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8<sup>th</sup> October 2015

Dear Tanja

### **Strategic Review of Digital Communications**

This brief response has been prepared on behalf of Union Street Technologies Ltd. Union Street is a leading player and specialist provider of telecoms billing, customer relationship management and WLR ordering solutions for communication providers (CPs).

Our aBILLity application suite is used by more than 400 CPs across the UK (and worldwide) as a core component of their operations. Our CP customers primarily serve the business market. You can find out more about Union Street and the services we provide on our website at [www.unionstreet.uk.com](http://www.unionstreet.uk.com).

We welcome the opportunity to respond to this consultation as we anticipate major and rapid changes in the communications market over the next few years. We have restricted our response to the specific areas in which Union Street is involved which is primarily focused on the fixed market.

We agree with the main thrust of Ofcom's analysis of the market over the last 10 years and. In particular we agree that competitive markets are the foundation for delivering good customer outcomes. However, we also recognise that this needs to be underpinned by appropriate regulatory intervention and we believe that Ofcom's general approach to regulation has been successful in promoting competition over the last 10 years

We believe that there should be effective competition at all levels of the supply chain but do not think that vertically integrated providers are the best way to achieve this.

We also believe that there are fundamental differences in the business and consumer markets and that businesses have very different needs to consumers. For this reason, we support Ofcom's recent work to understand the needs of SMEs. The UK has a more diverse supply chain than elsewhere in Europe which delivers good outcomes, in particular for business customers. Ofcom must ensure that this diversity is protected as technologies evolve and converge.

Specifically, we strongly believe that smaller and niche CPs (who are mainly resellers of wholesale services) are more agile, creative and more responsive to customer needs and, therefore, meet the needs of these small business customers better than the large national players who are mainly focused on the consumer market. Vertically integrated companies are not always best placed to deliver good service to this type of business customer, for whom reliable communications services are more and more critical. For this reason, it is essential to protect access to appropriate wholesale inputs on a competitive basis for the reseller community.

With regard to access to high speed broadband by SMEs, we agree with Ofcom's view that this is likely to be best provided via a mixture of technologies delivered by a combination of public and private sector investment. We are aware of some recent alternatives to the Openreach route for deploying BDUK

investment (based on local fibre networks delivered by specialist providers), which appear to deliver better service and better value for money for the communities concerned. We, therefore, believe that this approach should be encouraged and supported alongside the BT rollout.

However, a key issue is to ensure that customers are able to move easily to new providers across the various new platforms which are emerging. Switching will inevitably become more complex in this new environment and we strongly support Ofcom's work to ensure a good customer experience in switching. Number porting remains a key problem area which we believe Ofcom needs to address.

In the fixed sector a priority must be to ensure that Openreach, as a key provider of access services, is focused on delivering high levels of service to its CPs customers (and consequently for end users). We believe that Openreach's current status as part of BT dilutes and compromises this focus as its objectives and priorities are ultimately aligned with the wider strategies of rest of BT group. The need to generate profit (Openreach currently contributes in excess of £1 billion surplus to the group) has, we believe, led to cost cutting within Openreach (specifically underinvestment in engineering resource and network improvement) which has seriously compromised its service performance. We also question whether the network investment policy reflects the needs of BT Group rather than the duties of a national utility provider.

Ofcom must take decisive action to address these current poor levels of performance. We strongly believe that Openreach is likely to perform better as an independent organisation outside BT. In any case, Ofcom must provide incentives for Openreach to perform better and to reduce the influence of BT group. The whole of UK plc is impacted by the current poor levels of performance.

BT has announced that the switch off of its copper network is likely to happen within ten years. What this means and the implications for industry are currently very unclear. Ofcom must ensure that BT publishes its detailed plans in a timely fashion to allow appropriate planning by the rest of industry.

We feel that the trend by industry towards delivery of voice services via IP based technologies is beginning to accelerate and Openreach's development strategy also seems to reflect this trend (an example would be the prioritisation by Openreach of development of its new Single Order GEA product which provides a connection without dial tone aimed at facilitating the provision of IP based services).

We recognise that such developments are inevitable. However, we believe strongly that the consumption model for this new generation of wholesale services must ensure that all CPs in the diverse value chain in the UK is able to consume these new access products (using regulation if necessary to create – a new range of regulated products). We note that BT's existing range of fibre products, especially FTTC, are already becoming mass market and regulatory intervention may be desirable

We trust this response is helpful and will be happy to provide any additional information or discuss any of the issues raised further.

Yours sincerely

Michael Eagle  
Industry Liaison and Regulatory Support Manager