

Upwardly mobile

11 April 2014

Sue Doane and Mark Talbot give an overview of the telecoms services sector and its impact on property and construction in the UK

The telecoms services sector has seen some huge events in the past few years. First is operator consolidation, driven by the need to reduce costs and increase efficiencies, and in the face of increased competition from the likes of Google and Apple. The distinctions between traditional operators have become blurred, with telecoms, cable, satellite and mobile operators all fighting for the same markets. This is reflected in mergers and acquisitions, and new network delivery vehicles such as Vodafone/Cable & Wireless, LG/Virgin Media, MBNL and Cornerstone.

The UK Digital switchover to replace analogue terrestrial television was completed in late 2012. This involved a ?630m investment over a 7-year programme and 1,200 man years of work. Some 1,154 sites were re-engineered and 5,000 transmitters removed with 3,700 installed.

The distinctions between traditional operators have become blurred, with telecoms, cable, satellite and mobile operators all fighting for the same markets

Following this, the auction for the 4G spectrum in February 2013 produced 5 winning bidders, raising ?2.3bn for the government. This will enable the rollout of superfast mobile broadband to meet increasing data capacity demand.

Meanwhile, the existing [Electronic Communications Code](#) , created under the [Telecoms Act 1984](#) , is recognised as being unwieldy and failing to support the deployment of modern telecommunications. The Law Commission review and subsequent 2013 recommendations now sit with the government to translate into statute.

Industry issues

The competing challenges of stagnating revenues and need for innovation investment sit against a backdrop of slowing economies, market uncertainty, cost pressures, strict regulations, squeezed margins and the search for increased productivity. The focus is therefore on delivering more efficient services with technology at the centre of the strategy.

Revenues from voice, messaging and internet access are declining but telecoms operators sit on the regulated side of the internet, which inhibits their ability to increase profits and thus invest in new technologies and infrastructure. Government subsidies seek to address this situation, such as the ?150m available for the [Mobile Infrastructure Project](#) , a phased

deployment of infrastructure to be used by the network operators to cover so-called signal 'not spots'.

Current trends

Networks will be defined by software rather than hardware with intelligence being provided by a 'program' that is uploaded rather than being contained within the kit. These changes will translate into the proliferation of 4G, increasing small-cell coverage, moving to cloud technologies, mobile internet and WiFi.

This is not a sector that tolerates old-fashioned approaches to problems but instead requires dynamism, innovation and robust teamwork

Other dominant themes include the [Internet of Things](#) , where more and more objects are being connected to the internet to enable them to be controlled centrally and more efficiently ? these have many residential and commercial applications such as heating systems and building information management systems. This is leading to 'smart metering' technologies that will offer new revenue opportunities for infrastructure owners, network operators and contractors, among others.

For cable and satellite operators, their traditional business models of combining in-house content with distribution platforms are under increasing competition from internet companies seeking to develop internet TV software.

Infrastructure impact

As outsourcing is a key initiative then contracts will be important. So too is the challenge of improving the speed and cost of network deployment in an environment of continued resistance from landowners. Operators still have to work within the existing framework of outdated telecoms legislation and restrictive planning regulations, although the government has recently taken limited steps to alleviate some of the planning pressures.

The demand for data, coupled with environmental and security regulations, has resulted in significant challenges in terms of power and cooling for data centres and technical facilities. Power distribution and supply companies appear to have been slow to respond, with capacity now being severely constrained. The inevitable consequence is further delay as and when landlord and/or planning consent is obtained, placing more barriers on site investment.

Energy management is thus playing an increasing role in the dynamics of this activity, with greater focus on systems and processes that maximise the efficient use of limited and expensive resources.

Rising to the challenge

The quantity surveying and project management profession needs to be alert to these rapid and critical challenges if it is to remain relevant to the telecoms industry. This is not a sector that tolerates old-fashioned approaches to problems but instead requires dynamism, innovation and robust teamwork. External professional resources need to have a deep understanding of the industry and become embedded within the culture of

the client company to work seamlessly as a single unit. It is the usual story; evolve or perish.

Sue Doane FRICS is a Board Member [RICS Telecoms Forum](#) and Mark Talbot FRICS is Chair RICS Telecoms Forum