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Cc: [REDACTED]

NON - CONFIDENTIAL

Response to Ofcom: Business Connectivity Market Review

Introduction

As a fibre-to-the-premises (FTTP) network operator that exclusively serves rural areas, our network expansion is often constrained by the scarce availability of viable backhaul. When we then consider network expansion into any new location, the delivery of viable backhaul is often the most costly and critical element of the build. In light of DCMS's Future Telecoms Infrastructure Review and its commitment to an 'outside in approach'¹, it is then critical that any opportunities to bring down the barriers to delivering and accessing backhaul in rural areas are explored. Gigaclear then welcomes Ofcom's proposal of a dark fibre remedy on uncompetitive inter-exchange connectivity routes. Such a provision could significantly reduce delivery costs in areas where there are no other pre-existing alternatives to BT's inter-exchange connectivity, as network operators could then avoid the significant costs of delivering their own backhaul to the required location. This solution would then act as an enabler for infrastructure build in marginal access areas, as well as functioning to drastically accelerate the build timeframe.

Gigaclear then wholly supports the introduction of this measure, particularly in light of our experience [REDACTED].

Background

The UK's Digital Strategy set out the Government's commitment to delivering 'world-class digital connectivity' that is ultrafast, future proof and delivering full fibre speeds to as many households as possible.² DCMS's Future Telecoms Infrastructure Review took this further, setting out an ambition for 15 million full fibre connections by 2025 and nationwide coverage by 2033.

As the UK's largest rural FTTP network operator, Gigaclear is committed to delivering on the most difficult part of that ambition; bringing full fibre to the UK's most remote, rural locations. As part of that ambition, Gigaclear is bidding to deliver all lots within the Scottish R100 Superfast Broadband programme, which as a whole seeks to invest £600 million of state aid 'gap-funding' into the expansion of digital infrastructure to ensure that 'every home and business in Scotland has access to superfast broadband by 2021'³. The programme is divided across three intervention lots, all of which cover large rural areas where many of the

¹ 'which aims to ensure that full fibre delivery progresses across all parts of the UK at the same pace, so that no areas are systematically left behind' : <https://www.gov.uk/government/publications/future-telecoms-infrastructure-review>

² <https://www.gov.uk/government/publications/uk-digital-strategy/1-connectivity-building-world-class-digital-infrastructure-for-the-uk>

³ <https://www.gov.scot/publications/reaching-100-superfast-broadband/>

pre-existing BT exchanges are uncompetitive, in that no alternative inter-exchange infrastructure is available.

In participating in this process, [X] has identified critical inter-exchange infrastructure that could deliver substantial delivery savings and an accelerated rollout schedule if a dark fibre remedy were available for use by alternative operators. These savings could then be used to fund connecting more premises to the full fibre network.

Scotland R100 – Inter-exchange Opportunity

As set out in Annex [X], the current backhaul provision connecting the Scottish Highlands & Islands is scant, with [X].

Where pre-existing [X] connections have been part funded through state aid, BT is obliged to provide both a passive and active benchmarked wholesale solution. Dark fibre (passive) solutions for these services were recently introduced by BT, [X]. [X]. At present, BT does not then offer a dark fibre solution for [X].

[X].

Gigaclear cannot then overstress the benefits of a dark fibre remedy on [X] uncompetitive inter-exchange connectivity routes in order to facilitate genuine infrastructure competition. Without this intervention, no alternative operator could meaningfully compete [X]. Yet with the remedy in place, the savings to cost and delivery timeframe would be substantial, to the point that, [X].

In response, BT may propose that alternative operators are still welcome to utilise non-dark fibre remedies such as an Optical Spectrum Access Filter Connect. Yet this would effectively prohibit Gigaclear from utilising a Dense Wavelength Division Multiplexing (DWDM) solution, which it would require to enable a viable point to point FTTP solution. A dark fibre solution is then critical to facilitating genuine infrastructure competition and advancing gigabit capable connectivity to rural areas where BT inter-exchange infrastructure is the only pre-existing solution.

Length of Contract

Should a dark fibre remedy on uncompetitive inter-exchange connectivity routes become operational, it will be critical that such products offer a contractual length that can support the capital investment required to enable DWDM investment. Annex [X] and Annex [X] set out [X], evidencing that a 15-year contract length for backhaul products is well established.

Whilst we then acknowledge the timeframe of this Market Review, we ask that Ofcom do all it can to offer reassurance that should this remedy be brought into place, investors are given confidence that such a solution is unlikely to be removed in subsequent market reviews.

Annex [X]

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