BSG Meeting
Local access network standardisation
Wednesday 29 July 2009

Venue: Ingenious Media, 15 Golden Square, W1F 9JG

Notes

1. Welcome and introductions

AW welcomed those present, and explained how the meeting would work.

2. The COTS Project and the policy context

The COTS Project – Antony Walker (AW), BSG
AW set out what the meeting was intended to achieve:

1. Agreement that this is an issue for the industry to address
2. Confirmation of a willingness to engage and participate
3. Initial thoughts on requirements and blue-sky thoughts on solutions

Independent local open access networks are likely to play an important role in the evolution of next generation broadband in the UK. However, there is a need to ensure that this does not lead to the emergence of a disjointed patchwork of networks across the UK where consumers and businesses are offered a sub-optimal range of services at the retail level. This is an issue that has been raised by a number of groups and through policy debates over the last 18 months.

Economies of scale are key to the provision of communications services. Even relatively large independent local access networks tend to be sub scale for CPs with the result that it is uneconomic for them to provide services to consumers and businesses over these networks. The COTS project is an attempt to address this problem. To do this a degree of standardisation / harmonisation will be required at the commercial, operational and technical levels in order to generate economies of scale. The challenge is to achieve this whilst also safeguarding the scope for innovation at the local level.

There appears to be broad agreement that the timing of this initiative is right. This issue has been increasingly highlighted within the industry over the last 18 months, and stakeholders have demonstrated an increasing willingness to engage to find a solution. The Digital Britain Report and the approval of South Yorkshire Digital Region, with other projects being developed, have acted as a further catalyst in this regard.

The project will seek to address the areas set out in the draft principles and process paper circulated prior to the meeting, but BSG is keen to hear the views of stakeholders on the scope of activity the project should undertake, and ultimately the stakeholder steering group that will take this work forward will take a view on what work should be undertaken.

In response to some concerns raised by stakeholders prior to the meeting, we are being clear that the project is not intended to entrench and defend any particular business models. We are also agnostic about the likely solution at this stage, and are more interested in scoping the requirements first.

To take this project forward, we will establish a steering group with an independent chair. We will put this group together over the summer, with the first meeting in September. The group will be open to anyone, but membership of the group will require a willingness to participate and engage in the work. We anticipate a series of working groups to examine specific issues, but the steering group will set out how it wants to undertake the work.

The steering group will regularly report back to the wider community, for consultation and feedback. The BSG will also continue to meet with stakeholders to discuss the work and the issues being addressed. We are committed to facilitating an open and transparent process.

Our initial view is that this work could take 9-12 months to complete, however, this is an indicative view only, and a clearer view on timescale will only emerge once further work has been done.

<u>Why it matters and the UK policy context – Peter McDougall (PM), BIS</u>

BIS agree with the view that independent local open access networks are likely to play an important role in NGA deployment in the UK. This view was set out in both the Caio Review and more recently in the Digital Britain Report. BIS is supporting this development through the funding of INCA.

BIS wishes to avoid the emergence of islands of connectivity and therefore supports the COTS objective, and considers that the BSG is the right organisation to facilitate the project.

The Final Third Project, setting out government's approach to providing next generation broadband to the third of households that are unlikely to be served by the market, could provide opportunities for community projects. The government will be consulting on the implementation of this policy in September, which will require open access networks in accordance with State Aid rules. However, government also see that community projects may play a role independent of the Final Third Project.

In addition to this activity, government is also supporting a Publically Available Specification for new-build homes, that the BSi is developing.

<u>Where ALA fits with COTS, and the international context – Chinyelu Onwurah (CO), Ofcom</u>

ALA is an industry standard facilitated by Ofcom to provide an active product for next generation broadband provision. It is unlikely that passive products, such as sub-loop unbundling or duct access, will be viable everywhere, so there is a need to ensure a standard active product is available. The weakness of active products in the past has been a failure to support innovation, but with active products over fibre there should be more scope for service innovation.

The scope of Ofcom's ALA activity was limited to defining the active wholesale product characteristics to avoid taking on too much at once, and these are now being considered by industry standards bodies; however, there is a need for standards around the provision of wholesale products, which was set out during the ALA work. These operational issues need to be addressed by the industry, rather than the regulator, and so Ofcom will support and work with the COTS Project.

Ofcom has also commissioned CSMG to research BtB interfaces, including an assessment of Openreach's EMP and an assessment of the characteristics of an ideal BtB interface for CPs and infrastructure providers. To date, this work has highlighted that the product definition influences the requirements for the system. The output from this work is expected to be delivered in September.

