

FCS Response to DCMS Future Telecoms Infrastructure Review

Introduction

The Federation of Communication Services represents companies which provide professional communications solutions to business users. Our members deliver telecommunications services via mobile and fixed line telephony networks, broadband, satellite, wi-fi and business radio. Our members' customers range from SMEs, home-workers and micro-businesses up to the very largest national and international private enterprises and public-sector users. FCS is the largest trade organisation in the professional communications arena, representing the interests of around 350 companies who supply B2B services nationwide.

Overview

We are at a time of huge change in the communications marketplace: technologies are evolving and demands from business and residential consumers are increasing. With the PSTN "switch-off" only a few years away, it is vital that the growth of full-fibre is encouraged along with other relevant technologies, moving away from over-reliance on legacy copper networks.

Answers to specific questions

1: What is the existing UK telecoms market structure and policy framework able to deliver?

The physical market is divided into legacy copper and future-looking fibre. We are at a point where the maintenance contracts Openreach has in place for copper are due to expire in a few years' time and it is vital to ensure that building of full fibre networks (or other ultrafast equivalents) is encouraged and enabled. The concept of "fixed-line voice" will cease to be relevant as services move to VoIP.

Ofcom regulates according to markets defined by Europe which ignore the continued convergence between existing markets: an ability to move away from these definitions would allow the regulator to act in a less product-driven, more technology agnostic manner, giving better scope to encourage a vibrant, competitive market for telecoms.

The market is dominated by BT and, despite the improvements brought about by the BDUK programme, the experience is based on copper: there is a limit to how much more this can be used, even with successful products such as G.fast, some, such as long reach VDSL did not prove to have the benefits that were hoped for.

2: What barriers exist to long term investment in the UK telecoms market (beyond work underway by the Local Full Fibre Networks programme to stimulate demand, and by the Barrier Busting Taskforce to reduce build costs)?

Due to non-cooperation between networks there is a risk of anti-competitive behaviour (overbuild) by the incumbent supplier. It is easy for suppliers to move into city areas with quick-wins. Government

needs to ensure that Openreach uses funding, including rebates from the BDUK scheme, for non-commercially viable areas. At present the Openreach does not own the network assets which are retained by BT Group, this could lead to Openreach management not being sufficiently incentivised to invest in those assets, or BT Group exerting influence over their use.

Whilst the temporary reprieve for business rates applying to lit fibre for new builds is very welcome, ROI on infrastructure projects is much longer than the 5 years relief provided for. A commitment to abolish entirely or extend relief to 10/15 years would help

Currently Ofcom regulates in a largely ex-ante approach; as market models change and in a post Brexit world, it might be able to approach regulation in a new way to give the right incentives to operators and providers to build and invest.

3: What can the UK learn from the widespread deployment of fibre networks in other countries?

We would suggest that the UK follows countries which have a model which successfully splits the distribution side from the supply side. This mirrors utility services as an essential service and would allow network competition and open access to providers.

4: The Government wants to consider all market models that will facilitate the next generation of technologies.

a. What different market models might work in the UK in the longer term, and what risks and opportunities do they present?

The FCS believes there would be benefit in a common platform that handles switching in a technology neutral manner. Ofcom approached this with its cross-platform switching consultation but this was not completed. Some of the altnets are working to create their own platforms and this area is ripe for development.

The crux in achieving this successfully is to have a logical central migration system with industry governance, such as NICC interoperability standards, which would allow commercial “plug-in” and seamless migrations/switches for customers.

Collaboration between providers of fibre networks and providers of services is already proving successful as seen in projects such as those carried out by Cityfibre with FCS service providers.

We are concerned about potentially moving to an increasingly vertically integrated market which seems to be signposted in the current BT situation where it now has a contracted engineering force to manage its assets. The FCS has previously suggested to Ofcom the mutualisation of Openreach: a different market model for the UK’s core network assets might be a better way forward – the sale, mutualisation or even nationalisation of Openreach should remain on the table.

b. What should Government consider when assessing the potential for migration from copper to full fibre networks?

Migration is a “must” not an “if”. At present Openreach is consulting on ways of moving to FTTP, could Government consider a programme akin to the digital switch-off for television? The copper network is old and will fail: replacement solutions need to be in place before this happens. However, migration must be seamless and without harm, particularly to vulnerable customers.

Fixed/mobile convergence should be considered as currently the MNOs operate in a completely different regulated space to the fixed providers.

5: The Government wants to achieve its digital infrastructure goals at the least additional cost. How should new digital infrastructure be paid for?

It is apparent that the altnets are gathering significant private investment, enabling more widespread builds of FTTP and offering competition to BT and Virgin.

Clearly the Government has set aside funds for roll out to which can be added the rebates from BDUK scheme. It is likely that more Government investment will be needed to reach the final 5%. We believe that Openreach, as the “guardians of the network” should have been looking for many years towards upgrading, not just maintaining the network rather than investing in other areas of BTG and this should be part of the universal service obligation.

Conclusion

The FCS hopes that these comments are helpful to the DCMS in its considerations and would be pleased to work with you to develop any of the themes we have identified above.