

Draft report on a consistent approach to migration and copper switch-off

GOS Consulting response to BEREC's public consultation

Introduction

GOS Consulting is a specialised international regulatory, economics and strategy consultancy, with deep expertise in the electronic communications sector.

We welcome BEREC's draft report (BoR (21) 171) concerning the migration and closure of the copper access networks in Europe, and the opportunity to comment on BEREC's paper.

While national regulatory authorities (NRAs) have made considerable efforts to encourage investment in, and deployment of, very high capacity networks (VHCN), copper switch-off has received much less attention and BEREC's draft report is timely.

We suggest, however, that there are three areas where the report may benefit from additional consideration, as we explain below.

Definition of "copper switch-off"

It has been our experience that the term "copper switch-off" is often assumed to mean a full termination of all services using copper cables in the access network, yet in the report the term also includes "partial switch-off". In this case, although the copper MDF (main distribution frame) is removed, copper cable remains in use closer to the customer, for example beyond the street cabinets.

As BEREC notes in section 2.2 of BEREC's report, "*...in three countries (BE, GR, IT) the SMPO [significant market power operator] pursues a partial copper switch-off...*" nationally and in one other (Poland) there is "*...a partial copper switch-off depending on the location*".

The difference between full and partial copper switch-off is significant and we believe BEREC should differentiate clearly between these. Fundamentally, it is important that the report reflects the extent to which the SMPOs across Europe continue to rely on copper in their access infrastructure and we are concerned that the report and its conclusions combine the two.

We therefore recommend that the report and its conclusions are clarified accordingly to show clearly the extent of both full and partial copper switch-off.

Definition of “alternative network operator”

In BEREC’s report BEREC uses the term “alternative network operator” to mean any operator other than the SMPO and, in the context of the report, specifically those operators who purchase wholesale copper based services from the SMPO.

Operators other than the SMPO fall into two categories:

1. Those that are downstream from the SMPO and use wholesale access services in order to deliver their services to end users (often referred to as retail service providers), and
2. Those that build networks in competition to the SMPO, some of whom compete across wholesale and retail markets and others compete at only retail or wholesale levels (often referred to as alternative network providers (altnets)).

In our experience, the significance and impact of the SMPO copper switch-off is very different for these two groups of competitors to the SMPO and we consider it would be helpful if the report addressed them both.

Our reading of the report suggests that its main focus has been on the downstream competitors and potential disruption to their services which rely on wholesaled access to the SMPO. This is certainly a very important factor that warrants detailed review.

SMPO copper switch-off is, however, also important for operators building competing fibre networks. The timing, communications, and conditions around the copper switch-off could have a significant impact on the incentives to build competing new fibre networks.

Economic incentives for copper switch-off

Our own analysis of copper switch-off incentives suggests that market forces alone may not lead to the optimal timing of the copper switch-off programme for the SMPO. NRA intervention designed to fit local market conditions may be required, not only to mitigate the risks of switch-off as discussed in BEREC’s report, but also to achieve its benefits.

NRAs could benefit from reviewing these incentives, which will depend upon factors including:

- whether the SMPO has developed its own VHCN
- the number and extent of competing VHCNs
- whether the SMPO is vertically integrated
- the availability of civil engineering infrastructure (CEI) access products

Considering these factors, NRAs may need to intervene to ensure that copper switch-off goes ahead on a timely basis and on appropriate terms in order to

- Protect consumer interests
- Incentivise VHCN investment by SMPO and altnets
- Create the correct economic incentives for downstream service providers

We consider that BEREC and NRAs should be giving greater consideration to these issues. We attach, as an appendix to this letter, a short analysis that we have prepared on copper switch-off incentives for SMPOs.

Conclusion

Copper switch-off is an important issue facing the sector and whether, how, and when it is done can have significant knock-on effects at both the infrastructure and the downstream retail market levels. We therefore welcome BEREC's draft report but believe that it would be improved by further consideration of the three matters we have set out above. We would be happy to discuss these further if that would be useful to BEREC and its members.