



OFCOM TELECOMS ACCESS REVIEW 2026 CONSULTATION

GIGACLEAR LIMITED RESPONSE

1 Executive summary

- 1 Gigaclear welcomes the opportunity to respond to Ofcom's consultation on the Telecoms Access Review 2026-31 (TAR).
- 2 We are the UK's largest exclusively rural fibre to the premises (FTTP) network operator, focused on delivering connectivity in areas unlikely to sustain multiple competing FTTP networks. In this capacity, we are proud to have played a significant role in bringing rural consumers the benefits of fibre connectivity more quickly than would otherwise have been the case. Indeed, since 2010 we have rolled out a network across the southern counties of England which now covers 600,000 rural premises and provides 150,000 customers with FTTP broadband. This makes Gigaclear the 2nd largest fibre provider in rural areas. At the same time, we recognise that many rural areas still lack this connectivity. Given this, and our desire to continue to invest in FTTP, our response focuses on the implications of Ofcom's proposals for altnets, such as Gigaclear, in rural and otherwise hard-to-reach areas.

1.1 Altnets play a crucial role in providing rural FTTP coverage

- 3 The TAR rightly recognises the substantial progress the UK has made since 2021 in the roll-out of FTTP networks. As Ofcom also acknowledges, putting in place a stable regulatory framework has underpinned this.¹ However, this must not cloud the reality that there is still a long way to go to meet the Government's target to have nationwide gigabit-capable broadband coverage by 2030. To put this in context, despite the progress over the last five years, 27% of UK premises (8.6m premises) and 45% of rural premises lacked access to FTTP broadband as of January 2025.² Furthermore, as all stakeholders acknowledge, reaching the remaining (mostly rural) premises not passed by gigabit-capable networks will be increasingly challenging.
- 4 Public subsidy alone, via Project Gigabit, will also not cover these premises: only a further 0.9m to 1.1m premises are in scope of Project Gigabit contracts, and these contracts still require investment by network builders (with their financial backers) to achieve the coverage. This means regulatory conditions must support industry in rolling out FTTP to these premises if the Government's target is to be met and indeed, minimise

¹ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1; paragraph 1.5

² Here we use the term 'rural' as used by Ofcom in its Connected Nations report. This is different to the WFTMR definition of Area 3. Based on Ofcom's Connected Nations update: Spring 2025. Of these 8.6m premises, 7.8m are residential and 3.6m are covered by a non-FTTP gigabit-capable network.



the need for further public subsidies. The sooner industry can meet these targets, the sooner all parts of the country can enjoy the benefits of FTTP.

- 5 In the TAR's precursor (the WFTMR), Ofcom recognised that altnets would deploy FTTP networks to serve rural communities where Openreach was not initially willing to.³ This reflected Openreach's incentive to prioritise roll-out in denser, easier-to-serve areas.
- 6 Indeed, over the last few years, altnets have grown to cover more than one-third of UK premises. In this regard:
- (a) 6.8m premises are passed only by altnets;⁴
 - (b) altnets also often provide the only FTTP connection in rural areas, 17% of current Area 3 postcodes in England are passed only by altnets;⁵
 - (c) altnets' overall roll-out in the current Area 3 (passing 38% of premises) is not far behind that of Openreach (45%); and
 - (d) altnet coverage in Area 3 is concentrated. For instance, 71% of the premises passed by altnets in the current Area 3 in England are concentrated in only half of the postcode sectors that currently make up Area 3 in England.
- 7 Therefore, it is clear that investment by Gigaclear, and other altnets, allows large parts of the country to benefit from FTTP sooner than would otherwise have been the case. This investment was supported by the principle recognised by Ofcom at the WFTMR that setting out a long-term regulatory framework/path incentivises network investment.⁶ However, FTTP roll out can only be a success once the remaining 8.6m premises are covered. The industry's and Ofcom's work is not yet done. Ofcom must not put this progress at risk by moving away, even inadvertently, from the principles it set out in the WFTMR.

1.2 Rural altnets' FTTP build is at risk from socially inefficient overbuild

- 8 Many rural areas cannot support multiple competing FTTP networks. Rural altnets recognised that Openreach would (i) have a dampened incentive to invest in these areas absent a competitive threat and (ii) deprioritise these areas (a view shared by Ofcom at the WFTMR). This offered rural altnets an opportunity to deploy in these 'natural' commercial monopoly areas before Openreach, often using subsidy made available under government schemes designed to ensure that rural areas were not 'left behind'.
- 9 Overbuild by Openreach in these rural areas does not serve consumers and businesses. Suppose Openreach overbuilds an existing FTTP operator in one of these locations. This

³ Ofcom (2021) Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Vol 2, para 7.49.

⁴ Point Topic (2025) UK Altnets: Delivering Affordable, High-Speed Connectivity with Unmatched Customer Satisfaction; Table 2. (Excluding Openreach copper coverage.)

⁵ Gigaclear analysis. (Excluding Openreach copper coverage.)

⁶ 'We are setting out a long-term path for approaching future decisions.' Ofcom (2021) Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Vol 1, p. 3.



reduces the commercial case for FFTP roll-out of the existing operator. Rather than providing a benefit for consumers and businesses in rural areas through enhanced competition, such overbuild actually disincentivises altnets from rolling out FFTP further into commercially monopoly rural areas not yet covered by a FFTP network. This slows down the FFTP roll-out and may reduce the ultimate extent of the FFTP roll-out (given Openreach's incentive to sweat its copper assets), reducing the benefits of gigabit broadband for consumers and businesses in rural areas. We use the term 'socially inefficient overbuild' to describe overbuild by Openreach which ultimately deters future altnet roll-out in commercially monopoly areas.

- 10 The costs of roll-out in many parts of Area 3 is significant, meaning that the business case for much of our footprint in Area 3 relies on much higher penetration rates than is the case in other parts of the country. The risk of achieving the rates of penetration required is a challenge we accept. However, socially inefficient overbuild by Openreach in these areas can dilute penetration to a critical extent. This in turn reduces the actual and projected returns from FFTP investment in these areas to levels that make further roll-out for altnets unprofitable.
- 11 However, as the incumbent, Openreach can commercially justify such socially inefficient overbuild. For example, Openreach has:
 - (a) a revenue advantage as a result of its vertical integration and incumbency. It can rely on (i) the 'captive' BT retail customer base, and (ii) being the 'default' wholesale supplier for all other large ISPs;
 - (b) a strategic advantage as Openreach is likely to be able to (i) overbuild an area which is commercially viable for one network only, and (ii) use its 'deeper pockets' to drive rivals out of that area; and
 - (c) 'unfair' cost advantages as it can re-use its existing (ex-state funded) duct and pole network on a more favourable basis than altnets.
- 12 Ofcom's regulatory approach should not encourage socially inefficient overbuild in these high-cost areas. Such a regulatory approach will not only deter altnet expansion in geographic areas they are already present in. It will also deter altnet investment in areas which are commercially attractive for a single FFTP network and where altnets do not yet have a significant presence.
- 13 While Openreach is making positive statements about its investment intentions, these are just statements, and there is no firm commitment that they will be realised. And, even if Openreach does roll out to the full extent of its reported ambition (i.e., up to 30m premises), this will still leave around 3m premises unserved. Additionally, uncertainty about the scope of Openreach's further roll-out plans, and in turn the risk of overbuild by Openreach, has a deterrent effect on further roll-out by altnets in rural areas.
- 14 Openreach will continue to have an incentive to 'sweat' its copper assets in those rural areas that can sustain a single commercial FFTP network and there is no prospect of any competition from an altnet 'for the market'. This could not just delay, but also limit how many households ultimately benefit from gigabit-capable networks. These



incentives will in practice likely become stronger, as the higher costs of further roll-out in these areas reduces Openreach's expected returns.

- 15 **Given this, Ofcom must ensure that regulation minimises the risk of socially inefficient duplication/overbuild of FTTP networks in these areas by encouraging a co-investment approach to roll out in Area 3. We are concerned that Ofcom's consultation proposals, unless adjusted to reflect the developments in Area 3 since 2021, will have the opposite effect – we turn to this next.**

1.3 Ofcom's proposals increase the risk of socially inefficient overbuild

- 16 We are concerned that Ofcom's proposals actually increase the risk of socially inefficient overbuild. This is for three main reasons which we summarise here and then expand on in the remainder of our submission.
- 17 **First, Ofcom's redrawing of the Area 2/3 boundary is a major change.** It reallocates 6m (c. 60%) of the premises in the current Area 3 to Area 2. This change redefines the regulatory basis of a large section of the market and has the potential to undermine regulatory certainty. The reallocation signals that altnets' footprints in areas where only one FTTP network is viable will actually be overbuilt by Openreach eventually. That is, it signals to the investment community that altnet investment in many rural areas will simply be uneconomic.
- 18 Ofcom assumes that Openreach will ultimately roll out FTTP everywhere. Ofcom's view is therefore that anywhere covered by altnets (now, or in the future) must as a 'rule of thumb' be able to sustain multiple networks. This may be true for some parts of (current) Area 3. But this approach is not grounded in the economic realities of FTTP rollout in Area 3. And this approach is inconsistent with evidence on the viability of network competition across different areas.
- 19 Ofcom's flawed assumption about where there will and won't be network competition going forwards underlies its stated objective to '*promote investment by Openreach in gigabit-capable networks in areas that are unlikely to see the emergence of competing networks*'⁷ (emphasis added). This objective ignores that altnets such as Gigaclear have driven forward the fibre transition by investing also in these areas and would continue to do so, under the appropriate regulatory framework. This objective also runs counter to the fundamental principle that regulation should not 'pick winners'. As a result, Ofcom's proposals provide investors with misleading signals about the viability of further altnet roll-out in rural areas that are likely to be able to sustain commercially only one FTTP network. This will deter future investment.
- 20 Ofcom's approach to setting the new Area 2 boundary is also at odds with the footprint of the publicly supported rollout of FTTP under BDUK/Project Gigabit. 60% to 63% of the 900,000 to 1.1m (English and Welsh) premises within the future scope of Project Gigabit contracts are in the new Area 2. It is not possible for FTTP rollout to these premises to

⁷ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Vol 1, paragraph 2.42.



simultaneously be (i) uncommercial for a single network and (ii) commercial for multiple competing networks.

