



Caroline Longman
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA

14 September 2017

By email only

Consultation: Wholesale broadband access market review

1. UKCTA is a trade association promoting the interests of competitive fixed-line telecommunications companies competing against BT, as well as each other, in the residential and business markets. Its role is to develop and promote the interests of its members to Ofcom and the Government. Details of membership of UKCTA can be found at www.ukcta.com.
2. The views expressed in this response do not necessarily reflect those of Virgin Media, which may make its own submission.
3. Today the Wholesale Broadband Access market delivers remedies which assist consumers in many rural areas of the United Kingdom, helping to control the cost of broadband for residential consumers and businesses who haven't experienced the benefits of competition delivered through local loop unbundling or cable. The charge control on WBA market A has helped constrain BT's returns in a market where it is unrestrained by competition. In spite of the current charge control it has managed to make profits in excess of its WACC in this market over the last three years.
4. Consumers in WBA Market A typically experience the poorest levels of services, with below average speeds and higher fault rates, often caused as a result of longer line lengths, typically delivered overhead, making them more susceptible to service interruptions. Despite this poorer service experience, and in particular, lower than average speeds, these consumers tend to pay more for standard broadband, with fewer providers active in the retail market due to the need to purchase BT's IPStream or Wholesale Broadband Connect product. Given the limited opportunity to influence the retail supply experience, many suppliers have exited the market or decided not to participate, rather than badge a retail product over which they have little control or influence.
5. State intervention, through BDUK funded fibre to the cabinet, has distributed benefits to many in Market A over the past three years, with some more fortunate consumers receiving noticeably improved speeds and a much broader range of retail supply choice as result. These consumers are the lucky ones. A material number of consumers remain unable to receive a FTTC based solution because their cabinet has not been enabled or they have an exchange

only line. For others, even where the cabinet has been enabled, there has been little speed improvement due to the characteristics of their particular line. These consumers have no effective choice but to use a standard broadband product supported by WBA or IPstream, a product that might not support basic content streaming or e-commerce, with basic functions most people take for granted, such as point of sale transactions remaining a challenge for rural businesses.

6. While we are aware that discussions on the Broadband Universal Service Obligation continue and solutions may or may not be found for these poorly connected consumers, today they continue to face the prospect of being poorly connected for much of the next market review period.
7. For this reason, we cannot support Ofcom's decision to abandon these consumers, choosing to remove wholesale pricing controls from a market where there is clear evidence of market failure, little prospect of infrastructure competition in the next review period and no compelling evidence that any of the proposed WLA remedies will provide any real benefit to these poorly served consumers.
8. We believe Ofcom's analysis underestimates the number of consumers impacted, with WBA Market A being much larger than the 2% of premises suggested by Ofcom since Market A should also include the up to 35% of non-FTTC consumers that could reside within exchange areas and those who are classed as FTTC enabled, but in reality receive very poor speeds. Regardless of the market size, whether it is 800,000 consumers or 2 million, UKCTA believes there are far too many consumers to leave without adequate wholesale price protection.
9. If Ofcom are serious about making communications work for everyone, it can't choose to ignore these unconnected rural consumers who have thus far been left behind, with the speed gap between the best and worst performing lines now wider than ever. The proposal to abandon a charge control is a poor one, out of touch with the needs of a material number of UK consumers and we urge Ofcom to rethink it.
10. Ofcom must act now to protect the sizable number of UK consumers who are unable to receive adequate broadband. A proportionate charge control remedy is necessary to safeguard the consumer interest in Market A over the next control period.

ENDS