

FCS NGA action group

June 2010

NGA position paper- resellers can boost the broadband economy

Summary

- Telecoms resellers play a vital role in delivering competitive services to the UK residential, SME and corporate markets
- The reseller model has contributed to the growth of WLR to 6 million lines from a standing start
- Resellers can continue to deliver the competitive market if they have access to NGA services on fair terms
- Resellers require a WLR4 service particularly for the residential and SME markets
- Openreach's VoNGA product could have provided the WLR4 upgrade but Openreach has decided to cancel VoNGA development, without full consultation with the reseller community; an urgent review of this decision is required
- As infrastructure competition is limited in the UK the regulatory focus should move to retail competition, with a single pipe delivering multi-channel services to CPs and resellers; crucially an effective customer migration process is required to ensure customers can move suppliers to acquire new services, without being locked into a "wires only" contract
- Openreach is encouraged to proactively engage with resellers in different markets and bring them into the NGA trial to ensure that processes and commercials are suitable for all its customers
- FCS has explained reseller opinions in greater detail in its response to the Ofcom consultations on wholesale local access and broadband markets which can be found on the [FCS website](#)

Introduction

In the UK and throughout the European Community delivery of Next Generation Access products, based on the roll out of fibre, is central to delivering faster broadband and economic benefit. In the UK BT has accelerated its roll out of fibre and plans to offer "super fast" broadband to 10 million homes by December 2012. The whole telecoms industry is gearing up to deliver these new services to their customers. In the UK the telecoms industry comprises BT, other carriers, communications providers and resellers, each delivering services within the value chain or directly to customers. BT has obligations agreed in the Undertakings to ensure Equivalence of Inputs to competing CPs. In this FCS position paper we set out the views of the growing reseller sector on the development of NGA and what is needed for a fair competitive industry

Reseller sector

Many FCS members operate a reseller business model and have made use of WLR to bring diversity and innovation to the fixed market. We believe that it is important that this diversity is preserved.

- FCS CP and reseller members have about 4000 employees
- Representing £300-500 million p a turnover
- Offer WLR- 6 million lines and growing- broadband, VoIP, numbers, mobile and hardware

Selling to:

- 40% individual consumers

- 75% small business end users
- 60% corporate end users
- 30% sell via resellers

[Source FCS member survey 2010]

Why do customers buy from CPs and resellers?

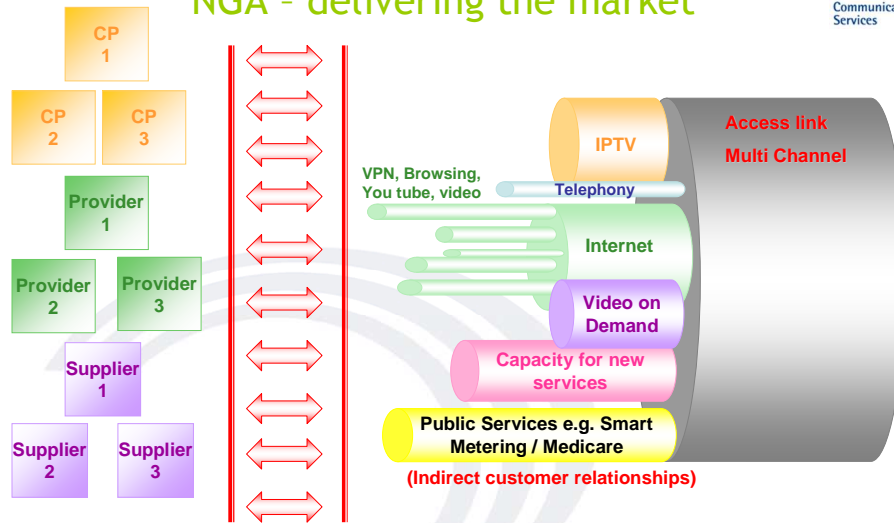
- USP is service
- Customer care is supportive and flexible
- Bundled services and tailored solutions are delivered from different suppliers [*Quality of service is important to business*]
- Services are managed on a day to day basis
- Provision of small company business support
- Consolidated billing- all services on a single bill
- Vital link for rapid adoption of new technology for new services
- Rapid growth of WLR demonstrates success of reseller model

