

BROADBAND UNIVERSAL SERVICE OBLIGATION: CONSULTATION ON DESIGN

Response by Irish Central Border Area Network Ltd. (ICBAN)

Thank you for the opportunity to respond to the consultation on the proposed BT Universal Service Obligation offer. Irish Central Border Area Network Ltd. (ICBAN) has been charged by its three local authority members in Northern Ireland to help seek answers and solutions to the gaps in service left by an over reliance on a fibre to the cabinet solution deployed and subsidised in Northern Ireland. We are a local authority development organisation which works in the cross-border areas of Northern Ireland and Ireland. The three local authority member Councils from Northern Ireland are: Armagh City, Banbridge and Craigavon Borough Council; Fermanagh and Omagh District Council; and Mid-Ulster District Council, and all are located on the border with the Republic of Ireland.

We make the following general observations with regard to the consultation:

- Defining a Broadband USO around the limitations of copper gain technology is limiting opportunities and ambitions. Technically and financially it is possible to do more. It would appear possible that if the funding resources available to the government for broadband investments were applied to the remaining challenge, the 10Mbps service limitation could instead be replaced by a Fibre on Demand service. This could be defined around the extension of existing fibres, many of which are of course publicly funded, into the access network.
- A USO for Broadband is a significant policy step, yet there is no effort to contextualise this policy with the desire for more full fibre, the need to consider telephony sunset dates where fibre is being deployed, and there is little mention of the interaction of 4G data transport networks and full fibre networks.
- NI and the UK need to keep pace with international broadband ambitions. In Ireland the National Broadband Plan is intended to deliver at least 30Mbps to every premise by 2022, and similar is targeted by NI's most recent draft Programme for Government. Meanwhile the EU's Gigabit Society ambition is that every household will have 100Mbps by 2025. The suggested 10Mbps solution pales into comparison therefore.
- Every effort should be made to secure the best use of the funding available:
 - the BDUK activity has only expended £1.1bn of the £1.7bn available,

- much of the £463m BT Capital Deferral (calculated at Q1 -2017) owed back to Government is yet to be applied to the issue being discussed,
 - and the £150m commitment to solving Northern Ireland's Broadband gaps in service is not yet assessed.
- ICBAN are confident that the £150m allocation (arising from either the election promise or a re-farming of BT monies owed) plus any funds arising from additional audits, will permit the 80-100,000 premises outstanding to receive direct fibre connections. This will deliver a FTTP-GPON service across Northern Ireland.

By extension we make the following points.

Creating Ambition Rather Than Limitation

The statement that BDUK will reach only 97% needs to be subject to more rigorous analysis. Unusually the funds are likely to go further. BT is on record stating that £130m¹ of £463m capital deferral is now being used to extend BDUK contracts to 96% and much of this is being used to deploy FTTP. This means there is a further £330m, to which we can add other reported underspends and investment account balances to go beyond 96%. The following are questions to be analysed with the answers shaping the final USO; How far can the existing monies go? How much FTTP is to be delivered? These have not been dealt with sufficiently.

The latter is important as the selection of the 10Mbps service is almost irrelevant to the task of providing an upgrade to infrastructure. In setting a limit it provides permission to settle for an interim solution.

It is important that the numbers continue to be refined so the proposed Broadband USO can re-defined around what is possible, rather than being defined by the limits of an interim copper technology solution which does not provide a stable platform upon which to build a digital economy in rural areas. The limitation of 10Mbps need to be removed so the over-reliance on copper gain technology is not made permanent and imposed in urban areas, while the shortcomings of LR-VDSL are not imposed in rural areas. The latter is particularly important in Northern Ireland, as BT NI keep reminding Local Authorities of how exceptionally long line lengths are in Northern Ireland. We hope DCMS evaluation includes an evaluation of the impact of LR-VDSL in Northern Ireland. We understand that BT in making their offer has not conducted that evaluation in Northern Ireland, and thus have not evaluated how to deliver 10Mbps in our territory.

A Broadband USO should not be used to address portfolio decisions made by BT, or the holes left in service by a failure to deliver an appropriate mix of copper gain and full fibre access. Using a 10Mbps USO in urban areas to meet the needs of

¹ Openreach Charter 2015 – shows £130m clawback takes coverage to 96%.

business seems totally inappropriate. It would be more appropriate if the USO was written around the need to meet 'reasonable request' for direct fibre services where copper gain technology has failed to meet 'superfast' access speeds, never mind 'ultrafast' access speeds.

The original Universal Service Commitment (USC) of 2Mbps was described in the documentation as enough for 1 individual home worker, not a property of the line. Properly applied it would mean an office of 10 people working in a rural setting would be 10 times x2Mbps. If the 10Mbps is meant to be mark the performance of a line rather than a service for an individual or group of individuals, then in certain circumstances it will become a hindrance to ongoing investment.

Direct Fibre Solution

The £64m public investment to date in NI, the lower than expected costs and the higher take up, makes possible the addition of FTTP-GPON fibre extensions where copper gain technology cannot deliver superfast or ultrafast speeds.

