

Dear Sirs,

We are writing in response to the Hull Area Wholesale Fixed Telecoms Market Review 2021-26.

We are pleased that Ofcom is considering measures to improve competition in the Hull area and, in principle, we support the measures proposed. Whilst there is an opportunity to introduce competition into the wholesale and retail fibre market in Hull, the opportunity, in terms of potential financial rewards, must be sufficient to encourage new entrants. We do not believe that the 'fair and reasonable' measures proposed by Ofcom will go far enough to achieve this.

We understand that Ofcom will use advance benchmarking to evaluate whether KCOM is offering fair and reasonable pricing for its 40 Mbit/s services. However, no advance benchmarking is proposed for bandwidths higher than 40 Mbit/s. The commercial opportunities for new retailers in Hull depend on prices for all services being similar to the rest of the UK, not just those up to 40 Mbit/s. Therefore, we believe that the advance benchmarking should be extended to all FTTP bandwidths.

KCOM's wholesale prices are currently set at a level that creates margin squeeze for other retailers looking to enter the market. Under the fair and reasonable regulations, Ofcom would expect KCOM's retail margin over the wholesale prices to cover retail costs, even though the retail costs of new entrants may not be the same as those incurred by KCOM. In the rest of the UK, the return on investment through our wholesale relationships is spread across a much wider customer base than that available in Hull. Further, we anticipate that our costs will be higher in the Hull area where, unlike KCOM, we do not have an already established presence and where consumers are not used to competition. It is clear from the opening up of other markets, such as the water markets in Scotland and England, that it can take a considerable amount of time to generate effective competition from opening up of a market. New entrants may have to invest a significant amount of time and effort with little or no reward in the first few years. They are unlikely to do so where the potential rewards are not available. As such, we would encourage Ofcom to ensure that wholesale costs are set at a level that reflects not only the reasonable costs of other retailers in the UK, (not just those of KCOM) but also ensures the potential rewards for retailers are sufficient to generate effective competition.

We believe that providing advance benchmarking for all bandwidths available in Hull will encourage more new entrants and better promote competition. Increased retail competition should lead to better outcomes for consumers in terms of range and value for money of services available.

Should you have any queries regarding the above, please do not hesitate to contact me at [✂]

Yours sincerely,

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