

KC Lightstream

FTTH take-up rate exceeds 20% in less than 12 months

KC (formerly, Kingston Communications) has an unusual history as the last municipal-owned telephone company in the UK. The 150,000 homes and business that it serves in Hull and the East Riding of Yorkshire are the only ones in the country not covered by the national incumbent BT. Now KC has taken a step that will once again distinguish it from other operators: rolling out a superfast broadband network based mainly on fibre-to-the-homes.

The company had been preparing for the change for a number of years, according to Sean Royce, commercial and finance director at KC. "We've been upgrading our networks to get ready for superfast broadband and cope with this increase in volume of traffic that everyone's seeing," he said. "We started upgrading our core network and now we have a new network across the whole East Yorkshire area that we serve. And we've done a number of other things around caching and content so we can serve data up to our customers more quickly and easily."

General Information

Infrastructure owner:

KC, part of KCOM Group (a public company since 1999)

Location:

Hull and the East Riding of Yorkshire

Network status:

Operational



In 2011, KC turned its full attention to FTTH. "For a number of reasons, we think we're in a good position to deliver FTTH to the majority of properties that we serve," said Royce. Although the cost of deploying FTTH was a consideration, KC says its duct and pole network is in good condition, meaning fewer digs and lower costs for civil works than might be expected elsewhere. In some locations the operator can reduce expense by using

overhead fibre connections and pole-mounted splitters, and is always looking for other ways to keep costs down.

"We've got to be really quite creative in terms of how we deploy the network, but if we have eyes and ears on the ground, then we can seize those opportunities," he adds. "We've learned quite a lot from our initial deployment and we'll use that going forward. Rather than following a cookie cutter manual, we need to be responsive. Because we're a local business, with local staff and good knowledge of individual streets, we can use this to our advantage. If there's an issue down a particular street, our planners can be on site to deploy an alternative solution the same day."

Ultimately, the decision to deploy FTTH is about long-term value for money. "When we looked at the options, we could deploy FTTC (fibre-to-the-cabinet) with all its limitations, notably degradation of speed beyond the cabinet, or we could go FTTH from day one," said Royce. "We think that the investment in FTTH will be future proof." The operator, which is funding the roll out entirely from its own resources with no government or European subsidies, says it wants to put something in place that will "last a generation."

Network

Size of network:

15,000 homes passed end 2012. A further 30,000 connections planned by 2015.

Subscribers:

>20% among residential customers and >30% for business users.

Technology/architecture:

GPON

Deployment method:

Underground ducts and overhead cables where available or possible.

In the first phase, KC rolled out superfast broadband to 15,000 homes by the end of 2012. About 80% of the deployment is FTTH with the remaining properties receiving FTTC or basement (FTTB). Having achieved its target, the operator now plans to continue the FTTH roll out to a further 30,000 homes by 2015, taking the total area covered to about 30% of its network footprint.

In January 2012, KC launched its “Lightstream” range of superfast broadband services, and the response has been very encouraging. To date, more than 20% of consumers and more than 30% of business users have signed up for FTTH services in the areas where it is available, the company says. KC believes that these take-up figures are significantly higher than those reported by other superfast broadband operators in the UK.

Business Case

Investment:

“multimillion pound investment” funded completely by the operator.

No public subsidies.

Business model:

vertically integrated

Wholesale services:

KC is subject to the same obligations of network access as BT

The operator feels that the decision to go for FTTH has been validated. “We feel FTTH is a more compelling proposition to customers than FTTC and this has been borne out by our experience from the roll-out to the first 15,000 properties – take up in areas where we’ve deployed FTTH is twice that of FTTC areas as a proportion of properties passed,” said Royce.



The marketing approach has been a significant factor in this early success, according to Royce. Marketing is targeted on selected areas where deployment is about to begin. In the first stage customers get a door drop to say that fibre is coming to their area; in the second wave, they receive a letter; and in the third a phone call. “It is more cost effective for us to focus our resources on a few streets at a time,” he explained. “We can go back to an

area, but customers that don’t sign up during the first wave might have to wait a little longer to get connected, maybe a few weeks. We really want customers to sign up while we’re focused on their area.”



Being able to deliver a customer experience that lives up to expectations has also been important. Customers don’t really understand the “up to” speeds; so they get disgruntled when they buy “up to” 24 Mbps and only get half of that. FTTC faces the same challenges as standard ADSL, but with FTTH an operator can deliver the speeds as advertised. KC says it needed to do some education around wireless routers, which can drop the speed by as much as 20%. “FTTH is engineer installed, so we have the advantage of an engineer on site. The engineer does a speed test with the customer and can show how the speed is reduced by wireless. Although the installation process does take longer, the customer has the benefit of being able to ask questions.”

Poplars Way in Beverley, a market town in the East Riding of Yorkshire, was recently identified in a survey as one of the top ten streets for broadband in the UK. Residents of Poplars Way enjoy average download speeds of 64.28 Mbps, according to speed tests carried out on the price comparison website uSwitch. “On that street 45 households out of 82 have signed up for our services,” said Royce. “It’s a reflection on the approach that we’ve taken.”

End-user Services

Sold under the brand name “Lightstream”: options from £25/month for 45Mbps broadband-only to £99/month for 350 Mbps broadband. Packages available including home phone and mobile calls.

For an additional £12 per month (plus a £30 setup fee) subscribers can get KC’s own version of the YouView IPTV service. This fee includes 500GB YouView box (worth £299) and free home installation.

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Photos provided by KC
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