

Economic effects of Virgin Media's investment in network expansion

Investment

£3bn
new investment



Around triple the UK government's BDUK investment

Economic effects

£5.3bn
economic activity



indirect jobs spending



Professional
c. 800

c. **6,000**
direct jobs

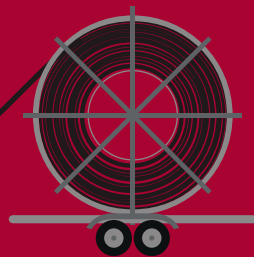
Apprenticeships
c. 1,000



Engineering
c. 1,400



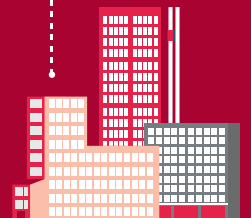
Construction
c. 3,800



c. **4m**
extra premises
connected



Productivity
benefits of
£100m



£650m
consumer
benefit from
greater choice

£1.6bn
consumer
benefit from
faster broadband



Virgin Media's investment will have a combined effect of £7.7bn on the economy, consumers and businesses

High-quality broadband networks have become a critical piece of infrastructure for digital economies. As well as providing consumers with communication and entertainment services, fast and reliable broadband increases the productivity of businesses and provides individuals with access to substantial information and learning resources.

Fast broadband networks also deliver important—but largely unquantifiable—social and environmental benefits, allowing people to be better connected through social media, VOIP and video services; while reducing the need for commuting, printing and other physical media (as well as the packaging and shipping associated with these products).

Virgin Media has announced a **£3bn** investment to expand its network to meet the growing digital needs of the UK's consumers and businesses. Once this investment is complete, up to **4m** additional homes and businesses will have access to Virgin Media's ultra-fast broadband network.

This network expansion is planned to take five years and is expected to directly employ around **6,000** people (including 1,000 apprentices) within Virgin Media and its construction and technology partners. These jobs will cover a range of occupations, including engineering, civil construction, customer services and management.

Ripple effect of the investment through the UK economy

Importantly, this investment in the UK's communications infrastructure will have a substantial multiplier effect, which will ripple through the wider economy. This increase in value is driven by the long supply chain required to deliver such a large and complex engineering project, which can be expected to result in further indirect job creation and consumer spending increases.

As a result, Virgin Media's capital expenditure can be expected to have stimulated **£5.3bn** of economic activity within the UK by the time the investment is complete. In addition to these widespread benefits to the UK economy as a whole, a number of specific benefits are anticipated for both consumers and businesses.

Benefits to consumers

Better broadband networks can benefit consumers in terms of Internet connection speed and reliability. Customers switching to Virgin Media's new ultra-fast network could double the top speed currently available to them (up to 152mbs). This additional bandwidth will allow consumers to do more online simultaneously—a crucial benefit as digital households connect more devices and make more use of the Internet. The value users place on this speed increase will result in an expected total net benefit to consumers—after having paid the costs of the upgrade—of around **£1.6bn** between now and 2030.¹

Consumers will also benefit from greater choice over their broadband and pay TV network supplier. This competition between networks has been shown to improve outcomes for consumers by around **£650m** over the same period, through both reduced prices and increased quality of the network operators' offers.²

Benefits to businesses

Similarly, business users can also expect to receive faster broadband due to Virgin Media's network expansion, delivering a benefit in the form of greater labour productivity.³ Together with the expected productivity benefits accruing to Virgin Media's home Internet users, this benefit is anticipated to be worth at least **£100m** to the UK economy between now and 2030.

¹ Calzada, J. and Martinez, F. (2013), 'Broadband prices in the European Union: competition and commercial strategies', Research Institute of Applied Economics, Universitat de Barcelona, September, p. 14. Calculations based on an assumed average speed increase of 32mbs, based on information provided by Virgin Media.

² Smith, R., Northall, P., Ovington, T. and Santamaria, J. (2013), 'The Impact of Intra-Platform Competition on Broadband Price and Speeds', *Journal of Information Policy*, 3, p. 613.

³ SQW (2013), 'UK Broadband Impact Study – Impact Report', November, p. 14.