

Labour Policy Forum
National Policy Forum Consultation 2023
A Green and Digital Future

Response from Mobile UK

17 March 2023

About Mobile UK

1. Mobile UK is the trade association for the UK's mobile network operators (MNOs) - EE, Virgin Media 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.

Introduction

2. Mobile UK welcomes the opportunity to respond to the Labour Party's National Policy Forum Consultation 2023 regarding the role of the digital economy in the UK's growth.
3. It is to be welcomed that the Labour Party is seeking to seize the opportunities of the digital revolution. As outlined below, digital networks are a foundation for the digital economy and the whole economy. They will be vital in realising Labour's ambitions for growth in every part of the country, tackling climate change, improving health and social care and enabling the UK to compete globally.
4. Mobile operators are committed to meeting the rising demand for more capacity, capability and coverage throughout the UK. Our ability to deliver depends on many factors and stakeholders across Government and beyond: the devolved nations; Local Authorities; metropolitan mayors; Local Enterprise Partnerships; landowners; and infrastructure providers. All have a role in ensuring a positive environment for the rapid deployment of mobile infrastructure.

The digital economy – Investing in the UK's mobile networks

5. The digital sector is a vital component of the UK's economy. It includes the economic activity resulting from the connectivity the UK's telecoms operators provide, connecting people, businesses, devices, data and processes.
6. Research from Strategy& suggests that the UK has the largest digital economy in Europe.¹ The ONS found that the digital economy has made up around 4.6% of the total UK economy since 2016 and is valued at £91.9 billion, larger than several industries such as agriculture, mining and quarrying, hotels and catering.²
7. Mobile connectivity, particularly 5G, offers the potential to further unlock productivity and economic growth across the whole of the UK and to assist the Labour Party's ambitions for Government. Vodafone commissioned research has found that 5G could add over £150bn to the UK economy by 2030.³
8. The UK's MNOs are investing heavily in the UK's mobile networks. This private investment has resulted in the rollout of 4G networks and, recently, 5G. Ofcom's recent Connected Nations report shows that 5G from at least one operator is now available to 67-77% of the population. In addition, the Shared Rural Network, a £1 billion joint investment with the UK Government, including £532

¹ Strategy& - <https://www.consultancy.uk/news/29700/uk-has-4th-largest-digital-economy-in-the-world>

² ONS - <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/methodologies/ukdigitaleconomyresearch2019#results>

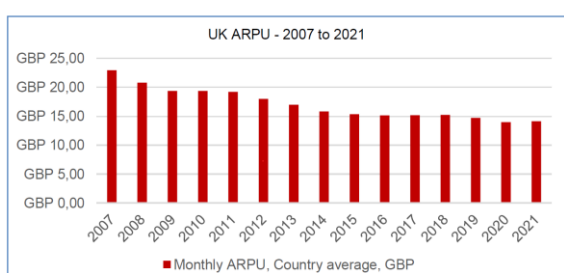
³ Vodafone - <https://newscentre.vodafone.co.uk/app/uploads/2020/06/Vodafone-5G-Report-final.pdf>

million from the industry, will extend 4G coverage to 95% of the UK's landmass.

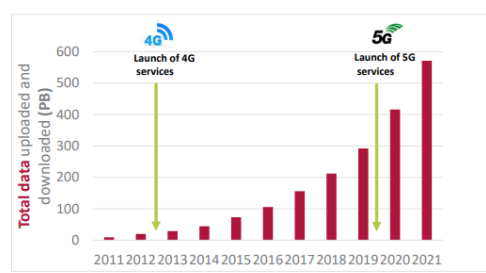
The investment environment

9. MNOs are investing heavily in their networks at a time when significant inflationary and cost pressures are exacerbating an already challenging investment environment. The industry's revenues, measured by Average Revenue Per user (ARPU), have been declining over the last 15 years while, at the same time, it has committed to investing in next-generation networks and the extension of 4G to 95% of the UK's landmass via the Shared Rural Network. Over this period, the speed, quality, and data of networks have increased. Over the last decade, Ofcom reports that mobile data traffic has grown by an average of 40% yearly and expects it to continue to grow.⁴ This fragile investment environment offers minimal incentives to invest in companies with declining returns. This has implications for the wider digital economy, as strong networks are required to realise all the opportunities for innovation and growth fully.