- 21 **Second, allowing Openreach to apply geographical discounts in Area 3 risks undermining altnet investment.** Ofcom's proposal to allow geographically targeted Openreach discounts in Area 3 is based on the assumption that only Openreach will be rolling out to Area 3. As set out earlier, this is factually incorrect. Gigaclear (as well as other Altnets) are already present in parts of current Area 3 that can only sustain commercially a single FTTP network. In these areas, Openreach has the ability and incentive to use targeted discounts (in combination with strategically-motivated overbuild)⁸ to deter altnet investment. Removing this restriction (in Area 3) will reduce therefore altnets' ability to compete with Openreach in rural areas. Restrictions on geographic discounting are necessary to address this.
- 22 **Third, Ofcom's approach to copper switch-off excludes altnets like Gigaclear from supporting the fibre transition and encourages socially inefficient overbuild.** The conditions for Openreach to switch off copper are currently entirely dependent on Openreach's own FTTP roll-out. Altnet coverage is ignored.
- 23 However, altnets are already providing significant FTTP coverage within many rural exchange footprints. For example, Gigaclear's footprint is sufficient to trigger the first copper switch-off threshold (75%) for 148 Openreach exchanges already (out of 622 exchanges passed by Gigaclear's current network). These exchange areas encompass over 240,000 properties in total. Under the current regulatory approach, stop-sell of copper and the migration of households to FTTP in these areas (where FTTP has been deployed) will not take place until Openreach catches up and also achieves 75% FTTP coverage. This could take years. Allowing Gigaclear's coverage to count towards the threshold would allow copper switch-off to progress immediately at 432 Openreach exchanges (covering 676,000 premises).⁹ Therefore, by omitting altnet coverage as an enabling condition for copper switch-off, Ofcom's approach will slow down the fibre transition.
- 24 We are aware that Ofcom is concerned about counting altnets' footprints against the threshold for removing copper charge controls. We disagree with Ofcom's view that including altnets' footprints would negatively impact network competition.

1.4 Gigaclear proposes three changes to Ofcom's TAR proposals

- 25 The TAR must recognise altnets' role in delivering FTTP coverage to date and their continued importance for meeting the Government's target. By maintaining a regulatory framework that recognises altnet investment and does not 'place all the eggs in one – Openreach – basket', Ofcom can maximise the potential for a rapid commercial roll out

⁸ For clarity, we consider strategically-motivated overbuild to be one type or example of socially inefficient overbuild.

⁹ These are exchange areas where (i) Gigaclear covers more than 50% of premises and (ii) Gigaclear and Openreach collectively cover more than 75% of premises.



of fibre to more parts of the UK. This would maximise the consumer and social benefit of gigabit-capable networks, by ensuring that FTTP is rolled out quickly and efficiently.

26 To this end, we propose that Ofcom should:

- (a) **Adopt a definition of Area 2/3 that reflects the economics of FTTP build**, rather than a ‘rule of thumb’ that does not. This would recognise that some parts of current Area 3 can commercially sustain more than one FTTP network, but also that there are significant parts of Area 3 where the economics imply they would only be able to sustain commercially one FTTP network. Gigaclear expects that in practice, this is likely to lead to a larger ‘new’ Area 3 than proposed by Ofcom.
- (b) **Prohibit Openreach from applying geographically targeted discounts in Area 3.**
- (c) **Adjust the copper switch-off framework to allow altnets to actively contribute to the fibre transition:**
 - (i) Regulation should facilitate co-investment between Openreach and altnets in Area 3 (whilst ensuring compliance with competition law principles). We note that this proposal may require us to provide a suitable wholesale product comparable to those available in Area 2, in the parts of Area 3 that can only sustain commercially one network.
 - (ii) Ofcom should also provide a regulatory fall-back to safeguard against socially inefficient overbuild by Openreach in areas where co-investment is more beneficial for society. In practice, this means Ofcom’s Openreach Monitoring Unit should carefully and transparently monitor Openreach’s roll-out plans in ‘naturally uncompetitive’ areas to ensure it does not overbuild altnets where this is not socially efficient, rather than reactively investigating Openreach’s plans following complaints by altnets and providing only high-level summaries of its findings.

27 In conclusion, the industry’s job of rolling out FTTP to the whole country is not yet done. Gigaclear and other altnets have played, and can play, a significant role alongside Openreach in supporting rural FTTP roll-out. By adapting its regulatory approach to reflect this, in line with our proposals, we believe Ofcom will improve our (and other rural altnets’) ability to continue providing FTTP coverage to the benefit of consumers and businesses throughout the UK.



2 It is too soon for Ofcom and the industry to consider the roll out of FTTP a success

2.1 There is still some way to go to meet the Government's gigabit-capable broadband targets

- 28 Access to high-quality, reliable and secure networks benefits consumers and drives economic growth. This is why the Government is targeting gigabit-capable broadband availability in 85% of the UK by 2025 and nationwide by 2030.¹⁰
- 29 Altnets, including Gigaclear, have invested heavily and supported the significant progress made towards these targets. Our investment has in turn driven investment by Openreach which would otherwise have almost certainly been much slower.
- 30 The Government will almost certainly meet its interim target of 85% coverage by the end of 2025.¹¹ However, this must not cloud the reality that there is still some way to go to achieve nationwide gigabit-capable broadband coverage. **27% of UK premises (8.6m premises) and 45% of rural premises lacked access to FTTP broadband as of January 2025.**¹²
- 31 FTTP roll-out has so far largely focused on easier-to-reach parts of the country.¹³ Reaching the remaining premises which are still without gigabit-capable broadband will be increasingly challenging. Most of them will be in rural (i.e. harder-to-reach) locations. Expanding network coverage is inherently costlier and riskier in these locations (as Ofcom recognises).¹⁴ Crucially, the high cost of rolling out FTTP networks to these locations means altnets require high penetration rates to justify the commercial investment (as we describe in more detail below).
- 32 Public subsidy alone will also not cover these remaining premises. Only a further 0.9m to 1.1m premises (in England and Wales) are in scope of Project Gigabit contracts and

¹⁰ <https://researchbriefings.files.parliament.uk/documents/CBP-8392/CBP-8392.pdf>

¹¹ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure; paragraph 2.27.

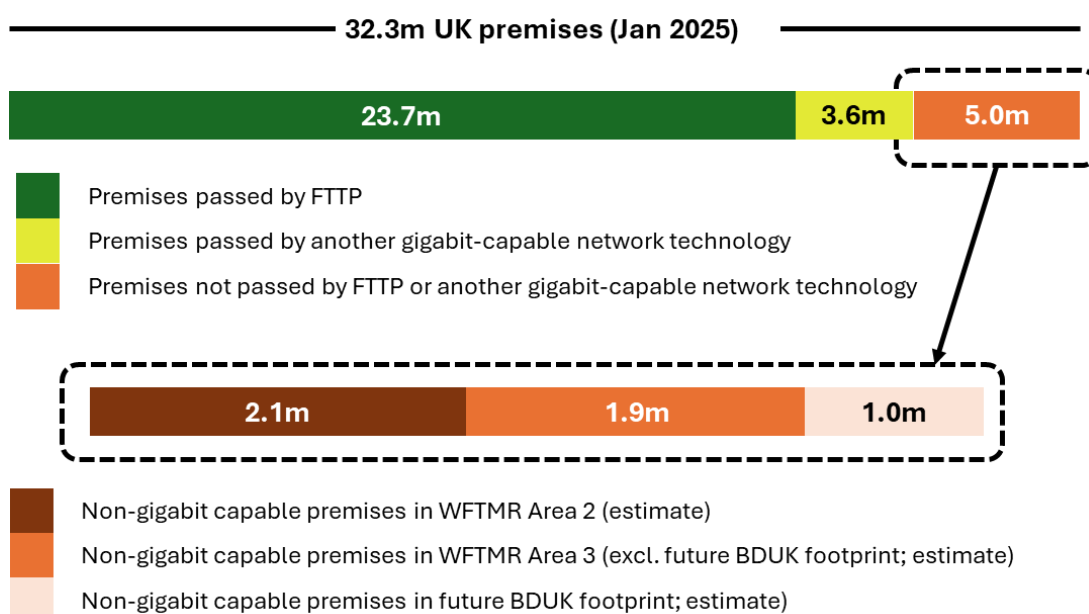
¹² Here we use the term 'rural' as used by Ofcom in its Connected Nations report. This is different to the WFTMR definition of Area 3. Based on Ofcom's Connected Nations update: Spring 2025. Of these 8.6m premises, 7.8m are residential and 3.6m are covered by a non-FTTP gigabit-capable network.

¹³ For example, Openreach has stated that that it would focus its FTTP roll-out first on urban and suburban areas where altnet build is likely most viable. See: <https://www.openreach.com/news/openreach-launches-fibre-first-programme-to-make-fibre-to-the-premisesbroadband-available-to-three-million-uk-homes-and-businesses-by-the-end-of-2020/> See also: Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure; paragraph 2.24.

