



Department for Culture Media & Sport

Minister of State for Digital and Culture
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7 September 2016

Mr Matt Restall
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Our ref: 288821/HH

Dear Matt,

Thank you for your email of 25 July regarding the reform of the Electronic Communications Code, through the Digital Economy Bill. I am responding as Minister responsible for this area of policy.

As you state, the purpose of these reforms is to improve coverage and connectivity for consumers by encouraging investment in the UK's digital communications infrastructure. We believe that reforms which lower the cost of rollout will achieve this, bringing the vital economic benefits of greater connectivity and coverage to all of the UK.

While we believe it is crucial that we encourage investment in digital infrastructure, we recognise the importance of maintaining stability within this critical market. Our proposals have been reached following extensive consultation with a broad range of stakeholders and taking into account independent economic analysis on the impact of specific code reforms on the digital communications market. The Nordicity report, 'Modelling the Economic Impacts of Alternative Wayleave Regimes' and the Analysys Mason report, 'Financial impact of ECC changes' can both be found on the gov.uk website and present the results of some of this consultation process.

While I note your concern about the potential scope of reduction in rents suggested in your correspondence, Government estimates of likely rent reductions are based on reductions accruing over time. Operators will be free to pay more than would be assessed under the valuation basis set out in the new Code and it is the Government's view that new agreements will continue, as has always been the case, to be predominantly based on consensual terms reached between the parties. Code rights will only apply through the Tribunals as a last resort. Effective working relationships between network operators and landowners, including avoiding costly and time-consuming litigation, will remain in the interests of both parties.



Indeed, independent economic analysis which used the experience of other sectors with similar valuation regimes showed that it was market practice for providers to pay premiums on rents to avoid expensive legal disputes, maintain good working relationships with landowners and support market stability.

As the changes we are introducing will only apply to new contracts, they will be phased in over time, allowing the market time to adjust. Furthermore, to support the new Code, Ofcom will be required to prepare and publish a Code of Practice in relation to the conduct of operators. Ofcom are working closely with industry representatives, landowner organisations and other professional bodies to develop this Code of Practice, which we consider will play a crucial role in ensuring a smooth transition to the new legislation.

I hope this response is helpful. Policy officials are continuing to work closely with a broad range of stakeholders to ensure that these reforms are implemented smoothly and efficiently and I understand they have already arranged a discussion with one of your colleagues in the near future. If you would be interested in joining that discussion, or arranging a separate meeting with policy officials, please contact Steven Robinson at steven.robinson@culture.gov.uk or on 020 7211 6960.

Yours ever

A handwritten signature in blue ink that reads "Matt".

The Rt Hon Matt Hancock MP
Minister of State for Digital and Culture