

Business Connectivity Market Review Very low bandwidth leased lines

Non-confidential version

Response by KCOM

31 July 2015

Introduction

KCOM Group PLC delivers communications services to a range of businesses and consumers throughout the UK under a number of different brands. In Hull and East Yorkshire, as the incumbent provider KC delivers services to businesses, consumers and other CPs. Nationally, Kcom provides services to enterprise customers while Eclipse offers a portfolio of communications services with a focus on the SME market.

KCOM has an interest in the proposals for the future of the retail very low bandwidth (VLB) leased lines market (bandwidths lower than 2Mbit/s) as KC, within the Hull area, is the incumbent provider of retail VLB TI leased lines, with significant market power (SMP) regulatory obligations. Nationally we use BT VLB wholesale services for various purposes, including the provision of services to end-customers. This response will focus on the obligations in relation to KC in the Hull area.

The number of VLB leased line services in the Hull area has been declining and is expected to continue to decline as customers move onto more sustainable alternatives. Also, there has been no new demand to provide VLB leased lines from customers.

We agree that VLB leased lines are legacy data services on a network that is becoming increasingly difficult to support as it approaches the end of its life. At some point, KCOM may not be able to reliably maintain VLB leased lines. Continuing to maintain these services has support and financial burdens that will only increase over time.



Therefore, KCOM supports Ofcom's proposals to remove the obligation, within the Hull area, to supply new VLB leased lines from the start of the next BCMR period (1 April 2016). We also agree with the proposed obligation to give two years' notice to customers before withdrawing existing VLB leased lines.

It is in the interest of customers and KCOM for us to proactively plan the removal of VLB leased lines and ensure the migration to newer technology is without disruption. Customer awareness and timely communication is our main focus to ensure we allow affected parties enough time to migrate to alternative services.

KCOM has already been considering plans for the withdrawal of retail VLB leased line services within the Hull area and has commenced project activity. It is our intention to proactively engage with customers. Although the plan is in its early stages, we do not anticipate any issues with the withdrawal of VLB leased lines. We will engage further with Ofcom as the plan progresses further.

Review of market developments

Question 3.1: Do you know of other CNI operators that will be affected by the withdrawal of VLB services that we have not considered above? If so, please provide details of these CNI operators, and, if possible, please outline their awareness and preparedness for the withdrawal

The National Health Service and Community Health NHS Trust organisations could be considered CNI operators that will be affected by the withdrawal of VLB leased lines services. VLB leased line circuits are used to link NHS sites and allow patient information to be shared. Withdrawal of these services could have impacts to public health services and this may be an area that needs Ofcom engagement.

Question 3.2: Are there any other developments since the last BCMR or prospective developments that may be relevant to our review of this market? Please identify specific developments, explaining why they may be relevant.

KCOM are not aware of any other developments since the last BCMR that are relevant to the review of VLB services and have no further comments to add at this stage.



Risk mitigation plan

Question 4.1: Are there industry associations among the CNI community that you consider we need to contact to increase awareness of the withdrawal of these services?

KCOM are not aware of other industry associations among the CNI community that we would consider needed to be contacted.

Question 4.2: Do you know of any other category of CNI operator that will be affected by the withdrawal, but that would not become aware of it through our programme of engagement? If so, please provide details of the category of CNI operator and your view on how best to raise awareness with them.

We are aware of further potential categories of CNI operators that may be affected by the withdrawal that would not become aware of it through the programme of engagement. These operators have been highlighted in our response to question 6.1 below.

Proposal to deregulate the VLB TI retail market

Question 5.1: Do you agree with our conclusion that the VLB TI retail market no longer satisfies the EC's three criteria test? If not, please explain your view.

KCOM agrees that the VLB TI retail market no longer satisfies the EC's three criteria test. As the VLB leased line service market declines, customers are migrating to alternative services which are within markets supported by ex-ante regulation. We agree that competition law is sufficient to address any concerns within the VLB leased line market.

VLB leased lines in the Hull area

Question 6.1: Do you know of any CNI operators that rely on retail VLB leased lines provided by KCOM? If so, please provide information about the CNI operator and contact information.

Although KCOM is not always informed by its customers about the end use of VLB leased line services, we have identified a number of potential CNI operators that rely on VLB leased lines provided by KCOM within the Hull area: -



✂ Redacted

KCOM note Ofcom's proposals to maintain the obligation to provide wholesale VLB leased line services on fair and reasonable request terms and conditions. While we provide a number of sub 2Mbit/s circuits to other CPs they are not provided on wholesale terms. This issue has been addressed further within our response to the Business Connectivity Market Review.



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