¹⁴ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure; paragraphs 1.8 and 2.28.

these contracts require significant co-investment from the operator.¹⁵ As Figure 1 below shows, regulatory conditions must support industry in rolling out FTTP to a further 5m premises which are commercially-viable (with or without subsidy). 2.9m of these 5m premises are in the current Area 3. It is the roll out of FTTP to these 2.9m premises which is at greatest risk if regulatory conditions are not supportive. If this investment is not made these households and businesses will have to wait longer to share in the benefits of FTTP.

Figure 1 Coverage of UK premises by FTTP and gigabit-capable networks (Jan 2025)



2.2 The Government's target requires altnets to continue playing a crucial role in providing FTTP coverage

33 Gigaclear, and other rural-focused altnets, have been playing an increasingly important role in delivering FTTP coverage, even in the harder-to-reach areas. These are the places that would otherwise have been left at the back of the queue by Openreach, or could have been missed entirely. At the WFTMR, Ofcom recognised that:

'smaller altnets play an important role in providing fibre to rural areas. They have served rural communities at a time when Openreach has not been willing to extend its network to harder to reach areas, and they will continue to contribute towards the goal of providing fibre to most of the UK'.¹⁶ (Emphasis added.)

¹⁵ Based on analysis of BDUK's Premises in BDUK plans (England and Wales) dataset (March 2025). <https://www.gov.uk/government/publications/premises-in-bduk-plans-england-and-wales>

¹⁶ Ofcom (2021) Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Volume 2: Market analysis; paragraph 7.49.



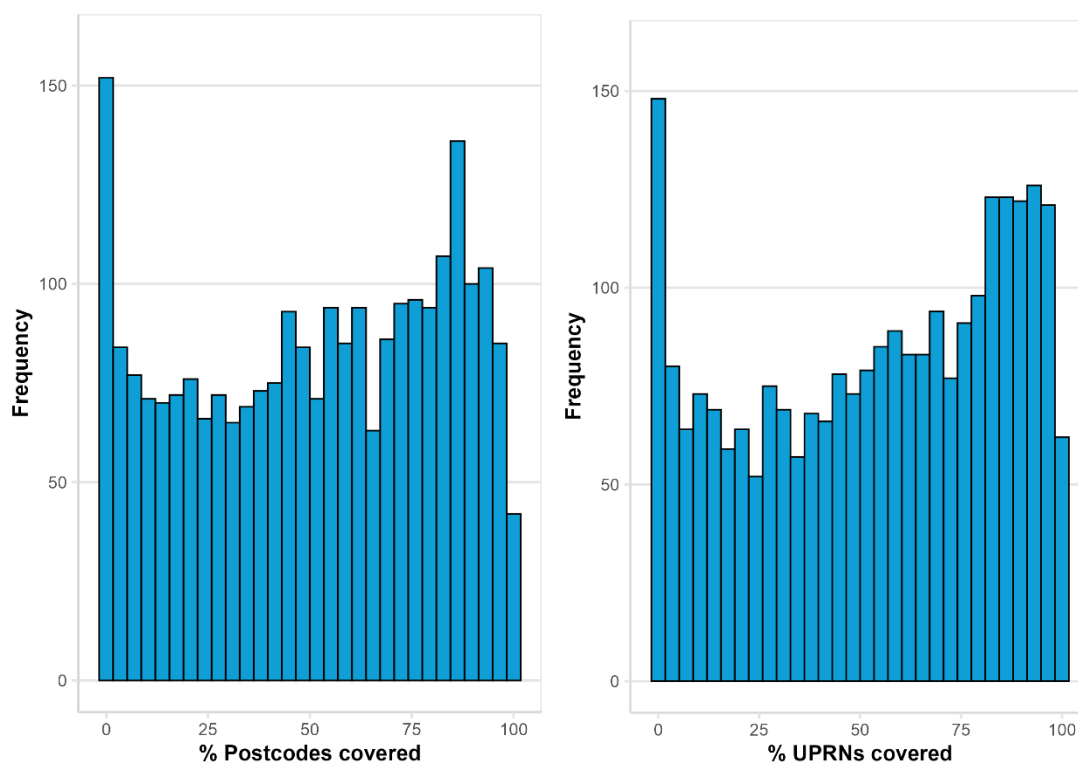
- 34 In just a few years, altnets have grown to cover one-third of UK premises. **Altnets often provide the only FTTP connection in rural areas.** The combined footprint of altnets has kept up with Openreach's FTTP footprint. Openreach passed 17.1m premises with FTTP at the end of 2024, compared to the aggregate altnet footprint of 16.4m premises.¹⁷ The altnet footprint covers the UK's cities, towns and villages. Altnets have managed to achieve all this despite tightening financial market conditions and inflation in energy and resource costs. These pressures are less acute for Openreach given (i) BT Group's large balance sheet, (ii) Openreach's ability to achieve cost savings on its legacy network and (iii) Openreach's Significant Market Power (SMP) – as discussed in Section 3.5.1.
- 35 It is unambiguously the case, therefore, that investments by Gigaclear and other altnets mean large parts of the UK have benefited from FTTP sooner than would otherwise have been the case: **6.8m premises are passed only by altnets.**¹⁸ Many of these premises, which would not have access to FTTP without altnet investment, are in relatively hard-to-reach areas, despite their higher cost per premise passed. Gigaclear's network now reaches over 600,000 premises and connects 150,000 customers to FTTP broadband across some of England's most rural areas. Collectively altnets have already provided coverage to nearly 40% of the 'current Area 3' (3.7m premises).¹⁹ **In 17% of current Area 3 postcodes in England, FTTP is provided only by altnets.**
- 36 In summary, altnets, such as Gigaclear, have not just provided FTTP competition to Openreach, they are providing FTTP coverage in addition to Openreach.
- 37 Looking forward, the dynamic nature of network expansion means altnets will remain well placed to continue efficiently expanding FTTP coverage. Once an altnet passes a particular location, its ability to efficiently expand to cover adjacent locations increases. This is why our strategy has not been to roll out uniformly in rural areas – like other altnets, we have taken a targeted approach. Figure 2 below shows the distribution of altnets' coverage (% postcodes and UPRNs passed) in current Area 3 postcode sectors in England. In much of the current Area 3, altnets' roll-out is advanced, meaning rural-focused altnets are now especially well placed to deliver further coverage in harder-to-reach areas, harnessing economies of scope and scale to 'fill in the gaps'. This includes expanding into areas where FTTP may not be commercially feasible (e.g., by using FWA technology).

¹⁷ Point Topic (2025) UK Altnets: Delivering Affordable, High-Speed Connectivity with Unmatched Customer Satisfaction; pages 1 and 5.

¹⁸ *Ibid*; Table 2.

¹⁹ Ofcom currently defines Area 3 as postcode sectors in which there is not, and there is unlikely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks. See: Ofcom (2021) Statement: Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Volume 2: Market analysis; paragraph 7.7.

Figure 2 Distribution of altnet coverage within current Area 3 postcode sectors in England



Source: Gigaclear analysis

3 Rural-focused altnets' role in providing maximum FTTP coverage at pace is at risk without regulatory support

3.1 Ofcom is right to promote network competition where this is viable

38 Ofcom's strategy since 2016 has been to **promote investment** in gigabit-capable networks through **network competition** where this is viable.²⁰ We fully support this strategy.

39 We recognise that the network competition Ofcom seeks should bring about long-term benefits through:

- (a) increased innovation and choice;
- (b) stronger incentives for networks to price keenly;
- (c) stronger incentives for networks to further improve quality of services; and

²⁰ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 Volume 1: Overview, summary and structure; paragraph 1.3.



(d) reduced need for regulatory oversight.

40 However, **Ofcom has not properly addressed the risk that certain forms of ‘network competition’ can impede investment.** This risk should be of much greater concern to Ofcom than it appears, from the proposals in the TAR, to be.

3.2 Network competition is unviable where roll-out costs are high

41 Network competition means that competing operators overbuild each other’s networks in the same area. This is likely to deliver benefits to consumers in densely-populated areas (i.e., urban and sub-urban areas). In these places, the cost per premises passed (CPPP) of FTTP roll-out is relatively low. So, even if an operator is not guaranteed a high penetration rate, it may still expect to achieve sufficient revenues to provide a reasonable return on investment.

42 Overbuild in these areas serves a socially useful purpose. Consumers (and ISPs) have a choice of wholesale access provider. As set out above, this choice drives networks to (i) price keenly, (ii) maintain and improve their quality of service and (iii) innovate. The promotion of investment and network competition go hand in hand.

43 On the other hand, more rural areas have significantly higher CPPPs. These areas cannot support multiple competing FTTP networks. In these areas, an operator rolling out FTTP requires at least 50% penetration to achieve a reasonable return on investment. If a network in a high-CPPP area is overbuilt by a competitor, then one of the two operators will be unable to recover its costs and an adequate return.

