Response to the consultation on the 'Draft BEREC Work Programme 2022

05.11.2021

FTTH COUNCIL EUROPE

Full fibre for a digital and sustainable Europe

Introduction

The FTTH Council Europe (hereinafter the FTTH Council) welcomes the opportunity to comment on the 'Draft BEREC Work Programme 2022'.

The FTTH Council is an industry organisation with a mission to advance ubiquitous full fibre-based connectivity to the whole of Europe.

Our vision is that fibre connectivity will transform and enhance the way we live, do business and interact, connecting everyone and everything, everywhere.

Fibre is the future-proof, climate-friendly infrastructure which is a crucial prerequisite for safeguarding Europe's global competitiveness while playing a leading global role in sustainability.

The FTTH Council consists of more than 150 member companies. (additional information at www.ftthcouncil.eu).

Comment

The FTTH Council finds the continuing thematic approach in the draft BEREC work programme useful and clear in highlighting BEREC's priorities for the year ahead.

With regard to the subject of the work programme, the FTTH Council wishes to work with BEREC in areas related to FTTH and other factors affecting network development. The FTTH Council sees that strategic priority 1:promoting full connectivity as most relevant for the Council's own work.

Copper Switch-off

While the FTTH Council Europe is pleased that the issue of copper switch off is again listed as a work item 1.1, the FTTH Council believes that this is an issue which has increased in urgency (as FTTH availability passes 50%) and importance due to the prioritisation being given to energy efficiency under the 'Green Deal'.

The FTTH Council notes that the EECC requires a start to work on considerations relating to copper network switch off under Article 81 of the EECC and while a specific set of Guidelines is not required, in practice significant guidance is necessary in order to enable the transition from copper to fibre to happen in a seamless way. Such a transition involves significant co-ordination and complexity, even just factors such as the length of time to switch copper networks services to fibre based service delivery will need to be reviewed in other (potentially) legislative instruments. While the FTTH

Council Europe believes only competitive markets will drive take up (and investment) where sufficient wholesale access is available over fibre, operators should be in a position to switch off their copper networks in a planned and orderly fashion and this should not act as a barrier to a transition to VHCN.

A study[1] prepared for the FTTH Council by WIK concluded that Member states and regulators could usefully act to enable copper and PSTN switch-off, and support consumer migration to FTTH. It found that the key steps would be to:

1. Incentivise FTTH deployment and/or use of FTTH access by incumbents and avoid promoting continued reliance on copper and copper upgrades such as FTTC

2. Facilitate PSTN switch-off as a precursor to copper switch-off inter alia by encouraging operators to find solutions that support legacy equipment or inform consumers of alternatives

3. Review conditions (notice periods and wholesale obligations) for copper exchange closure

4. Improve customer awareness by clearly distinguishing FTTH from FTTC in advertising

5. Improve processes for switching between the incumbent and alternative FTTH platforms.

It is clear that copper switch-off requires the ability and incentive to switch by the incumbent, challenger operators and customers. The availability of FTTH access for access seekers and a willingness to migrate, or own FTTH (co-)investment is critical as well as an understanding of the benefits of FTTH. In addition it requires a willingness and ability of residential and business customers to migrate which is turn is linked to awareness and the terms of switching. The incentives for operators and consumers to migrate can in turn be influenced by regulatory approaches to access regulation and pricing, migration and advertising standards.

Switch-off also necessitates the removal of legal and regulatory barriers which might unduly delay or prevent switch-off. Examples of regulatory conditions which could impede migration from copper to fibre amongst otherwise willing parties include (a) Unduly restrictive conditions for closing copper exchanges or shutting down PSTN such as long notice periods and/or onerous wholesaling requirements (b) Obligations to continue to supply copper-based/analogue wholesale products (through a market analysis) or retail products (through USO conditions) (c) Obligations for line powering to ensure service continuity in the event of a power cut.

Some Member States are much further along on dealing with this issue, the leading country for copper switch-off today is Estonia which has incumbent FTTH deployment, absence of regulatory barriers and limited wholesale copper reliance.

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[1] https://www.ftthcouncil.eu/knowledge-centre/all-publications-and-assets/116/copper-switch-off-european-experience-and-practical-considerations-update-2020

Voluntary migration by customers from copper to fibre is influenced by the relative pricing of the products in relation to their perceived value. The perceived value is in turn affected by how broadband is marketed to customers and how they are made aware of the difference between copper, partial fibre, and full fibre.

Customers also need to be able to switch easily from a practical perspective. This includes switching platforms, when fibre is deployed by alternative operators and customers may be deterred from switching by the need for a site visit or requirements to replace their legacy equipment.

Solutions which provide a "plug and play" option for consumers and support legacy equipment could help alleviate these concerns. As legacy equipment issues are related to the move from PSTN to IP – pursuing PSTN switch-off could also be a helpful precursor to copper switch-off.

