

Welsh Assembly Government response to ‘Delivering super-fast broadband in the UK’

The Welsh Assembly Government welcomes the opportunity to contribute to this next stage of Ofcom’s assessment of the Next Generation Access market.

The response¹ we gave to the Future Broadband consultation is still relevant at this point in time and should be taken into consideration as part of this response.

The Welsh Assembly Government agrees with the assertion by Ofcom that next-generation broadband will be delivered through a variety of technologies. We welcome the step-change in thinking since the publication of the Future Broadband consultation where the assumption that NGA would be delivered by a fibre-based solution was, effectively, the only option being considered by Ofcom. We believe that fixed wireless and mobile technologies may well be capable of delivering NGA speeds by the end of the decade and could compete with fibre to deliver next generation broadband services, especially in less densely populated areas.

We believe that the main economic bottleneck remains in the core network. Projects such as the Welsh Assembly Government’s FibreSpeed project seek to remove this barrier by stimulating competition in the provision of next-generation network services. Many network providers are looking at FibreSpeed for an early proof of concept that shows this model is commercially viable. The FibreSpeed project will prove a useful case study for Ofcom in assessing any developments that are needed in the regulatory environment and, if it is successful, it may help to stimulate other projects elsewhere in the UK.

The Welsh Assembly Government agrees with the approach that Ofcom is currently undertaking to facilitate deployment of NGA through the use of ducting, sewers etc. We have previously stated in our response² to the Next Generation New Build consultation that access to the duct network (including utilities) is one solution to improve deployment of NGA through the reduction in costs and, indeed, the Welsh Assembly Government is aware of new ducting products on the market that could potentially support third-party access to ducts. This statement, although originally attributed to a new build scenario, is also relevant to this consultation. We believe that access to ducts and dark fibre should form part of any future regulatory regime.

We have previously outlined our views on the deployment of both passive and active access solutions in our response to the Future Broadband consultation and maintain that these views are also relevant here. We believe that both solutions are required to maximise access competition over wireline networks, although they must be fit for purpose and regulated to allow interoperability of equipment.

The availability of passive access solutions has been fundamental to the eventual success of local loop unbundling in the UK. However, the benefits of that success (faster speeds from ADSL2+, competitive pricing) are confined to the largely urban areas where LLU is economically viable at present. Backhaul costs remain the major constraint that prevents the expansion of LLU beyond urban centres. So, whilst the principle of ensuring passive and active remedies may be effective in helping to ensure competition in delivery of wireline services in towns and cities, the stimulation

¹ <http://www.ofcom.org.uk/consult/condocs/nga/responses/WAG.pdf>

² <http://www.ofcom.org.uk/consult/condocs/newbuild/responses/WelshAssembly.pdf>

of alternative backhaul solutions is far more important as a mechanism to make less densely populated areas more commercially attractive to investors.

The Welsh Assembly Government believes that, in order to stimulate competition in the core network, the removal of distance-related core network pricing would enhance this. This will complement Ofcom's thinking around competition at the deepest level and equivalence of access, making investment in less densely populated areas more attractive. For example, the work being carried out by the Welsh Assembly Government in relation to the building of the FibreSpeed network in north Wales will see costs brought down significantly. FibreSpeed will enable service providers to offer highly competitive services through a wholesale pricing structure comparable to that of London and the south east of England thus making markets in north Wales more commercially attractive.

The FibreSpeed network is a good example of how the public sector can directly influence the delivery of next-generation access. However, support from the public sector can also be achieved through the use of NGA trials (possibly in areas marked for regeneration). Many regeneration projects require strategic, forward-looking telecommunications solutions. The Welsh Assembly Government is working with both the telecommunications industry and the regeneration project team to identify the communications needs and resolve in the most effective, competitive manner whilst keeping in mind the need to for NGA. Ofcom should study the impact of such public sector initiatives in the core and access networks to inform regulation as the NGA market matures.

The Welsh Assembly Government welcomes the work announced by CBN in Manchester on 4th November 2008 about creating a national framework for local NGA developments. We welcome the opportunity to input into the work being carried out by CBN and believe that Ofcom also needs to be proactively involved in this process to ensure a successful outcome, especially with regard to the development and agreement of technical standards. We believe that management of the transition from basic services to NGA is only achievable at a local level and the work being carried out by CBN will go some way towards this.

The Welsh Assembly Government also agrees with the views outlined in the consultation document in that the public sector should adopt a partnership approach at this stage, such as assisting with demand stimulation, rather than providing financial backing. This also concurs with the findings of the Caio Review. However, as Ofcom acknowledges, we can consider it likely that some form of spatially targeted public sector intervention may be required in the medium term as areas of market failure become more clearly identified.

We are broadly supportive of Ofcom's framework for action; however, there are two issues that we wish to raise with regard to this. Firstly, we have previously stated in our response³ to the Wholesale Broadband Access review that we believe a flexible approach to pricing regulation should be adopted, for example by disregarding traditional geographic areas (i.e. exchange boundaries) and reserving the right to review regulation whenever needed as the market evolves.

Secondly, we agree that preservation of competition is paramount during the transition to new networks. Ofcom should lead engagement across industry, especially with regard to the incumbent operators, to ensure that this objective is achieved.

³ <http://www.ofcom.org.uk/consult/condocs/wbamr07/responsesother/wa.pdf>

As an example of the second point above, this can be demonstrated through the deployment of NGA to existing premises in a given exchange area. Incumbent operators have already made it clear that they want to deliver voice and data services solely over NGA once deployed and that they require regulatory certainty that they will not be obliged to continue to provide legacy services over the existing local loop in addition. On new build sites this is a fairly simple issue and we have already made our position clear in our response to the New Build consultation.

However, in a built up exchange area currently served by retail ISPs who buy a wholesale product from the incumbent and Local Loop Unbundlers, there are issues to be resolved. If the incumbent enables an exchange for NGA and begins to deploy an FTTC/VDSL solution, will they commit to servicing any reasonable request within that exchange for NGA, or will it be rolled out gradually, in parallel to legacy services over the existing local loop, as demand within the exchange builds? The incumbent position on this is currently unclear. This uncertainty will impact on the competitiveness of all ISPs in that exchange area and especially any LLU operators. In theory, the incumbent could decide to de-commission the segments of the copper local loop which are redundant in an FTTC/VDSL deployment, effectively removing the infrastructure the LLU operators currently use. Those operators need certainty about if, how and when this might occur, so they can plan the evolution of their business model accordingly. Ofcom needs to ensure not only that regulatory certainty exists for incumbent operators, but also that an acceptable, transparent roadmap exists for the deployment of NGA in these areas that preserves the competitiveness of other operators.

The Welsh Assembly Government is committed to working with and supporting Ofcom in order to achieve the right regulatory approach for Wales and for the UK as a whole. We would be pleased to discuss further with Ofcom any of the issues we have raised in this consultation response.