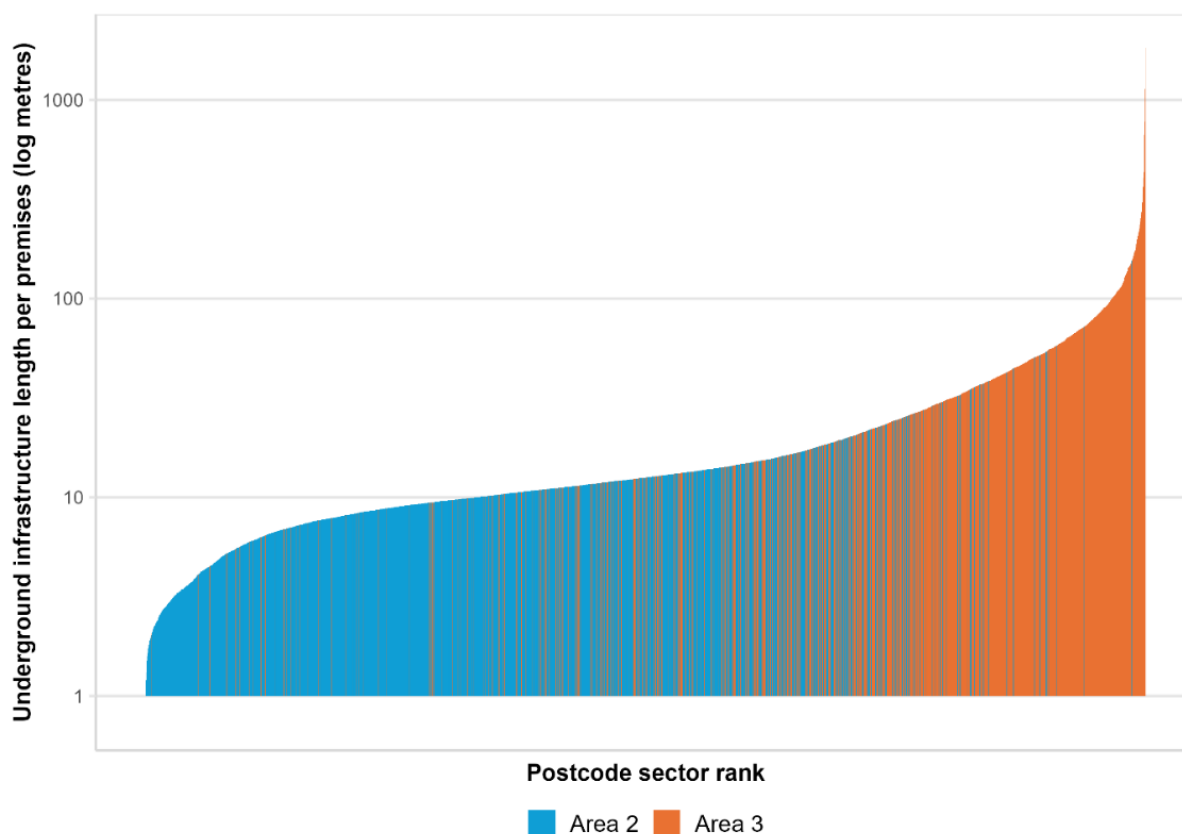
44 Overbuild by Openreach in these rural areas does not serve consumers and businesses. Suppose Openreach overbuilds an existing FTTP operator in one of these locations. This reduces the commercial case for FTTP roll-out of the existing operator. Rather than providing a benefit for consumers and businesses in rural areas through enhanced competition, such overbuild actually disincentivises altnets from rolling out FTTP further into commercially monopoly rural areas not yet covered by a FTTP network. This slows down the FTTP roll-out and may reduce the ultimate extent of the FTTP roll-out (given Openreach’s incentive to sweat its copper assets), reducing the benefits of gigabit broadband for consumers and businesses in rural areas.²¹ We use the term ‘socially inefficient overbuild’ to describe overbuild by Openreach which ultimately deters future altnet roll-out in commercially monopoly areas. This means an undue focus on network competition may actually **impede investment** in these areas.

²¹ Importantly, this means that in economic terms, overbuild can be socially inefficient from a dynamic perspective, as long as wholesale access services would not be provided at a materially lower unit cost by Openreach, relative to what altnets could achieve in these areas. Gigaclear anticipates that, if Ofcom adopts the approach set out in this submission, such that altnets can achieve sufficiently high take-up in the commercial monopoly areas (i.e. Area 3), they will be able to offer wholesale access services to support consumer choice of ISPs, in line with the current regulatory approaches.

3.3 Ofcom recognises there are areas where FTTP is commercially viable but network competition is not

45 When developing the WFTMR, Ofcom recognised that (i) the cost of FTTP roll out varies between locations, and (ii) this impacts the viability of network competition.²² This market feature is *broadly* reflected in the current (i.e. WFTMR) definitions of Area 2 and Area 3.²³ For instance, Figure 3 below shows variation in the average length of underground infrastructure (i.e. ducts) per premise (Ofcom's preferred proxy for CPPP). Blue bars denote postcode sectors assigned to Area 2 in the WFTMR; orange bars, Area 3. It is clear that current Area 3 postcode sectors are currently characterised by higher CPPP.

Figure 3 Indicative cost curve for postcode sectors from Ofcom's WFTMR fibre cost model, by current geographic market



Source: Analysis of Ofcom data taken from the TAR Fibre Cost Model

Note: Data only includes postcode sectors with a defined Area 2/3 classification at the WFTMR and the TAR consultation, and a measurement of underground infrastructure length per premises in Ofcom's model.

²² Ofcom (2018) Consultation: Promoting investment and competition in fibre networks: Approach to geographic markets; paragraphs 3.46-3.47.

²³ We note that the Area 2/3 boundary at the WFTMR did not always reflect differences in network build economics across different postcode sectors – see Section 4.



46 Analysing Openreach's IRR at different levels of CPPP and penetration confirms that in high-CPPP areas (like most of the current Area 3), only one operator will be viable. Table 1 below estimates Openreach's IRR for a FTTP investment under various CPPP and penetration rate assumptions given a wholesale ARPU of £16.40 and a margin of 60% (which broadly aligns with Openreach's financial position). At a CPPP of £1,000, a penetration rate of more than 70% is needed to achieve an IRR exceeding Openreach's WACC of 8.5%.

Table 1 Openreach IRR matrix

		Penetration rate												
		30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%
CPPP	300	10.9%	12.1%	13.2%	14.1%	14.9%	15.7%	16.4%	17.0%	17.6%	18.1%	18.6%	19.1%	19.6%
	400	8.8%	9.9%	10.9%	11.8%	12.7%	13.4%	14.1%	14.7%	15.3%	15.8%	16.4%	16.8%	17.3%
	500	7.2%	8.3%	9.3%	10.2%	10.9%	11.7%	12.3%	13.0%	13.5%	14.1%	14.6%	15.1%	15.5%
	600	5.9%	7.0%	8.0%	8.8%	9.6%	10.3%	10.9%	11.6%	12.1%	12.7%	13.2%	13.6%	14.1%
	700	4.9%	5.9%	6.9%	7.7%	8.5%	9.1%	9.8%	10.4%	10.9%	11.5%	12.0%	12.4%	12.9%
	800	4.0%	5.0%	5.9%	6.8%	7.5%	8.2%	8.8%	9.4%	9.9%	10.5%	10.9%	11.4%	11.8%
	900	3.2%	4.2%	5.1%	5.9%	6.7%	7.3%	8.0%	8.5%	9.1%	9.6%	10.1%	10.5%	10.9%
	1000	2.5%	3.5%	4.4%	5.2%	5.9%	6.6%	7.2%	7.8%	8.3%	8.8%	9.3%	9.7%	10.2%
	1100	1.9%	2.9%	3.8%	4.6%	5.3%	5.9%	6.5%	7.1%	7.6%	8.1%	8.6%	9.0%	9.4%
	1200	1.4%	2.4%	3.2%	4.0%	4.7%	5.3%	5.9%	6.5%	7.0%	7.5%	8.0%	8.4%	8.8%
	1300	0.9%	1.9%	2.7%	3.5%	4.2%	4.8%	5.4%	5.9%	6.4%	6.9%	7.4%	7.8%	8.2%
	1400	0.4%	1.4%	2.2%	3.0%	3.7%	4.3%	4.9%	5.4%	5.9%	6.4%	6.9%	7.3%	7.7%
	1500	0.0%	1.0%	1.8%	2.5%	3.2%	3.8%	4.4%	5.0%	5.5%	5.9%	6.4%	6.8%	7.2%
	1600	-0.4%	0.6%	1.4%	2.1%	2.8%	3.4%	4.0%	4.5%	5.0%	5.5%	5.9%	6.4%	6.8%
	1700	-0.7%	0.2%	1.0%	1.7%	2.4%	3.0%	3.6%	4.1%	4.6%	5.1%	5.5%	5.9%	6.3%

Source: Gigaclear analysis

47 Crucially, the majority of rural altnets' existing and planned footprints falls in high-CPPP areas. Multiple competing networks will not be viable in these areas. Gigaclear's network is almost exclusively (more than 90%) in the current Area 3. And our historical average CPPP is £1,300, reflecting our focus on more rural areas. At this CPPP, more than 90% penetration would be needed (under the above wholesale ARPU and margin assumptions) to achieve an IRR above 8%. Socially inefficient overbuild is therefore a significant threat for Gigaclear and other rural-focused altnets.

3.4 Ofcom's expectation that only Openreach would roll out in high cost areas was wrong – rural altnets have targeted these areas

48 At the WFTMR, Ofcom rightly recognised that there are places where FTTP roll-out is commercially viable but sustainable network competition is not (due to high CPPP).



