

Response to Openreach consultation on exchange closure trial

Prepared for

INCA

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1 Introduction

1. INCA is a trade association. Its members are supporting, planning, building and operating sustainable, independent and interconnected full fibre and wireless networks that advance the economic and social development of the communities they serve and permit the provision of applications and services through open competition, innovation and diversity.
2. INCA's aims are to:
 - To support the development of the competitive digital infrastructure sector through collaborative activities
 - To facilitate networking and knowledge sharing between members, other organisations and public bodies
 - To encourage and facilitate joint projects between members that can benefit the sector as a whole
 - To represent the interests of members to government, Ofcom and other bodies
 - To support the development and adoption of common standards by INCA members to deliver the highest possible quality of services
 - To promote the advantages of competitive digital infrastructure provision and consumer choice
 - To promote the need for increased labour and skills capacity in the sector
3. INCA has more than 150 members, including: network owners, operators, and managers; access and middle mile networks; public sector organisations actively promoting the development of 21st century digital infrastructure; vendors, equipment suppliers, and providers of services that support the sector.

2 Scope of Openreach's consultation to trial exchange closures

4. Openreach's consultation is designed to develop the framework for trialling exchange closures. 5 'child exchanges' have been identified and the scope of the consultation focuses on issues that are relevant to those 5 exchanges. Openreach's exchange closure programme, however, covers some 4,500 exchanges to close by the early 2030s.
5. Whilst that may be reasonable in order for Openreach to start the exchange closure process, it leaves open a very large number of issues that are material to Openreach customers. INCA members are building new fibre networks using Openreach products including (but not limited to) Physical Infrastructure Access (PIA), Ethernet Access Direct (EAD), Optical Spectrum Access (OSA), Interexchange Dark Fibre (DFX), and space and power at exchange sites (co-location).
6. All of those products (and others) will be impacted by the exchange closure programme as we understand that they will be withdrawn from the exchanges to be closed and will certainly cause very material disruption to Openreach's customers on which millions of UK citizens will be relying on their broadband connection by the time the closures take place.
7. INCA considers that the consultation is too narrow and that Openreach needs to embrace a much wider conversation with its customers on how any necessary and objectively justified network changes can be implemented in a manner that leaves Openreach's customers and their customers able to make informed investment and switching decisions.

3 Continuity of supply and burden of change

8. The consultation states that all services provided from exchanges to be closed will be discontinued and that, effectively, it is up to Openreach's customers (given notification)

to shoulder the burden of rearranging their networks at their own cost (except where Openreach has specific contractual obligations to cover costs for its customers, which is extremely limited).

9. In discussion with Openreach about the exchange closure consultation, Openreach has suggested that, as it is Ofcom that decides which regulated products it must provide, it cannot provide any clarity regarding continuity of supply of such products and that, where products are directly related to the existence of an exchange, such products cannot be supplied once the relevant exchanges have been closed. Openreach has also stated that it is not aware whether Ofcom may seek to introduce new remedies that could somehow replace the exchange-based products, such as the DFX product in which several INCA members rely for their backhaul needs.
10. INCA calls on Openreach to urgently engage with its customers to gain an understanding of the scale of impact the full exchange closures programme is likely cause for its customers. Openreach's exchange closure programme will almost inevitably affect all telecoms providers in the UK that use any Openreach services¹. Even those that use PIA only may face problems from the withdrawal of critical co-location facilities and increased duct congestion (and thus the need to rearrange their networks) due to the changes made by Openreach as a consequence of the closures.
11. A systematic and comprehensive impact assessment is necessary.

4 Terms of supply

12. We understand that products such as EADs will remain available, but not from the exchanges that are being closed. This means that some EADs that were previous EAD

¹ Perhaps with the exception of pure resellers of Openreach's services.

LAs (Local Access) will become very long EADs as they will be connected to the parent OHP exchange (and thus in effect incorporating a main link element into the EAD product). This will likely change the cost profile of EAD products and the distribution of costs between EADs, Main Links and EAD LAs, potentially resulting in significant price changes for Openreach's customers.

13. Openreach has explained that it is working on new products and pricing and that it wants to develop solutions that meet needs of their customers. Given, however, that Openreach is in many instances a reluctant supplier of the relevant services, it is not clear to INCA that Openreach's incentives are that close aligned with those of its customers and it is therefore critical that Openreach undertakes a transparent process to assess customer needs and levels of demand and shares with its customers how it plans to meet those needs and that demand.
14. INCA considers that it is inappropriate that Openreach develops advanced plans for replacement products and pricing structures internally before sharing those with its customers. INCA understands and accepts Openreach's need and right to recover its efficiently incurred costs in providing regulated access, but the specification of the products and the pricing structure for those products should be developed in consultation with those who will be using them.
15. Likewise, a replacement for the DFX product, and any possible replacements for other products that will be withdrawn, should be considered in an open forum which enables Openreach's customers to present ideas for how the Openreach network topology changes can be achieved in a manner that causes as little disruption to its customers' businesses as possible.

5 Costs of changes

16. Openreach proposes that (in general) its customers will be responsible for their own costs resulting from the exchange closures. INCA considers this to be inappropriate in

many instances. Whilst the long term reduction of Openreach's costs will flow through to reduced pricing for its regulate products, the short term effects could be very severe and will likely be incurred over a short period (perhaps 5 years or less). INCA believes that provisions need to be made for transition pricing and for Openreach to shoulder a portion of the costs to its customers of accommodating the planned exchange closures and indeed any other network changes.

17. Openreach's customers (including INCA's members) make long-term network planning and investment decisions. It is critical that any changes during the first 10-15 years after a network is built are well understood and accounted for. Significant changes can result in investments becoming unviable. Stability, visibility, and planning are essential and come part and parcel with Openreach being the provider of critical building blocks for the future fibre broadband infrastructure for the country.

6 Conclusion

18. INCA welcomes Openreach's consultation, but strongly urges that a much broader and open consultation process be commenced as a matter of urgency. The scope of changes, the development of products to replace those currently available at the child exchanges, and the costs of making the transition all need to be part of that consultation.

19. INCA believes that Ofcom needs to be involved in that process and that a framework for the process should be established by Ofcom with Ofcom in an observer role throughout. Only with clarity on the longer term expectation from Openreach (should it maintain its SMP status in the relevant markets) is it possible to engage in a productive and open process to ensure that the future of the UK's broadband connectivity is not compromised by Openreach's planned changes.