Q&A

The following issues were raised.

- There was a concern that wireless networks were not being fully considered as part of this project. AW highlighted that the project intends to be technology neutral, and PM stated that the approach of the government, set out in the DBR, is technology neutral.
- Some questioned whether the COTS project should be taking ALA as a starting point. AW said that the project was seeking to build on existing work, and did not want to duplicate work already undertaken. CO said that Ofcom consider that in most instances these networks will be local monopolies, which raises competition concerns for Ofcom; ALA could alleviate these concerns.
- There is a need to adhere to EU State Aid rules if spending public money on broadband infrastructure. However, in some cases local requirements can run at odds to open access requirements. CO referred to the Ofcom/DTI Best Practice Guide for Public Broadband Schemes from 2007, which may need to be updated in light of new guidance on State Aid from the Commission. AW suggested that COTS should provide the flexibility for local services, but it was suggested that to do this the project would need to address the different service layers.
- NGNUK should be engaged with this work; they have a debating chamber that could play a useful role.
- The question was asked as to what role the public sector should play. AW suggested that any local authorities considering broadband projects should engage with the COTS Project, and that the public sector will be a key audience for the output from the project. PM said that this work should be undertaken by the industry, as they are the experts, and CO agreed. However, there is a trade-off to be made by industry about engagement and involvement in this work, and resource available within an organisation; therefore a facilitating body is required.
- AW said that BSG does not expect there to be consensus at the outset, but is hopeful that consensus will emerge as the project proceeds.

4. Stakeholder perspectives

Service provision on independent networks: an independent network operator's view – Ed Attree (EA), IFNL

IFNL are part of a larger group that provide a range of utilities to new build developments.

IFNL recognise the issue of scale for national service providers – just to maintain performance ISPs need to address very large markets. For IFNL, a basic product set is required that is offered regardless of underlying infrastructure. It would be useful to consider standard commercial terms, as contracting individually is a cost to national ISPs – a template contract would help in this. In the absence of industry standards, the first CP on a network shapes the solution on that network.

IFNL therefore consider that a solution could be a clearing house that deals with all networks, regardless of scale. This could be a not-for-profit, mutually owned body. The key issue is having a B2B interface based on a common standard.

Service provision on independent networks: a generic national service provider view – Peter Shearman (PS), BSG

PS provided the generic perspective of large scale CPs. This was preceded by a caveat that while this reflected views put forward by these companies, it did not reflect any one CP's view, and that ideas on this issue are continuing to evolve.

The business models of national ISPs are based on scale and cost minimisation; any solution to the challenge of service provision over an independent access network that increases the costs of a service provider decreases the likelihood that retail service provision will be commercially viable.

Given this, the scope of any solution should consider all of the cost elements involved in service provision, from the wholesale product set, through back-office systems and commercial and contractual terms.

Any solution should also be technology neutral, and should support innovation at the local level. CPs consider this to be potentially important part of the market. Any solution should also build on existing work and standards within the industry.

Finally, CPs are willing to engage in a process, and provide resource and time to the project, if their investment in the work is likely to see a return.

The INCA perspective – Brian Condon (BC), CBN

BC set out three scenarios that CBN use to frame their work in this area: 'Da Wo' (the Big Me); islands of connectivity; and the patchwork quilt. The Da Wo scenario reflects one single investor rolling out NGA across the UK, while the islands of connectivity scenario suggests many different operators rolling out NGA across the UK without the necessary interoperability to enable service provision.

The patchwork quilt reflects different networks across the UK, but with the capability to interoperate. The key element of the patchwork quilt is that you should be able to design your own patch, but it will still connect to the wider quilt. To make this a reality, it is necessary to mask the scale of these networks, and for these to be open access networks. However, open access doesn't mean CPs defining products in a dark room.

INCA is a body set up to represent organisations planning or building open access networks. The concept of regional JON hubs would find a series of hubs for aggregation of local networks and for interconnection for ISPs. INCA held its first meeting of founder members in July, and all are encouraged to become members.

Haven't we been here before? – Malcolm Taylor (MT), EuroCableLabs

MT suggested that the industry has been here before. The CBN scenarios are an interesting analogy: initially the cable industry was a patchwork quilt, but is now a 'Big Me'. Fundamentally, there is a tension between standardisation and innovation that the industry needs to consider when addressing this problem.