- 49 However, **Ofcom wrongly assumed only Openreach would roll out in high cost areas.**
- 50 Rural altnets recognised that, if there was an absence of a competitive threat, Openreach would (i) have a dampened incentive to invest in high cost areas, and (ii) deprioritise these areas (a view shared by Ofcom at the WFTMR).²⁴ In reality, Openreach has faced a much greater, and earlier, competitive threat in urban areas. As such, Openreach has had, and will continue to have, a much lower commercial incentive to speed up the fibre transition in rural / high cost areas, where the scale of the competitive threat has been relatively lower. That is, Openreach has preferred to continue monetising its legacy copper network in high-cost areas, while focusing its FTTP roll-out in low-cost areas.
- 51 This offered rural altnets an opportunity to deploy in ‘natural’ commercial monopoly areas before Openreach. As a result, some altnets have indeed targeted their roll-out in these areas and already provide customers in these areas with FTTP access. Gigaclear has almost exclusively rolled out in the current Area 3 (>90% of our footprint). We are the only FTTP network in 22% of postcode sectors in which we operate and our coverage is 75% or higher in 24% of exchange areas in which we operate. Altnets’ conscious strategy of targeting such areas is also evident in altnets’ frequent use of Building Digital UK’s (BDUK) Project Gigabit subsidies (which aim to facilitate FTTP investment in areas where costs would otherwise be prohibitive) in their roll-out.²⁵ As highlighted in Section 2.2, FTTP is provided only by altnets in 17% of current Area 3 postcodes in England.
- 52 By wrongly assuming that only Openreach would roll out in these areas, **Ofcom set misguided objectives for high-cost areas.** At the WFTMR and at the TAR, Ofcom’s Area 3 objectives are ‘*to promote investment in gigabit-capable networks by Openreach*’ and ‘*to promote competition based on access to Openreach’s networks*’ (emphasis added).
- 53 In practice, **Area 3 has seen almost as much investment by altnets as Openreach** (as measured by premises passed). Furthermore, competition in Area 3 has effectively been a ‘race’ between Openreach and altnets to be the first to deploy in commercial monopoly areas. Put differently, competition in Area 3 is not solely ‘*based on access to Openreach’s networks*’. Instead, there has also been competition to be the gigabit-capable network in ‘naturally’ uncompetitive areas.
- 54 Since Ofcom’s regulatory objectives do not reflect the reality of the investment and nature of competition in Area 3, Ofcom’s regulatory approach is also misguided. Ofcom’s approach ignores that there is a need to support altnet investment in high-cost areas. We explain why this is required in the next sub-section.

²⁴ Ofcom (2021) Statement: Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Vol 2, para 7.49.

²⁵ BDUK has now awarded 35 procurement contracts to 10 altnet operators worth £1.3 billion and aiming to cover around 940k premises over the next several years. See: Point Topic (2025) UK Altnets: Delivering Affordable, High-Speed Connectivity with Unmatched Customer Satisfaction; page 21.



- 55 Recognising that altnets have rolled out in high-cost areas, and can continue to do so, will be crucial for Ofcom to design regulation that maximises the social benefits of fibre roll-out. Put another way, Ofcom must minimise the risk that its regulation jeopardises or deters altnet investment by blindly promoting network competition, even where it is not sustainable.

3.5 Socially inefficient overbuild will deter future altnet investment and is exacerbated by uncertainty over Openreach's build plans

- 56 The business case for altnet FTTP deployment in more rural locations relies on maintaining a high penetration rate. Therefore, the risk of overbuild will significantly undermine altnets' incentives to deploy to areas not yet served with FTTP but where only one network is viable. Similarly, the risk of socially inefficient overbuild weakens altnets' ability to secure funding to roll out in these areas.

- 57 Altnets have a common incentive not to overbuild each other's networks in areas where only one network is viable. Indeed, the progress altnets have made in covering rural areas has been driven by competition among rural-focused altnets to be the first to cover areas yet unserved by FTTP networks.

- 58 However, Openreach is different to altnets. In particular, Openreach's commercial (and strategic) incentives to overbuild altnets are stronger. The perceived and actual risk of Openreach overbuild can have a chilling effect on altnet investment in rural areas.

3.5.1 Openreach's incumbency advantage gives it an incentive to overbuild altnets in areas where overbuild is not socially efficient.

- 59 Even in rural areas where only one network is commercially viable, and an altnet has already rolled out its network, Openreach has incentives to overbuild:

(a) Openreach's large share of fixed broadband connections gives it an incumbency advantage (i.e. there is not a level playing field).

- (i) Openreach can credibly forecast more 'aggressive' penetration rates than altnets, due to its close relationship with large ISPs. Openreach also benefits from BT's retail arm having a 32% share of fixed broadband connections. This is because BT Group is incentivised to self-serve its retail customers as much as possible. Openreach can roll out on the assumption that BT's retail business is 'sticky' to the Openreach network. Taken together, these realities allow Openreach to be more confident of achieving high penetration rates in rural areas.
- (ii) Openreach can earn ongoing revenues from sweating its copper assets. This effectively allows Openreach to cross-subsidise its FTTP network using its legacy copper network during the ramp-up phase. From this, Openreach gains (i) a working capital / liquidity advantage, and (ii) some protection from the downside risks of slower uptake. If Openreach FTTP uptake is slower than expected this may be offset by higher than



expected cash generation from its copper network. This 'countervailing effect' is also a reason why Openreach's cost of capital is lower than that of altnets – a further source of incumbency advantage.

(iii) Collectively these dynamics allow Openreach to squeeze out altnets that have already rolled out in these areas, especially if altnet roll-out is in its early stages.

(b) **Openreach has an 'unfair' cost advantage.** Openreach can re-use its existing (ex-state funded) duct and pole network. While altnets can make use of this network through Openreach's PIA products, evidence suggests that PIA users make a disproportionately large contribution towards covering the cost of Openreach's passive infrastructure.²⁶

(c) **Openreach may be incentivised to roll out FTTP only for the sake of relieving itself of the copper network 'tax'.** Openreach may deploy FTTP even where it will not achieve sufficient penetration to recover its CPPP (i.e. where CPPP is high and an altnet is already established). This may arise if the copper switch-off framework requires Openreach to deploy FTTP in uneconomic areas before Openreach can realise savings from switching off copper.²⁷ In other words, where Openreach's copper network is less commercially viable than rolling out FTTP, Openreach may be incentivised to overbuild altnets even where this would otherwise be economically irrational.

(d) **Openreach may have a strategic incentive to overbuild altnets to deter future altnet roll-out.** This would ultimately increase the number of areas where Openreach can profitably roll out FTTP, or retain its copper network without competition. Ofcom's Openreach Monitoring Unit has heard a number of concerns from industry stakeholders on this issue.²⁸

60 These incentives mean Openreach may ultimately find it profitable to overbuild altnets in areas where only one network is viable. Openreach overbuild in these areas will render altnet investment unviable, ultimately forcing altnets to exit the market in these areas, leading to asset stranding.

61 Furthermore, the perceived risk of overbuild by Openreach deters investment in altnet roll-out in other rural areas that are currently unserved by FTTP. There is already evidence that some altnets are scaling back investment.²⁹

62 **Overbuild from Openreach due to its different incentives can be inefficient from a societal perspective.** Openreach's different incentives are not a consequence of its inherent efficiency or superiority. Openreach's different incentives are a result of its

²⁶ See, for instance, SPC Network (2024) Improving the PIA Cost Model in light of the upcoming Telecoms Access Review.

²⁷ We note that whether Openreach has this incentive depends on the costs of maintaining its copper network, its costs of rolling out fibre, and the extent to which an altnet has captured demand from Openreach's copper network.

²⁸ Ofcom (2022) Open letter to industry about concerns raised with Ofcom associated with Openreach's fibre build.

²⁹ For example, nexfibre's ambition to roll out to 5m premises has been adjusted down to 2.5m. See: <https://www.nexfibre.co.uk/nexfibre-network-passes-2-million-premises/> and <https://www.libertyglobal.com/wp-content/uploads/2025/05/LG-Q1-2025-Press-Release.pdf>



significant market power. Openreach's share of broadband connections is greater than 90% in the current Area 3. This is a clear indicator of Openreach's dominance in those commercially-viable areas where network competition is unviable.

- 63 Ofcom must ensure that regulation does not artificially incentivise Openreach's socially inefficient overbuilding of altnets in rural areas. Ofcom must also not overlook potential strategically-motivated overbuilding of altnets by Openreach in these areas. In particular, as we discuss in more detail in Sections 6 and 7.3 below, Ofcom should consider existing altnet coverage in its approach to copper switch-off. Unless Ofcom removes the incentives for Openreach to inefficiently overbuild altnets in areas where only one network is viable, its regulations will reward Openreach for having delayed FTTP roll-out and 'sweated' its copper network in rural areas, rather than accelerating the fibre transition. Instead, its regulations will slow down the fibre transition to a large number of currently unserved premises.

3.5.2 The unpredictability of Openreach's roll-out further deters altnets from investing to reach unserved areas

- 64 There is also significant uncertainty about where Openreach will roll out FTTP. This uncertainty reduces altnets' ability to deploy in high cost / rural areas. For example, we note Openreach has repeatedly increased its FTTP roll-out plans in recent years:
- (a) In 2019, Openreach stated a target of 15m premises passed by the middle of this decade.
 - (b) In 2020, Openreach increased this target to 20m premises passed.
 - (c) Openreach is now targeting a build of 25m premises passed by the end of 2026, with ambitions to pass up to 30m premises by 2030.³⁰
- 65 In Area 3, Openreach's target is currently to pass 6.2m premises by the end of 2026.³¹ Openreach previously committed to deploying FTTP to 3.2m premises in Area 3.³²
- 66 Ambitious roll-out plans are needed to meet the Government's target of nationwide coverage by 2030. However, Openreach's plans do not envisage covering all 32.3m+ UK premises.³³ Meanwhile the changeability and vague, sweeping nature of Openreach's roll-out plans increases the perceived risk to altnets of expanding their coverage in rural areas. This is because the unpredictability of Openreach's roll-out means that an altnet could begin to deploy FTTP (incurring significant cost) to pass a rural area where only one network is viable. If Openreach then rolls out in the same areas, it renders that

³⁰ BT Group (2025) BT Group plc - Annual Report 2024; page 60.

³¹ *Ibid*; page 34.