The challenge of the 10Mbps limitation is that it is not technology neutral and could act as a barrier to what is a once in a generation network upgrade.

Where a metal path² facility used in conjunction with copper gain technology cannot support the required superfast connectivity, a fibre path can be used in its place where reasonable demand can be demonstrated. A fibre path can be defined which is consistent with a BT FTTP-GPON service and which is part of the regulated WLA market.

Thus, the focus of the B-USO needs to be on the provision of fibre paths where metal paths and copper gain technology cannot access superfast speeds. This proposal is not inconsistent with the cost analysis relied on by Ofcom but it will assume that the B-USO requirement follows the completion of the BDUK programme and is in fact a consequence and dividend made possible by that programme.

The existing proposal of 10Mbps and indeed a superficial examination of the BT offer of LR-VDSL looks to cut short the very large upside possible if the BDUK programme is permitted to continue.

Presenting FTTP as the most expensive is not always the case, where deploying a fibre extension using a fibre segment with a primary and secondary splitter is cheaper than deploying another cabinet or reconfiguring an existing cabinet with LR-VDSL to reduce the number of premises so far excluded. The cost of delivering power to a remote location can easily outweigh the cost of overlaying fibre on poles and installing primary and secondary splitters.

There are significant lessons to be learned from the Republic of Ireland where the limits of copper gain technology have been fully recognised and where upgrades

² Metal path facility (MPF) <http://www.sinet.bt.com/sinet/SINs/pdf/349v2p5.pdf>

are being supplemented with a far more ambitious plan using FTTP in-fill to connect some 16% of ROI premises without subsidy. The FTTP costs per premise are significantly less than being portrayed in Ofcom's analysis. Most of the 300k in the Rep of Ireland are in rural towns and villages and costs appear to be closer to €500 per premise passed rather than numbers three times that.

It is important that the costs of filling the gaps in service left by copper gain technology are acknowledged as a cost associated with that approach. Deploying LR-VDSL, which has not been evaluated by BT in Northern Ireland, should not preclude the provision of full fibre connections. It is essential to the purpose of DCMS that deployment of one technology type does not block subsequent provision of direct fibre connections.

The use of 4G, particularly the use of external antennas and approved repeater technology should be examined. The enforcement of the 4G coverage obligation should feature in the overall solution mix as the 2Mbps indoor service can become a 10Mbps service where an external antenna is added. Ofcom should explain how they intend enforcing and measuring the 4G coverage obligation held by O2.

Making Best Use of Funding - NI and UK

In the circumstances of how the B-USO was formulated, any implementation needs to be when all BDUK activity and other funding allocations are complete and clawback funds are expended on rollout.

The gap in service by an over-reliance on copper gain technology in NI is 80-100k premises. In the unique case of Northern Ireland the £150m election agreement allocation creates a very generous budget to facilitate what we believe should be a standard capability to deliver FTTP-GPON extensions across NI, an ambition and delivery result much in excess of what a USO could achieve.

ICBAN has adjusted the illustrative legislation to show what we believe to be the appropriate ambition for Northern Ireland (see attached also).

Resourcing Challenges

It would appear that more effort is needed to assess BT's ability or resource to deliver the proposed B-USO, given the resourcing of the existing Government intervention. It could be argued that the frustrations expressed by Parliament are not due to a shortage of funding but a shortage of resource and wherewithal to conduct a deeper fibre rollout. These issues have been expressed to ICBAN by observers to the delivery of the network in NI.

There is a real danger in pursuing the proposed B-USO in advance of concluding the existing subsidised activity. BT will be empowered to divert resource to provision in-fill solutions while being paid twice, once in the modified price control, and again in the ongoing DfE activity. In Northern Ireland at present BT are still

provisioning private circuits over subsidised broadband infrastructure to companies wishing for a broadband connection. The latter cannot be addressed by the B-USO as currently designed, but can be met by working to make the necessary exchanges to the WLA product definition to support the provision of direct fibre connections.

Concluding Remarks

The consideration of a B-USO was deliberated by Parliament quite hastily through the ‘wash up’ process before the recent election and it is suggested that time is taken to allow a rethink of the options. It is not clear if the then Prime Minister, David Cameron, in making this policy in 2015 was aware of the £463m BT capital deferral, and the underspends across the UK. These matters were not raised in the debate on the B-USO in Parliament yet ought to be fundamental considerations. In 2015 much of this potential was still being denied by BT³.

It would not be in best interests to impose B-USO solutions before the BDUK activity has been exhausted. In the case of NI this includes the delivery of the new £150 million allocation, which should be utilised before a USO intervention is made. ICBAN therefore asks that the USO proposal is delayed for NI until the process of utilising public funds is expended.

Ofcom therefore needs the power or permission to delay the B-USO where infrastructure upgrades are being planned.

Shane Campbell
Chief Executive
ICBAN

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³ www.btplc.com q4 2015 transcripts from investor day. **May 2015**; during an exchange with analysts at a BT results days, when questioned on claw back BT Group CFO responded. *“I don’t expect, from where we are now, this is not a number like hundreds of millions of pounds. If we need to do something it may be tens of millions of pounds.”*