These are just some of the observations that the FTTH Council Europe would make on this issue but feel that BEREC has an important role in co-ordinating the industry approach to this issue.

Mobile (and fixed) Backhaul, 5G in the Value Chain

With respect to both of these items – while the FTTH Council Europe sees the importance of the work which BEREC is undertaking, there needs to be sufficient consideration in any analysis concerning the incentives to invest in FTTH as required in Article 3 of the EECC. From an FTTH Council perspective, 5G is seen very much as a complement rather than a substitute technology to fibre networks. The implication is that 5G is a significant driver of demand for FTTH and in particular, mobile backhaul can be a significant driver of fibre operators business cases.

The current mobile backhaul market is essentially unregulated with regulated backhaul products being limited to less than 5% of all backhaul products. As 5G evolves and moves towards small cell deployments, a reasonable business assumption for a fibre network operator would be to anticipate more and more wholesale business from third party mobile operators. Again, as mobile operators seek higher capacity backhaul they move from wireless links to fibre access and they move from self-supply (mostly wireless) to third party supply (with alternative operators' share rising significantly once those links go above 1Gbp).

The principal concern for both fixed and mobile backhaul ought to be around the impact that regulation could have on the incentive to invest. An early move to a regulated fibre in support of mobile markets risks undermining alternative fibre providers' business cases with unknown consequences. Sufficient consideration should be given in any analysis to the revised Article 3 of the EECC which makes encouraging investment in (and take up of) VHCN, which we understand as full fibre, an objective of European NRAs.

Report on competition amongst multiple operators of NGA- networks in the same geographical region

The FTTH Council is pleased to see BEREC proposing to outline how it is likely to apply geographic segmentation in practice – clearly with a deregulatory agenda and looks forward to participating.

One area of particular interest is to identify the point at which a nationwide (SMP) operator facing competition would choose to segment the retail market. The FTTH Council note that often, significant competition in a large part of the geographic market may be sufficient to drive competition across the whole market.

Work of BEREC on Monitoring quality, efficiency and sustainability

The FTTH Council welcomes BEREC's intention to develop more knowledge about the different aspects of sustainability in the digital sector (5.3.2) and to develop indicators to measure the environmental impact of ECNs (5.3.3). The FTTH Council contributed to the study that is currently being developed for BEREC on the latter and has also created a working group on sustainability to work on the challenges linked to sustainability in more detail.

The Council believes that full fibre can play a role as it is key to align the digital and sustainability agendas. Full fibre is the most future-proof technology with unmatched quality parameters (latency, robustness, reliability, symmetry) and it is also the most energy-efficient technology. As a result, mandating the use of full-fibre networks can help to achieve the objective of carbon neutrality as set in the European Green Deal. The FTTH Council Europe has already worked jointly with other trade associations on this issue and would be happy to contribute further either by sharing this existing work or by inputting to workshops and/or public consultations.

Missing - Demand Side Measures

The FTTH Council notes that the extensive work and effort that has been done on the supply side of VHCN (via the EECC, the State Aid framework, CEF2 and so on) has a weaker equivalence on the demand side of network supply. The biggest issue with VHCN in the coming 5 years is that take-up is not keeping pace with roll out and availability. The FTTH Council would strongly encourage BEREC to examine various measures and mechanism to stimulate VHCN take-up.

The policy page of the Connecting Europe Facility (CEF2) Digital programme indicates that the availability of networks will likely stimulate the use and take up of innovative online services. This is a sine qua non condition but it also presumes that consumers are aware of the network availability and are not fully aware of the products which are available to them.

- Misleading fibre advertising

It has been observed that some non-full-fibre network operators use misleading advertising creating the impression for the consumers that FTTH is available or offered when in fact it is not. This is especially problematic in the telecom sector because FTTH is an experience good. The more users see it and discuss its benefits, the more demand emerges and the stronger that demand is. By distorting advertising this experience dynamic is undermined, and it ultimately impacts demand and the business case of fibre. Such negative demand side measures need to be addressed.

- Voucher schemes

Positive demand side mechanisms such as the use of voucher schemes to encourage take up can be effective – however, as noted by the Commission voucher schemes tend to be ineffective to encourage network deployment. The use of a voucher system for residential users removes policy makers from shaping network deployment policies since the choice of provider (and technology) is left to the end user.

The design of voucher schemes is very important as an imprecise voucher scheme may actually act against the strategic objective if vouchers commit consumers to legacy copper network offers and thereby delay the transition to fibre and its benefits (including the environmental benefit of switching off the copper network).

A well-designed voucher scheme on the other hand could encourage take-up of VHCN services and products.

The FTTH Council would like to make clear that, as an organisation, the Council wishes to support and work constructively with BEREC and that the Council is available to provide input and assistance on technical or policy parameters should a need arise. A number of recent studies on copper switch off, on cost modelling of fibre and 5G networks might be of particular interest, they are available as are our expert analysts working in network deployment.

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