³² <https://www.openreach.com/news-and-opinion/2020/over-three-million-more-rural-homes-and-businesses-to-get-full-f>

³³ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment; Table 4.2.



altnet's roll-out strategy unviable.³⁴ The unpredictability of Openreach's roll out plans is exacerbated by the high-level nature of the information Openreach makes publicly available. Openreach's public roll-out plans only specify the exchange areas they plan to cover. The average exchange covers 5,800 premises.³⁵

67 In light of this, Ofcom must ensure that regulation does not add to the unpredictability of Openreach's overbuilding of altnets in such rural areas. However, as we discuss in more detail below, Ofcom's proposals (notably its proposed redrawing of the boundaries of Areas 2 and 3) risk increasing the uncertainty for altnets, and ultimately slowing down and constraining FTTP roll-out in unserved areas.

4 Redrawing the Area 2/3 boundary is an unjustified change, undermines regulatory certainty and heightens the risk of socially inefficient overbuild

68 Ofcom is proposing major changes to the Area 2/3 boundary. If it goes ahead with this, over 6m premises (c. 20% of all UK premises) will move from Area 3 to Area 2 (as shown in Table 2). This is equivalent to c. 60% of the locations (postcodes sectors) in the current Area 3.

Table 2 Change in the split of premises between Areas 2/3 under Ofcom's proposals

Area	Current boundary	Proposed boundary	Change
Area 2	21.7m premises (70.2%)	28.7m premises (90.0%)	+7m premises (+19.8%pts)
Area 3	9.2m premises (29.8%)	3.2m premises (10.0%)	-6m premises (-19.8%pts)

Source: Ofcom (2021) *Statement: Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Volume 2: Market analysis*; Table 7.3. Ofcom (2025) *Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment*; Table 4.3.

Note: All figures exclude 59 Hull Area postcode sectors. The total number of premises has increased since the current boundary was drawn.

69 This is at odds with regulatory certainty and Ofcom's supposed aim to provide a stable regulatory environment for long-term investments already made, as part of a framework to secure competitive investment in full fibre over the ten years from 2021.³⁶ That is, despite its previous assertions, Ofcom now considers there is likely to be potential for

³⁴ As noted above, network expansion is a dynamic process, and the business case for reaching a certain rural area may rest on an operator having also covered nearby areas and achieved a certain degree of penetration.

³⁵ <https://www.openreach.com/fibre-broadband/where-when-building-ultrafast-full-fibre-broadband>. 32.3m premises divided by 5,600 BT exchanges is 5,768 premises per exchange.

³⁶ Ofcom (2025) *Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure*; paragraphs 2.55 and 2.59. Ofcom (2025) *Ofcom's Three -Year Plan 2025-2028*; pp 6.



material and sustainable competition to BT in FTTP deployment in 60%³⁷ of the locations where Ofcom came to the opposite conclusion in 2021. While it may be reasonable to reallocate some areas from Area 3 to Area 2 based on new information, the magnitude of the change under Ofcom’s proposals is not justified.

70 Ofcom’s proposals have a significant impact on Gigaclear, as the second largest FTTP provider in rural England (after Openreach). Around 92% of Gigaclear’s footprint is within the current Area 3. But only 10% of Gigaclear’s footprint falls within the proposed Area 3. This is shown in Table 3 below.

Table 3 The impact of the boundary change within Gigaclear’s footprint

Gigaclear footprint	Geographic area	Current boundary	Proposed boundary	Change
Postcode sectors in which Gigaclear operates	Area 2	78k premises (8.2%)	872k premises (91.8%)	794k (83.6%) of premises (net) moving from Area 3 to 2
	Area 3	862k premises (90.7%)	88k premises (9.3%)	
Gigaclear’s built premises	Area 2	53k premises (7.6%)	626k premises (90.1%)	573k (82.4%) of premises (net) moving from Area 3 to 2
	Area 3	642k premises (92.4%)	69k premises (9.9%)	

Source: Gigaclear

71 Gigaclear is deeply concerned about the impact of redrawing the Area 2 / 3 boundary on altnets and altnets’ ability to attract investment. In addition to undermining regulatory certainty, the boundary changes heighten the risk of socially inefficient overbuild.

4.1 Ofcom’s rationale for redrawing the Area 2 / 3 boundary is unclear and is inconsistent with the principles set out at the WFTMR

72 Despite the significant increase in Area 2 (and the reduction in Area 3’s size), Ofcom’s underlying formal definitions of Area 2 and Area 3 remain unchanged. That is:

- (a) Area 2 is ‘postcode sectors in which there is, or there is likely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks’, and

³⁷ Based on data from: schedule-2-tar26-consultation-proposed-wla-postcode-sector-by-geographic-market.csv; and wftmr-statement-schedule-2-wla-postcode-sectors-by-geographic-market.csv



- (b) Area 3 is *‘postcode sectors in which there is not, and there is unlikely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks’*.³⁸

73 Gigaclear agrees that the appropriate delineation between Area 2 and Area 3 should be whether there *‘is, or there is likely to be potential for, material and sustainable competition’* in the commercial deployment of competing networks.

74 However, Gigaclear disagrees that the assessment should hinge on whether BT is present or not – as set out in Section 3.4, it is clearly wrong to assume that only BT will roll out in commercially-viable areas where network competition is unviable, as rural altnets have targeted these areas. Ofcom’s focus on *‘competition to BT’* explains Ofcom’s practical approach to defining Area 2 and Area 3:

- (a) At the WFTMR, Ofcom’s practical Area 2 definition was *‘postcode sectors where either Virgin Media or CityFibre, or both, have existing or planned presence in this review period’*. Area 3 was defined as the postcode sectors not in Area 2.³⁹
- (b) At the TAR, Ofcom is proposing to define Area 2 as *‘postcode sectors where there is current or planned presence by at least one of VMO2, CityFibre or any altnet that plans to cover at least 50,000 premises by 2031’*. Area 3 remains defined as *‘the residual’*.⁴⁰

75 Ofcom is right that altnets (other than CityFibre) have the potential to provide material and sustainable network-based competition to Openreach. However, Ofcom is wrong to rely solely on altnets’ roll-out plans to identify areas where multiple competing networks can be deployed commercially.

76 Ofcom’s proposed definition of the Area 2 / 3 boundary is inconsistent with the economic and commercial realities of FTTP build. Ofcom simply assumes that Openreach will roll out its network everywhere.⁴¹ Using this assumption, Ofcom deduces that anywhere covered by altnets (by 2031) can sustain multiple competing networks. This is a misguided ‘rule of thumb’.

77 Ofcom’s assumption that, going forward, only Openreach will roll out in areas where only one FTTP network is viable is evident in its stated objective to *‘promote investment by Openreach [not altnets] in gigabit-capable networks in areas that are unlikely to see*

³⁸ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment; paragraph 4.109.

³⁹ Ofcom (2021) Statement: Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Volume 2: Market analysis; paragraphs 7.104-7.107.

⁴⁰ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment; paragraph 4.09.

⁴¹ As set out in Section 3.5.2, we do not consider that it is a given that Openreach will retain its targets, given the lack of clarity around these plans, and the frequency of changes Openreach has made to its plans in the past.



the emergence of competing networks'.⁴² This objective runs counter to the fundamental principle that regulation should not 'pick winners'.

- 78 As set out in Section 3.4, this is also inconsistent with the business cases and subsidy agreements that have driven FTTP coverage in Area 3 to date. In areas where only one network is viable, Gigaclear's and other altnets' aim is to roll out ahead of Openreach and to capture demand – i.e. to compete 'for the market' in these areas. Existing or planned presence of rural-focused altnets in Area 3 postcode sectors does not necessarily mean that the economics of network roll-out in these areas supports multiple competing networks.⁴³ It is vital that Ofcom recognises this.
- 79 Ofcom's 'rule of thumb' approach means that its proposed Area 3 definition is inconsistent with approaches based on the unit economics of FTTP build, and the viability of network competition. This is clear when Ofcom's proposed Area 3 definition is contrasted against data on the viability of network competition across the UK, discussed below.
- 80 In addition, at the WFTMR, Ofcom explicitly acknowledged that some altnets were targeting areas where competition may not be sustainable in the long run. Ofcom made this acknowledgement when determining that the presence of altnets other than CityFibre (or VMO2) in a given postcode sector would not influence Ofcom's definition of the (current) Area 2 / 3 boundary.⁴⁴ It is unclear why Ofcom is no longer reflecting this evidence in its proposed geographic market definition for the TAR.

4.2 Ofcom's pre-WFTMR analysis found that 30% of the country could not sustain multiple competing networks

- 81 Ofcom's proposal to shrink Area 3 from c.30% to c.10% of UK premises is at odds with its own 'bottom-up' assessment of which areas can support multiple competing networks.
- 82 In its 2018 consultation, Ofcom:
- (a) set out its initial proposals for identifying locations that could not sustain multiple competing networks;
 - (b) identified that '*a reasonable density of premises*' is necessary for FTTP build to be economic; and

⁴² Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 1: Overview, summary and structure; paragraph 2.42.

⁴³ We note there may be some postcode sectors in the current Area 3 boundary where two networks are in fact viable, suggesting reallocation to Area 2 would be warranted. However, as we set out in this Section, this cannot be the majority of postcode sectors Ofcom is proposing to reallocate from Area 3 to Area 2.

⁴⁴ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 2: Market definition and SMP assessment; paragraph 7.46.



(c) concluded that 31% of the country would not be able to sustain multiple competing networks. Ofcom based this conclusion on analysis of FTTP rollout plans and premise density analysis.⁴⁵

83 Premise density remains the main driver of FTTP roll-out capex (per premise). Premise density has also not changed significantly since 2018. The decision to reduce Area 3 to well below 31% of UK premises is clearly inconsistent, therefore, with Ofcom's premise density-based analysis.

84 While premise density may be a somewhat imperfect measure of cost per premise passed, we consider that it is significantly more informative about the underlying unit economics of FTTP build than Ofcom's proposed approach of defining Area 2 and Area 3 based on altnet roll-out plans.

