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**Telecommunications Infrastructure (Relief from Non-Domestic Rates) Bill**  
**The risk of gaming in the rate relief for new fibre**

During the Grand Committee stage of the Telecommunications Infrastructure (Relief from Non-Domestic Rates) Bill we discussed concerns from some stakeholders that the system of rate relief for new fibre may give rise to gaming in the system. I am writing to inform you of the latest development in this matter.

As I explained in Grand Committee, we have been working with one provider – Gamma Telecom – and Ofcom to analyse the risk of gaming. I am grateful for the information and support Gamma and Ofcom have provided to my officials as part of this work.

The concerns raised by Gamma can be summarised as follows:

- that where there is existing capacity within a duct, operators, instead of using that capacity, will instead pull or blow new fibre through the same duct to claim the relief, and
- that the draft regulations could present unfair competition as telecom operators are required by the Access to Infrastructure Regulations to make their ducts available for other operators to install their new fibre subject to a reasonable request and a reasonable price. So potential customers who might otherwise rent fibre from a duct owner will instead pull new fibre through these ducts and undercut the duct owner.

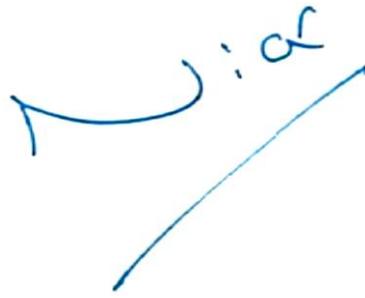
Since Grand Committee we have completed our work and discussed our conclusions with Gamma. Based on the evidence available to date, the Government and Ofcom do not expect the rate relief scheme for new fibre to give rise to gaming in the system. This is because:

- a. the cost of laying the fibre and all associated costs would in almost all instances exceed the rates saving,

- b. in the very narrow instances where in principle the saving could exceed the costs, the wider risks and disruption to customers would deter operators,
- c. evidence from the Ofcom Business Connectivity Market Review found that due to the practical difficulties of organising changeovers, telecoms operators do not exploit such opportunities even where cost savings are available, and
- d. currently, there are no known cases of operators accessing other ducts using the access arrangements under the Access to Infrastructure Regulations. If this did occur, then access is commercially negotiated and may well be expected to reflect the fact that the tenant would not have to pay rates on their fibre.

We will, nevertheless, continue to monitor the system for any evidence of gaming and through the Bill we have preserved the ability to amend the draft regulations to tackle gaming were it to arise. I understand Gamma Telecom are satisfied with this outcome.

Thank you for raising this with me and the hope our work here has reassured you on this matter. I have placed a copy of this letter in the House Library.



**LORD BOURNE OF ABERYSTWYTH**