Vtesse Networks Limited

Response to
Ofcom Consultation on Next Generation New Build

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Summary

Vtesse Network's primary operation is the provision of high bandwidth, high availability telecommunications services to large organisations to support their critical business applications. Many such organisations are located within business parks/campuses and multi-tenanted buildings which may be new builds or urban/industrial developments. This market differs substantially from the consumer broadband and SMC markets and competition within this market is considerably less advanced, primarily because the provision of the high speed / high availability services relies solely on the provision of fibre optic cable directly to the customer premises. Experience shows that such services cannot rely solely upon wholesale active-line-access type products as they cannot provide the flexibility, reliability, scalability or reliability required by such customers. The existence of CPs such as Vtesse are evidence that it can provide technically and commercially innovative solutions which are simply not available from, or are better value than those offered by the incumbent operator.

While Vtesse can always provide technical innovation, its commercial competitiveness revolves solely around the costs of physical access to a customer site. Where a customer site is located close to existing network, or Vtesse has access to CP fibre close to the building it can compete on commercial terms with BT. The single largest barrier to competition is the costs of civil construction, however the time to construct new duct is increasingly becoming prohibitive to infrastructure deployment. Even when the cost of construction is not excessive, a customer may choose to purchase a more expensive service from the incumbent because it can be delivered in a shorter lead time due to ducts and cables already being in place. Processes introduced in the amendments to the New Roads And Streetworks Act (NRSWA) mean that a CP now experiences delays of upto 3 months before it can start civil construction into a customer site.
Today civil construction costs often present a barrier to infrastructure deployment which is an issue that will become increasingly problematic as costs increase year on year, with construction cost inflation being driven by rising labour, transportation and raw material costs. Continuing telecommunications price erosion in the face of rising costs causes a significant problem for CPs trying to replicate BT's existing duct, building entry and fibre asset of more than 9,000,000km[1)] . Ofcom will no doubt be aware that the capital market conditions that allowed a short and spurious infrastructure build 10 years ago no longer exist and this is unlikely to change in the foreseeable future.

In focussing on GPON access to New Build developments Ofcom should not lose sight of other NGA technologies such as sub-loop unbundling using FTTC which provides real promise of high speed services to existing consumers. Sub loop unbundling requires significant investment in equipment, street cabinets and fibre build from the cabinet to the CP POP, the latter could be significantly avoided if access was provided to BT's duct or fibre.

For these reasons Vtesse supports all actions to promote equivalent access to BT's passive assets at either the fibre or duct level, and to assets of other utilities and landlords.

1) BT Statutory accounts 2006/2007

Question1

What can Ofcom do to encourage timely standards development for new build NGA wholesale access products and interfaces? Which industry body is best placed to undertake the standardisation of these products and interfaces? What action should Ofcom take if these standards fail to materialise?

The issue of standards is secondary to the issue of providing a platform to allow CPs to compete. Promotion of standards will simply result in a single product which does not allow CPs to provide differentiated services. Ofcom must use its regulatory powers to ensure that passive access is provided alongside any ALA product, the CP can then chose to adopt a vanilla active product or invest in providing innovative services across a passive access method.

Question 2

Do you agree with Ofcom's approach to promoting competition and consumer choice in new build fibre access deployments?

Vtesse recognises that Ofcom has a preference for light regulation and are of the opinion that providing wholesale infrastructure access at the deepest level achieves Ofcom's goal of reducing regulatory burden on downstream products. Ofcom has indicated that it has a preference for passive access in new build, of which Vtesse is fully supportive but this must be coupled with passive remedies in the rest of the access network otherwise the bottleneck will simply move downstream.

Question 3

Do you
(a) believe that the existing obligations must be met by replicating the existing copper products, or that an alternative approach could be satisfactory? What are the implications of replicating existing products on fibre?
(b): agree that SMP holders rolling out fibre do not need to roll out a copper network in parallel solely to meet their LLU obligation?

a) The existing obligations do not need to be met by replicating the existing copper products providing that an appropriate passive remedy is provided. Vtesse does not believe there are any significant issues in replicating LLU products on passive fibre, and in fact there are far fewer technical limitations to using fibre than unbundled copper- distance and quality of plant being a copper issue which is far less important for fibre optic communications.
b) Vtesse agrees that in the event that an SMP provider allows open access to its duct and fibre infrastructure there should be no requirement to build a parallel copper network.

Question 4

Do you think access to the duct network, including non telecoms duct, is a potentially feasible means of promoting competition in new build? If so what types of commercial and operational models could successfully support such access arrangements in the UK?

As previously discussed passive access to duct or fibre will promote infrastructure competition at the deepest level. An open access method would provide a fair commercial model allowing purchasing CPs a good degree of cost/risk certainty and prevent possible collusion by larger CPs.