4.3 Ofcom's proposed Area 2 overlaps a large share of commercially - unviable premises

85 1.1m English and Welsh premises fall within the scope of a Gigabit Infrastructure Subsidy contract. BDUK directs these subsidies to areas that it believes are otherwise commercially unviable. We would therefore expect to see a limited overlap between the Gigabit contract footprint and Area 2. It is illogical for a location to simultaneously be (i) commercially unviable without subsidy and (ii) prone to material and sustainable network competition.

86 However, we see significant overlap between the Gigabit contract footprint and Ofcom's proposed Area 2: **63% of the Gigabit contract footprint lies in the proposed Area 2.**

87 In contrast, the overlap between the Gigabit contract footprint and the current Area 2 is much more modest (17%). It is reasonable to expect this low level of overlap given that the size of postcode sectors. This is because postcode sectors can contain a few commercially unviable premises, even if the sector is characterised by low CPPP on average.

88 Gigaclear's own data tells a similar story. 80,000 premises in our network are supported by some form of public funding. 84% of these premises are in the proposed Area 2. These premises cannot simultaneously be in need of public funding and also be areas with the potential for material and sustainable network competition. For the sake of comparison, 85% of our publicly-supported premises are in the current Area 3.

⁴⁵ Ofcom (2018) Consultation: Promoting investment and competition in fibre networks: Approach to geographic markets; paragraph 1.17.



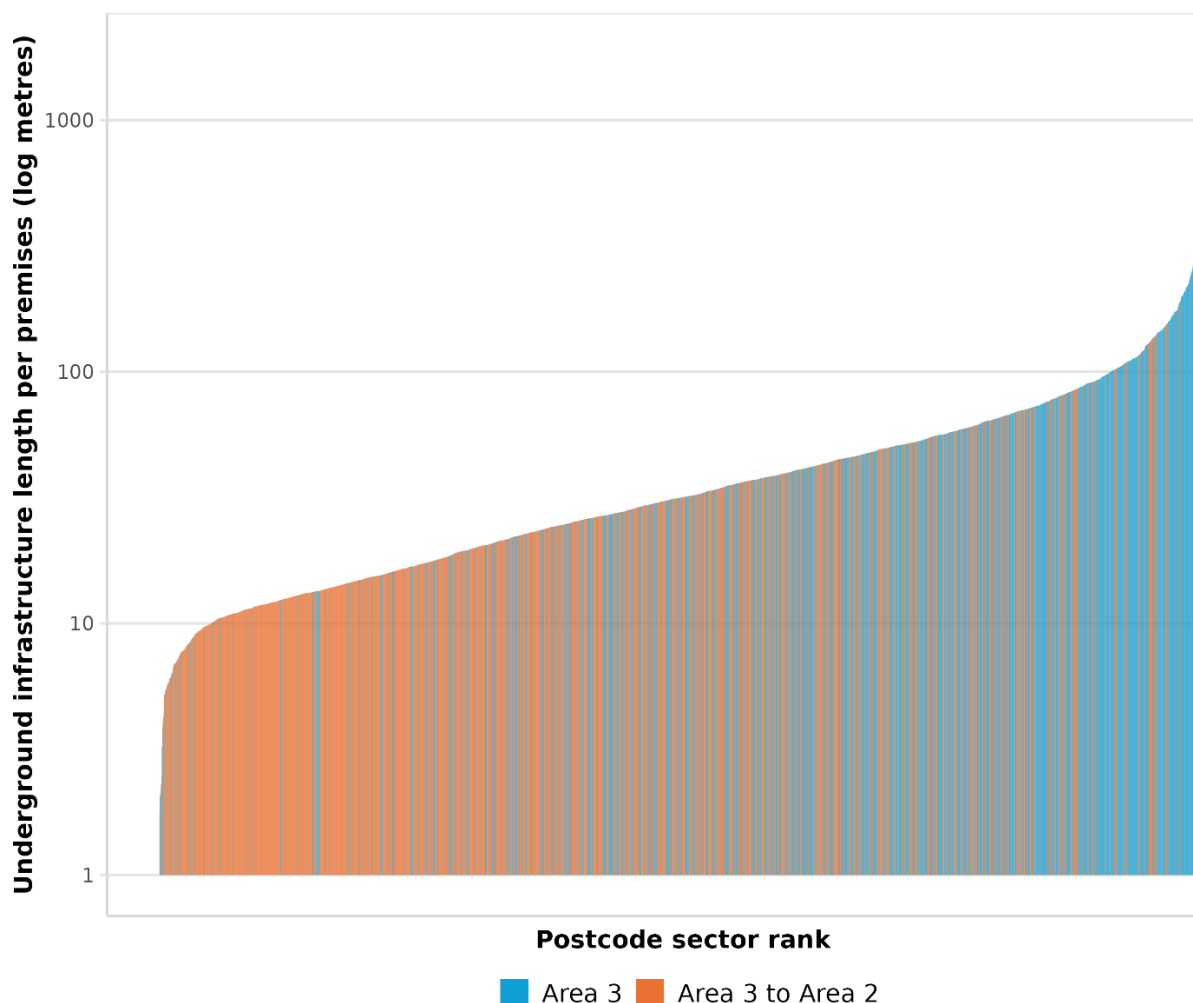
4.4 Ofcom's fibre cost model shows that the 'ex-Area 3' sectors are not more disposed to sustaining competition than the remaining Area 3 sectors

89 The postcode sectors that Ofcom proposes to move from Area 3 to Area 2 are not, according to Ofcom's fibre cost model, necessarily those with the most favourable unit economics (i.e., the lowest cost per premises passed). This further suggests that Ofcom's Area 2 / 3 proposals are problematic.

90 Figure 4 below shows Ofcom's preferred metric, or proxy, for roll-out cost per premise for each of the current Area 3 postcode sectors. Orange bars denote postcode sectors that Ofcom propose to move to Area 2. Blue bars are postcode sectors that Ofcom plans to keep in Area 3. Figure 4 confirms that the current Area 3 is heterogenous, with wide variation in the underground infrastructure (i.e. length of duct) required to pass the average premise in a postcode sector. However, there are many postcode sectors with:

- (a) (relatively) low underground infrastructure requirements (per premise) that remain in Area 3. These areas are more likely able to sustain multiple competing networks (yet have not been reallocated to Area 2).
- (b) (relatively) high underground infrastructure requirements (per premise) that Ofcom proposes to move to Area 2. These areas are less likely able to sustain multiple competing networks, yet have been moved from Area 3.

Figure 4 Indicative cost curve for postcode sectors from Ofcom’s WFTMR fibre cost model, by proposed geographic market at the WFTMR and the TAR consultation



Source: Analysis of Ofcom data taken from the TAR Fibre Cost Model

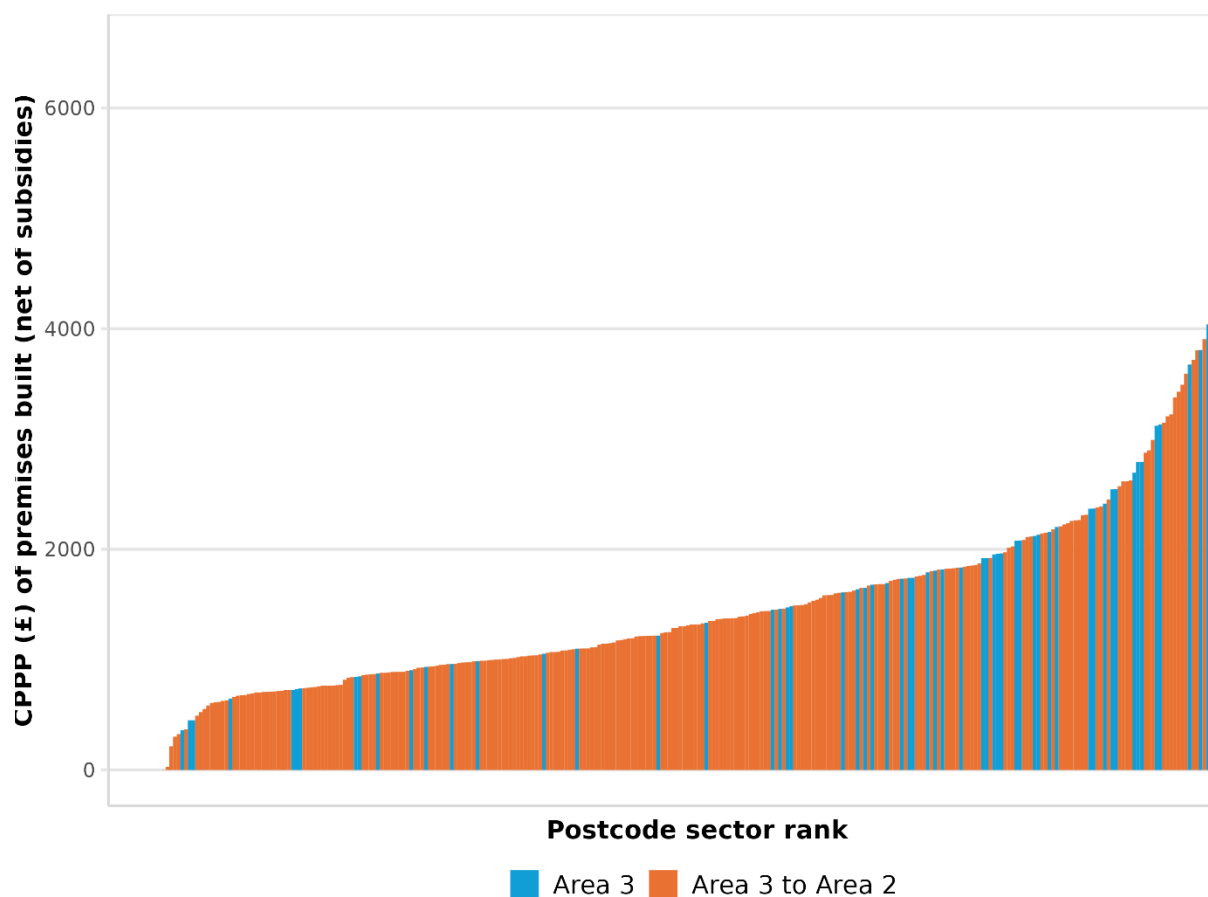
Note: Area 3 refers to postcode sectors defined in Area 3 at the WFTMR and the TAR consultation, Area 3 to Area 2 refers to postcode sectors defined in Area 3 at the WFTMR and Area 2 at the TAR consultation. Data only includes postcode sectors with a defined Area 2/3 classification at the WFTMR and the TAR consultation, and a measurement of underground infrastructure length per premises in Ofcom’s model.

