

Response to the Ofcom BCMR



Vtesse Networks Limited

30th August 2012

Vtesse Networks is a member of UKCTA, and we fully support the UKCTA submission to this consultation, except as it relates to PIA. UKCTA members do not hold the same views as us on passive remedies, as many have invested substantially in automating the provisioning of BT O lit services or copper. The management of passive inputs from other operators is essential to Vtesse, and is our principal differentiator.

Vtesse Networks was the first company to provide national Ethernet services in 2000 - long before the industry abandoned the older “telco” architectures. This innovation was only possible by Vtesse acquiring and negotiating rights over dark fibre from the then 26 operators in the UK that had built out trunk infrastructure between 1994 and 2002. As Ofcom is aware, the dot.com collapse marked the end of extensive independent infrastructure investment in the UK.

True communications service innovation can only come from access to passive upstream components. This was demonstrated with LLU. Our use of BT tails, as we are now forced to do for all but the highest capacities, mean we are limited by the lowest service level in the chain, which is inevitably BT. We have had a number of incidents where BT has caused extensive installation delays or provided poor repair and monitoring, which if we had direct control over implementation and management, would not have happened. We therefore end up with an undifferentiated service offering – one of the unintended consequences of the Undertakings.

We estimate that between 20% and 70% of connection costs relate to the last 500 metres of any connection. We therefore disagree with Ofcom’s rejection in this review of the extension of PIA wider than the narrow NGN/NGA definition.

At the very least this remedy would provide a constraint on the downstream services constructed by BTO from these upstream passive elements, in a way that complements and reinforces price control.

We have undertaken a number of studies of mobile backhaul over the last 8 years for the then Orange, O2 and Vodafone, and now believe it is feasible to by-pass the BT network for an investment of around £300m. An extension to PIA would potentially halve this figure. The important issue of which Ofcom takes no account is that passive infrastructure is financeable on a long term basis – a bought in BT O service is not. Without PIA, there is unlikely to be any substantial appetite to invest.

We have demonstrated in Broughton, Huntingdon, that a combination of small business use and residential FTTP can be economic, if PIA was applied to both, and mobile backhaul. We have also evidence that there is a high correlation between NGN “not-spots” and poor mobile coverage, both of which are exacerbated by lack of economic backhaul.

We therefore urge Ofcom to consider extending PIA and removing the restrictive application to residential NGA, for which it is demonstrably an uneconomic remedy.

If we are wrong, extending PIA to business services would have no effect on BT, as it would not be used. All PIA processes are already in place for NGN, and the costs sunk, so there would be no procedural burden or associated expense to BT O.

On the other hand, if we are correct, then it could open up a new era of infrastructure investment in fibre, and lead to a far richer regulatory landscape with more innovation and choice, rather than the monoculture that the Undertakings are creating.

We urge Ofcom to be bold.

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