TfL response to OFCOM Consultation on Business Connectivity Market Review (BCMR) - Very low bandwidth leased lines
July 2015

Background:

As of July 2015 Transport for London still has over 1500 analogue leased lines in use for the purpose of Traffic Management specifically relating to control and monitoring of traffic signals within Greater London. This legacy communications system was built up over many years and TfL is in the process of migrating it to an IP based communications system. These circuits are critical to keeping London moving.

New Services:

TfL may still need to purchase a number of new VLB leased lines to support a data centre location change. This entirely depends on how quickly TfL's migration from leased lines can be achieved. TfL has no specific concerns about the last order date in 2016 for these services.

Existing Services:

Significant progress away from VLB Leased lines has been made but the 8% above RPI possible increase in prices seems excessive given the number of services still in use.

TfL firmly believe that BT still holds a significant market power as very little has significantly changed since the last BCMR in 2013. The only shift has been a reduction in the number of services and it should be noted that the rate at which TfL can migrate away from these services is limited. Indeed TfL started the planning for the migration of the services as soon as an official notification of plans to withdraw was made.

Transport for London is over a third through its migration away from leased lines. TfL expect this migration to be completed by the summer of 2017. TfL would like to increase the pace of this roll out however this is being hampered by Openreach's ability to deliver replacement IP on street services at the required rate.

At a time when public sector budgets are under continual threat, the numbers of circuits that are still in place are a concern especially given the unique delivery requirements that delivering communications services in a road side environment present. The proposed voluntary cap on increases in rental costs do not significantly protect TfL or other organisations from increases in costs that are being driven by a suppliers expectation to cease services rather than a natural market led increase in costs.

Conclusion:
TfL consider that the market failures identified in the previous BMCR are still present in this market and that competition law is not sufficient to address our concerns relating to price certainty.

Especially where TfL is unable to migrate its services away from VLB leased lines provided by BT prior to the end of the proposed regulatory period, a restriction predominantly caused by Openreach's inability to deliver on street IP services. While TfL accept that the alternative products being used to replace the VLB leased lines are run in a competitive market, the migration of services can not be done in a timescale to minimise the impact that this price increase will have on operational budgets. This in effect forces TfL to continue to purchase the services from BT in order to continue to function and provide its core services to the travelling pubic. TfL considers the proposed voluntary commitment to limit price increases is unsatisfactory given the speed at which TfL are able to migrate from very low bandwidth services.