NGA opportunities

- NGA is a great opportunity to increase competition, improve customer choice and introduce new telecoms services
- Resellers welcome faster and better access to broadband to grow the hosted market for business customers
- Jobs in the UK are driven by the Internet- access to suppliers is important for economic recovery
- Mass market VoIP and more sophisticated applications will be possible
- Network upgrade from copper to fibre but not everywhere- copper will need to be maintained
- Need to migrate current products and not generate new market structures that inhibit retail competition
- Business customers will benefit from higher speed Internet and data services- lower prices- reduced in house IT/telecoms overheads
- Need long lasting and well maintained pipes from stable suppliers

The multi service pipe vision to deliver competitive services to resellers:

NGA - delivering the market



Vision is to have multiple products/services and payments across fibre
 - a 'fit for purpose' migrations process is required - not all Suppliers will be CP's or involved in telephony
 11 May 2010 NGA- the reseller view

6

- One important aspect of this model is that ownership and control of the pipe should not be vested in a single service provider CP. Management of the pipe remains with Openreach [or alternative carrier] so that competing CPs can provide service in parallel.
- By allowing several providers to make use of the same connection, the multi service model also offers Openreach a potentially enhanced opportunity for recovery of investment which will drive commercial roll out and reduce the need for government funding intervention. The commercial aspects of delivery need to recognise this so that Openreach are not over-recovering.
- Capacity management and interconnection are also key issues in making this approach work. Industry standards will need to be developed and the governance arrangements for such engagement are critical where the product set is unregulated. - Governance important even if the product set is regulated, to allow for smooth change control.

Reseller concerns

- Introduction of the new technology may break the current market structure and allow monopolies to be created
- The proposed "WLR4" service- VoNGA- that would be a transition phase , particularly for retail and SME customers has been scrapped by Openreach without full consultation with the reseller community
- Fear of a land grab by the Openreach NGA trialists as they have better information on roll out
- Street cabinets- how long will it take for a street cabinet to be activated following activation of the exchange – are there planning problems?
- Trials may set services and commercial arrangements suitable only for large companies with similar market models- Openreach should ensure a mix of customer types into the trial, consult on pricing and ensure that in-life prices are suitable for resellers
- High customer migration prices may be set by the trial which are not suitable for the majority of resellers- introducing obstacles to the market

- Consumer focus for on-demand HDTV- the “killer application” may lead to roll out in residential areas but not business parks
- Service levels may orientate towards consumers but business requirements should also be taken into account
- Potential network fragmentation from pole/duct sharing
- Unknown level of service integrity- such as guaranteed uplink and downlink
- CPs and resellers need to be accepted as contributors to the development of migration processes, care levels, ordering process and fault experience
- Customer migration- number portability problems must be resolved
- Not every home or premise in the country will have fibre so fast broadband services must continue over copper
- BT Return on Investment may be shorter term than necessary- Openreach should be a long lived entity
- CP controlled ATA how will this affect migrations, will the customer suffer down time and what will the cost of replacing this equipment be?
- Management of bandwidth, If the service is to be delivered and not managed how will this impact on service. E.g. if a customer is using the service to watch TV will this affect the broadband, NHS service etc.
-

Competition and regulation

- There is a challenge to the telecoms industry to take on a greater self control for implementing arrangements between different companies via an Industry Forum with an effective governance process that takes account of the interests of all players in the market and allows for new entrants.
- Openreach and Ofcom should engage proactively with the reseller sector to ensure that their future requirements and customer are incorporated into new product development
- Ensure new technology does not break the market and allow new monopolies such as wires only to prevail this can lead to reducing consumer choice
- Regulate wholesale prices
- Ensure effective two way migration processes- guide industry to self regulate with a governance process akin to the energy sector
- The infrastructure competition model is limited and regulatory focus should be directed to ensuring effective retail competition
- The multi channel pipe model allows the widest range of service models

Our Requests to:

Openreach:

- Formally engage with the reseller community for the development of NGA services; the FCs ANG Task Group has been set up for this purpose
- Review the requirement for VoNGA

EAB

- Look into the equivalence of access for resellers to NGA

Ministers

- Resellers can help to deliver a sustainable competitive marketplace for telecoms that is essential for the Digital Economy

- Oversee a programme to bring the telecoms industry together in a forum to deliver solutions to telecoms issues, thereby reducing the burden on Ofcom

Ofcom

- Continue the dialogue initiated between the Ofcom board and FCS