and renewal agreements

31. Mobile UK is very pleased the Government is currently consulting on making further adjustments to the ECC. Our response[13] is published on our website. We have also joined with infrastructure

[12] https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/03/GSMA_MobileEconomy2020_Global.pdf
[13] https://uploads-ssl.webflow.com/5b7ab54b285deca6a63ee27b/60634dc8300ce8671a1b89a1_20210401%20-%20Mobile%20UK%20ECC%20Consultation%20Response%20-%20April%202021.pdf

providers Cellnex, Cornerstone and MBNL to create the Speed Up Britain Campaign[14] to call for these crucial reforms. Operators need to be rolling out and upgrading thousands of sites per annum if the nation's ambitions for digital infrastructure are to be realised.

Skills – How can we future-proof the rural workforce?

32. As the UK enters a digital future, the skills needed by our workforce are changing. This applies just as much to those working in the rural economy as to others.

33. It is vital that the training that businesses offer young people and employees reflects our needs to ensure that the UK's economy can thrive while at the same time closing the skills gap. In particular, the tech and communications sectors are becoming an ever-more important part of digital Britain. Those businesses need to be able to provide their employees with the skills of the future to make sure the UK becomes a digital leader.

34. Apprenticeships are an invaluable way of training up a skilled workforce and promoting social mobility among young people. They can help the UK reach its digital ambitions, but the Levy in its current form is not achieving this. Indeed, it is well documented that the number of apprenticeships has declined since the Levy was introduced in 2017, with the National Audit Office reporting in 2019 that the Government is unlikely to hit its 2020 target of 3 million new starts.

35. The Confederation of British Industry (CBI) in its Learning for Life: Funding a world-class adult education system' report[15] estimates that nine in ten people will need new skills by 2030.

36. Many businesses find it challenging to use the Levy to meet their training needs and even consider it a barrier to increasing investment in training. Many firms are reluctant to invest in other forms of training when they still have 'unspent' funds showing in their digital apprenticeship accounts.

37. Mobile UK, along with other trade bodies, would like the Government to push ahead with a promised review of the apprenticeship levy, to evolve it into a "flexible skills and training levy", which can be used for short modular courses, pre-apprenticeship programmes, product training, professional courses, and soft skills training.

Tax – Does the tax system provide benefits or barriers to rural productivity?

38. Mobile UK's main point regarding tax is that the sector should be put on an equal footing to the fixed networks, whereby business rates holidays are available for new fibre investment. An equivalent business rates holiday should be given for new mobile build so that it does not penalise investment in critical infrastructure.

[14] https://www.speedupbritain.com/
[15] https://feweek.co.uk/wp-content/uploads/2020/10/CBI-McKinsey-reskilling-report-final.pdf