Figure 5: UK Average Revenue Per User (ARPU) 2007-2021



Source: Strand Consult, BoA Securities



Source: Ofcom analysis from data in annual Connected Nations reports

10. In addition, the Digital Connectivity Forum (DCF), the UK Government's primary advisory group on the provision of seamless digital connectivity, has identified a significant investment gap of £10-25 billion based on the forecast upgrade capabilities of the industry and the 5G connectivity ambitions set out by the Government.⁵

What policies can help contribute to the four missions outlined in Labour's industrial strategy?

11. Private-sector investment will be imperative to enable the digital and wider economy to flourish and as a foundational element to the policy goals and missions outlined by the Labour Party. Digital connectivity will underpin the ability of the UK to improve its technological capabilities and compete on a global stage. It creates jobs and opportunities, many of which will be created in the green and digital sectors. The UK digital sector employs over 1.7 million people and adds over £150bn to the UK economy annually. World-class digital connectivity also breaks down barriers to opportunity by providing access to education and health and care services, evidenced during the pandemic.
12. To continue to deliver on these goals and reach the ambitions set out by The Labour Party, it must be recognised that this can only be achieved by fundamentally reviewing the current regulatory and policy framework to narrow the investment gap and create a positive investment environment.
13. Mobile UK proposes the following key areas that the Labour Party should focus on:
 - a. Planning reform
 - b. Digital Champions
 - c. Review of net neutrality regulations

⁴ Ofcom - https://www.ofcom.org.uk/_data/assets/pdf_file/0017/232082/mobile-spectrum-demand-discussion-paper.pdf

⁵ Digital Connectivity Forum - <https://www.connectivityuk.org/2022/09/06/dcf-report-the-investment-gap-to-full-5g-rollout/>

- d. Long-term spectrum pipeline
- e. Public investment to bridge the 5G investment gap
- f. Provision of support by using the tax system
- g. Prioritising the continued establishment of the Digital Markets Unit
- h. Promoting a green and digital future

Planning reform

14. Recent updates to the Permitted Development Rights regime are welcome, but further updates to the planning regime continue to offer the quickest way to accelerate investment and deployment, recognising mobile infrastructure as critical to the nation. Planning must be continually monitored to ensure that it is not just aligned with the technological curve but ahead and not playing continual catch-up as it has with 3G and 4G.

Digital Champions

15. Mobile UK is campaigning for central Government funding to establish local authority Digital Champions. Research has shown that these roles are a highly cost-effective way of navigating internal complexities at a local level, streamlining relations between the industry, breaking down barriers, and unlocking industry investment.⁶ They also empower local communities by devolving power to local authorities and representatives best placed to identify the need of their areas and create local leadership to champion mobile connectivity, break down barriers and misconceptions, and smooth the way for mobile deployment.

Review the net neutrality regulations

16. Net neutrality is the concept of enabling free and equal internet access to all. While the principle is sound, change is required as net neutrality rules are now obstructing these aims. The approach to the current regulations around net neutrality should be reformed to allow more efficient network investment and promote service offerings that are better targeted at customer needs, particularly those at risk of digital exclusion. They must also be updated to reflect how modern networks are used and operated and to enable mobile operators to retain value and further incentivise innovation and investment.
17. Net neutrality rules impede MNOs from offering specialised internet services. Further net neutrality rules are skewing the internet in favour of high-capacity users who place the most demand on internet infrastructure but do not contribute to its upkeep; in short, net neutrality rules force those on cheaper tariffs to subsidise high network users. Conversely, the rules do not permit social inclusion policies such as zero-rating educational or healthcare websites, as evidenced during the pandemic.
18. Ofcom has also recently published extra clarity and guidance on net neutrality, highlighting areas such as retail differentiation, zero rating and traffic management where they think they can go no further within existing regulations.
19. A recent report from Strand Consult⁷ found that net neutrality rules in the UK are harming consumers, innovators and investors and are adversely impacting the rollout of advanced 5G networks. Further, the report highlights that countries which do not have strict net neutrality rules have consistently improved consumer welfare, broadband investment, speed, 5G innovation, and consumer value. According to the report updating net neutrality regulations can deliver as much as £340 million annually in free cash flow, which can help the UK achieve its 2030 5G goals and

⁶ Mobile UK - <https://www.mobileuk.org/digital-champions>

⁷ Strand Consult - <https://strandconsult.dk/net-neutrality-regulation-is-failing-uk-consumers-innovators-and-investors/>

close the 5G investment gap, estimated at £25 billion.

