

Draft Annual Plan 2015/16

Response by KCOM

26 February 2015

Introduction

We would like to thank Ofcom for giving KCOM the opportunity to comment on Ofcom's proposed annual plan through the Invitation to Comment published by Ofcom in September 2014. The plan is essential to help stakeholders understand Ofcom's priorities and other significant work for the year.

KCOM is a member of UKCTA and we support UKCTA's response to the draft Annual Plan. In addition there are some specific issues detailed below which we believe it is important for Ofcom to give some focus. We believe technology and the market have changed significantly to justify an essential review in these areas. Review of these topics now will help ensure that the regulatory regime remains valid and does not inhibit or discourage investment.

A regulatory review for fibre services

KCOM's deployment of NGA is primarily FTTP and we are on track to have passed 45,000 premises in the Hull area by March 2015. We have recently announced plans to pass a further 15,000 premises over the next 12 months. As the deployment of fibre accelerates there are a number of issues that CPs will need to contend with and a clear, proportionate and fit-for-purpose regulatory framework is essential to support continued investment. We can envisage a situation where CPs will want to capitalise on the operational efficiencies that an all-fibre network can deliver, with removal of copper assets being a key enabler to achieving those efficiencies. Provision of an all-fibre infrastructure will enable the delivery of more cost-effective solutions that will benefit consumers and business – the regulatory environment must not act as a barrier to achieving these efficiencies.



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We acknowledge that Ofcom's draft Annual Plan indicates that Ofcom intends to publish a call for inputs in Q4 2015/16 inviting stakeholders to submit their view on the key issues that may arise as a result of voice migration from legacy networks to next generation networks. We note that Ofcom also intends to consult on the topic of access to emergency services on the next generation network architectures, followed by a statement in Q2 2015/16.

We would urge Ofcom to consider these issues as a priority as they have the very real potential to impact on decisions being taken by CPs now. We see a review of Ofcom's current guidance on battery back-up, issued in December 2011 to be key. While KCOM understands the importance of customers having the ability to access emergency services and the need for widespread availability of these services, the battery back-up requirement imposes considerable additional costs on providers wishing to deploy all-fibre solutions. Given the low level of risk previously identified by Ofcom and the widespread use of mobiles, placing an obligation on all-fibre providers is an unnecessary and costly measure which has the potential to act as a significant barrier to realising the efficiencies that a move to fibre-based networks will bring.

A review of the Universal Service Obligations

We believe that the universal service obligations are long overdue a review. Ofcom completed a review of the implementation of the USO in 2006 and in its 2009/10 Annual Plan indicated that it intended to assess the way the USO currently works, its fitness for purpose and the extent of any financial burden it imposes. We are aware that the work did start on this, but, the project was not progressed. Since the USO was put in place there have been considerable changes in the market and it is important that a review is undertaken.

Assessing the current USO is vital to keep up to date with the way customers use communication services and ensure it is fit for purpose. For example, we are concerned about continuing obligations with respect to payphones. Despite a significant decline in payphone usage due to mobile usage, our obligations around public payphones include a lengthy process to remove unprofitable payphones.

Ofcom itself confirmed the low usage of payphones in the recent Ofcom Consumer Experience Report 2014; citing that only 4% of UK adults have used a payphone in the last year. This suggests that this is an area where regulation has become outdated and disproportionate.



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