Interconnect agreements have been in the industry for many years; MT first worked on the early agreements between BT and Mercury, and then the development of these frameworks for use with OLOs. These framework agreements cover many of the areas identified by this project, and could provide a useful starting point to frame the work. However, how these agreements would be used – between operators and CPs, between a clearing house and CPs, or some other arrangement – would need to be considered, and ultimately CP business models rely on scale.

There is a need to consider this issue fairly quickly as an industry, to establish a process and begin scaling the solution, and there are existing models that can be built upon.

<u>Q&A</u>

The following issues were raised.

- It was suggested that it was important to understand what a broadband service looks like from outside in before considering solutions. While MT agreed, there is also a need for a starting point for an interface.
- Regarding the State Aid discussion earlier, BC suggested that there is no Sate Aid concern as long as there is no undue preferment. He also felt that the DTI-Ofcom Best Practice Guide stopped LA investment in broadband for about six months. A discussion took place regarding the State Aid approval process and the role of policymakers in this.
- One attendee reflected that national ISPs only offer existing DSL type services on new fibre networks (and then only if provided scale and replicability), but this ignores the potential for innovation on the network, at the local level. Partnering with small, regional ISPs provides greater scope for innovation.
- A clearing house tying together regional PoPs could be the answer; innovation occurs at that level. BC agreed, and said they were modelling the idea of mutually owned PoPs.
- BC suggested that a bigger issue is the loss of public value when the industry builds over successful community networks. This was challenged as being the nature of a competitive market.

5. Discussion

The following issues were raised.

- Some remained concerned that wireless was not sufficiently considered in the project. AW reiterated that the project would be technology neutral. However, one participant remarked that technology choices do impact on product design and delivery – it is only when this is understood that a technology-neutral outcome becomes possible.
- It was suggested that the ALA characteristics would be difficult to provide over some technologies; CO said that the functional requirements within ALA would have different technical impacts depending on the infrastructure.
- The question was posed as to whether INCA’s proposals could provide the common, single interface; a participant suggested that INCA was one solution, but not the only solution, and that others should be explored. It could be that a range of approaches are required.

- One participant cautioned that getting national ISPs on independent local networks is a challenge facing many in the industry today, and that this work was not simply about the Final Third, although this is a driver for undertaking the work.
- A couple of participants suggested that the focus for the project should be the consumer/end-user. Given this, the solution must be kept simple, and focus on making it commercially viable for ISPs to offer retail services. Aggregation makes sense to achieve scale, while a common B2B interface would also be required. CO agreed with the focus, and said that ALA is based on consumer choice.
- One participant echoed MT's sentiments, and reflected that the industry had been through these shifts before, with analogue to digital, the development of mobile, the growth of cable, and now moving to NGA.
- A question was raised regarding whether the output would be UK-based only, or would be European or international. AW said this was not something that had been actively considered so far, although standards bodies are international. CO suggested that the work would need to start out internationally, as just addressing the UK wouldn't be sufficient – the example of the European GSM standard was discussed. MT agreed, as community networks aren't unique to the UK. BC suggested that there is an opportunity to learn from approaches in other markets.
- A participant re-iterated the importance of getting the big CPs to engage in the work and sign up to a solution. A representative from Sky said that they were present because they supported this initiative; they are a big group and it takes time to develop positions to issues such as this, but thinking is ongoing.

6. Wrap-up and next steps

AW thanked everyone for attending and participating, particularly the speakers. He highlighted that there are clearly a range of views on this issue, but that the level of interest and attendance suggests that there is a agreement that this is an issue that needs to be addressed, and that there is a desire and a willingness to work towards a solution.

BSG will put together a steering group comprised of stakeholders over the summer, who will meet in September to take this work forward. Participation on the steering group is open to all, but it is expected that those who sign up for the group will actively participate in the work. Anyone interested in being on the steering group should contact Peter Shearman, details below.

In the meantime, BSG will continue to engage with stakeholders through the summer, to gather views and feedback, and thoughts on how to take the work forward. BSG intends that this project will be open, transparent and inclusive, and encourages those with an interest who are not yet engaged to get in touch. Further thought will be given as to how best to engage with the whole industry moving forward.

The notes from this meeting will be circulated as soon as possible and available online. BSG is keen to hear further thoughts from the industry, regarding the meeting, the draft principles and process paper, or any other related issues. If you have further thoughts and views you would be willing to share please contact either Antony Walker or Peter Shearman.

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