20. Mobile UK has proposed replacing existing legislation with a Code of Practice, written, governed and enforced by Ofcom. This would be reviewed regularly to enable regulation to keep pace with technology, help bridge the digital divide, promote greater innovation and incentivise investment in 5G technology.

Provide a longer-term spectrum pipeline

21. Spectrum availability is central to ensuring network capacity meets customers' data needs. Mid-band (6GHz) will be hugely significant for 5G investment plans, and making it available to mobile is central to combatting congestion in urban areas and the wider economy. Relying on the mmWave spectrum (used for high-speed wireless communications) to meet the needs of the networks is not technically or commercially viable.
22. A review of existing spectrum regulation through the lens of promoting investment, including consideration of spectrum auction design and the annual licence fee regime, and changing the current fee regime into an obligation to invest. The Labour Party should consider taking action to provide Ofcom with a clear signal that it supports a fundamental review of the impact of spectrum costs on investment.

Opening the discussion for public investment to bridge the 5G investment gap

23. The Labour Party must look at and prioritise the role of private investment in mobile networks, particularly 5G, especially in areas of the country where it is uneconomic or where the public sector can act as a customer to stimulate demand. Public investment offers significant public value and can provide comparable results in stimulating private investment to that already achieved in the fixed sector.

Provision of support by using the tax system to support investment

24. Mobile UK welcomes the decision by the Government to move towards a system of full expensing. Alongside the previous super-deduction model, full expensing will immediately boost the investment incentives of businesses making large-scale capital investments. Mobile UK urges the Labour Party to commit to the changes announced in the recent Spring Budget 2023. Additionally, a business rates holiday for new telecoms infrastructure, particularly in rural and harder-to-reach areas, would assist in the rollout of mobile networks.

Prioritising the continued establishment of the Digital Markets Unit (DMU)

25. Maintaining and prioritising the continued establishment of the DMU and passing of the Digital Markets, Consumer and Competition Bill. This will help to level the playing field with digital gatekeepers and increase competition in the sector. This will foster greater innovation from mobile operators. UK customers can benefit and ensure protection from anti-competitive practices through robust regulation.

Promoting a green and digital future

26. The mobile industry supports Labour's ambitions for a green and digital future and strongly believes the two go hand in hand.
27. All Mobile UK's members have publicly stated their respective paths to net zero.⁸ They are also reducing energy consumption and have committed to retiring their 2G and 3G networks by 2033 to save power and operate via more efficient modern 4G and 5G networks. BT's 3G network, by way of example, despite transmitting less than 2% of data over its network, accounts for 35% of the energy used in its Radio Access Networks (RAN). 5G is up to 90% more efficient in its energy

⁸ <https://www.mobileuk.org/connectivity-and-climate-change>

use.

28. Mobile UK supports policies that increase green energy production, which could accordingly apply downward pressure on its cost. Mobile UK's members invest in green energy production through Power Purchasing Agreements (PPAs), which enable them to secure long-term green energy needs; however, the market conditions to secure Power Purchase Agreements or long-term renewable energy contracts are skewed due to the Contract for Difference scheme crowding out private investment. Any renewable development support schemes should be limited to a backup purchase safety net mechanism if there is excess supply and insufficient market demand for corporate PPAs. The private sector needs to be better incentivised to purchase renewable energy under a corporate PPA.
29. Mobile UK also supports Labour's call for an industrial strategy to spur green growth and prepare for a digital future. The digital sector will underpin this future, utilising 5G, the Internet of Things, and full fibre, but to spur growth in these areas, the Labour Party must consider the following:
- a. Enable greater access to renewable incentives beyond large factories, considering the opportunities available from the Internet Of Things and machine-to-machine technologies.
 - b. Offer greater incentives to encourage digital transformation via the uptake of 5G and IoT technologies in key and vital sectors, including manufacturing, utilities, agriculture and health. These technologies have already offered clear examples of greater productivity while reducing carbon consumption.
 - c. Promote digital buildings and smart technologies to reduce energy usage and increase cost efficiency. Vodafone's research has suggested that the public sector estate could reduce its carbon emissions by up to 15% (saving the taxpayer between £265 million and £380 million annually) through smart technologies.

Further Information

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