4.5 A comparison of the Area 2 / 3 classification of Gigaclear’s footprint against historical CPPP also indicates that the Area 2 / 3 boundary is inconsistent with build economics

91 As set out above, most of Gigaclear’s footprint is in the current Area 3. This is consistent with our commercial strategy of targeting areas poorly served by Openreach and our expertise in rural network build. Figure 5 below shows the ‘cost curve’ for our FTTP roll-out in the current Area 3. The y-axis shows our average historical CPPP (net of subsidies) in each postcode sector currently classified as Area 3. Orange bars indicate postcode sectors that Ofcom proposes to reallocate to Area 2.

- 92 This shows that many of the postcode sectors Ofcom proposes to reallocate to Area 2 have a very high CPPP (e.g. 67% have a CPPP above £1,000). Moving these postcode sectors to Area 2 is not consistent with there being the potential for material and sustainable competition in these areas. To the contrary, only a single network is likely to be viable in most of these postcode sectors.
- 93 Consistent with our analysis of Ofcom's fibre cost model, this analysis shows that Ofcom's proposed delineation of Areas 2 and 3 is disconnected from the economics of network build. Ofcom risks sending a distorted signal about, or potentially setting regulation based on a misguided view of, which areas are in fact likely to see material and sustainable network competition develop.

Figure 5 Cost curve for Gigaclear's roll-out in postcode sectors currently defined as Area 3, and implication of the TAR proposals



Source: Gigaclear analysis

Note: Area 3 refers to postcode sectors defined in Area 3 at the WFTMR and the TAR consultation, Area 3 to Area 2 refers to postcode sectors defined in Area 3 at the WFTMR and Area 2 at the TAR consultation. CPPP is averaged across postcodes in a given postcode area, and net of subsidies.



4.6 An improper definition of Area 2 and Area 3 will hamper the pace of FTTP roll-out

- 94 As set out in Section 3.5 above, uncertainty over whether Openreach will overbuild altnets in rural areas has a chilling effect on altnet investment in these areas. Overstating the extent of Area 2 will increase the perceived risk of Openreach engaging in socially inefficient overbuild of altnets in rural areas. Therefore, Ofcom's proposed Area 2 definition risks sending a significant, negative signal to investors.
- 95 Similarly, setting an objective to promote Openreach investment, but not altnet investment in areas where only one FTTP network is commercially viable, is likely to discourage further investment in altnet roll-out in these areas. Given that investment in these areas by Gigaclear and its peers has been a key driver of the success of the fibre transition to date (see Section 2.2), it is unclear how discouraging this investment would benefit consumers in the long run.
- 96 Additionally, a wider Area 2 boundary would limit Ofcom's ability to monitor and identify potential anti-competitive, strategically-motivated overbuild, and to penalise exclusionary conduct. Specifically, Ofcom's own definition would imply that any overbuild within this boundary would be conducive to network competition and therefore socially efficient, even if this was not the case. Ofcom would be reliant on industry to raise competition concerns, and attempts to investigate or penalise anti-competitive behaviour could be undermined as inconsistent with Ofcom's 'own previous position'. This could incentivise more strategically-motivated Openreach overbuild in areas where overbuild would otherwise not be socially efficient, as discussed above, further discouraging altnet investment in rural areas.
- 97 In light of this, improperly defining the Area 2 / 3 boundary and setting improper objectives for Area 3 will deter further roll-out by altnets in rural areas and harm the pace of FTTP roll-out. This means many consumers will have to wait longer to reap the benefits of gigabit-capable network access.
- 98 In addition, improper Area 2 / 3 boundary definition and objectives could also reduce the number of households that benefit from FTTP in the long run. This could happen if there are parts of Area 3 where:
- (a) Openreach does not roll out FTTP in the long-run;
 - (b) Altnets, like Gigaclear, would roll out FTTP if Area 3 was defined and regulated properly; but
 - (c) Altnets would not roll out FTTP if Area 3 was improperly defined and regulated, because of the heightened risk of socially inefficient Openreach overbuild.
- 99 As shown in Section 2.2, the targeted roll out of rural-focused altnets to date means that they are especially well placed to 'fill in the gaps' in Area 3 where they have already established a presence. Meanwhile, as set out in Section 3, Openreach has preferred to continue monetising its legacy copper network in such areas while focusing its FTTP



roll-out in low-cost areas, and its FTTP roll-out plans in Area 3 going forwards are uncertain.

5 Allowing Openreach to apply geographical discounts in Area 3 risks undermining altnet investment

100 Openreach's market share is at threat of erosion as it faces stronger future competition in areas where new networks are present. Openreach is therefore incentivised to undermine rivals in ways that harm competition in the long term. One way Openreach could undermine altnets is through geographically-targeted discounts. While such discounts would reduce Openreach's returns in an area, they would undermine altnets by:

- (a) limiting altnets' ability to attract ISPs away from Openreach's network (i.e. strengthening Openreach's incumbency advantage, given its pre-existing relationship with ISPs); and/or
- (b) forcing altnets to lower their prices (and therefore returns) in these areas, weakening their ability to raise capital and deploy FTTP.

101 Ofcom has recognised these risks. Therefore, in the WFTMR, to support roll-out by altnets, Ofcom prohibited Openreach from unduly discriminating by charging different prices in different geographic areas for rental services.⁴⁶ Ofcom applied this prohibition in both Area 2 and Area 3.⁴⁷

102 Ofcom is now proposing to remove restrictions on Openreach's ability to apply geographically-focused discounts in Area 3,⁴⁸ while retaining them in Area 2.⁴⁹

5.1 Ofcom's proposal is based on a factually incorrect assumption

103 Ofcom's proposal to remove restrictions on geographically-targeted discounts assumes that only Openreach will be rolling out to / present in Area 3 going forwards. This is factually incorrect. Ofcom's proposed Area 3 definition explicitly includes postcode sectors where (potentially multiple) altnets cover or plan to cover up to almost 50k premises by 2031. Indeed, Table 3 above shows that almost 10% of Gigaclear's built properties are in postcode sectors within the proposed Area 3 boundary. Additionally, as we have set out in Sections 2.2 and 3.4, altnets such as Gigaclear have invested significantly in rolling out in rural areas such as those that fall under Ofcom's proposed Area 3 definition. It is speculative to assume that existing plans will not change/expand

⁴⁶ Except where Ofcom otherwise provided consent. Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 3: Non-Pricing Remedies; paragraphs 9.4 and 9.6.

⁴⁷ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26 – Volume 3: Non-pricing remedies; paragraph 7.101.

⁴⁸ *Ibid*; paragraph 9.23.

⁴⁹ We also note that Ofcom is proposing some adjustments to the provisions. *Ibid*; paragraphs 9.4-9.8, and 9.22.



to target other areas in Ofcom's proposed Area 3 either by 2031 or afterwards, where this is commercially viable.

- 104 We are therefore concerned that Ofcom's proposals to allow Openreach to apply geographically-targeted discounts in its proposed Area 3 risks undermining altnet investment. Importantly, this would strengthen Openreach's incumbency advantage and exacerbate the risk of Openreach strategically overbuilding altnets to force them out of the market or deter future investment in rural areas.

6 Ofcom's copper switch-off approach fails to recognise the altnets' potential role in supporting the fibre transition and could encourage socially inefficient overbuild

- 105 Ofcom set out a three-stage approach to regulatory transition from copper to FTTP at WFTMR. The transition will proceed exchange by exchange. Ofcom is proposing to retain the approach set out in the WFTMR as part of its TAR proposals.⁵⁰

- 106 The conditions for Openreach to switch off copper are entirely based on Openreach's own FTTP roll-out progress. That is, 'stop-sell' requires Openreach to cover 75% of customers in an exchange area with ultrafast⁵¹ services. Similarly, withdrawal of the charge control on the anchor copper-based network access services requires Openreach to make ultrafast services available at 100% of the premises in the exchange area (excluding any premises that Ofcom directs).⁵² Conversely, the FTTP coverage of altnets in an exchange area is irrelevant to Openreach's ability to switch off copper, even in Area 3.

6.1 Altnets have made greater progress than Openreach towards the stop-sell threshold in the majority of mutually passed exchanges

- 107 As we have already made clear, altnets' networks (existing and planned) will cover a significant number of rural exchange areas well ahead of Openreach. For example, Gigaclear's footprint would meet the first threshold (75% coverage) for 148 exchange areas already, and in 63 of these we have over 90% coverage. Similarly, Gigaclear has greater FTTP coverage than Openreach in 67% of the 622 exchanges we operate in.

- 108 Our analysis indicates that this is part of broader pattern across altnets. In 42% of the c. 3,800 exchanges where altnets or Openreach have rolled out FTTP, altnets' within-

⁵⁰ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 3: Non-Pricing Remedies; paragraph 2.28.

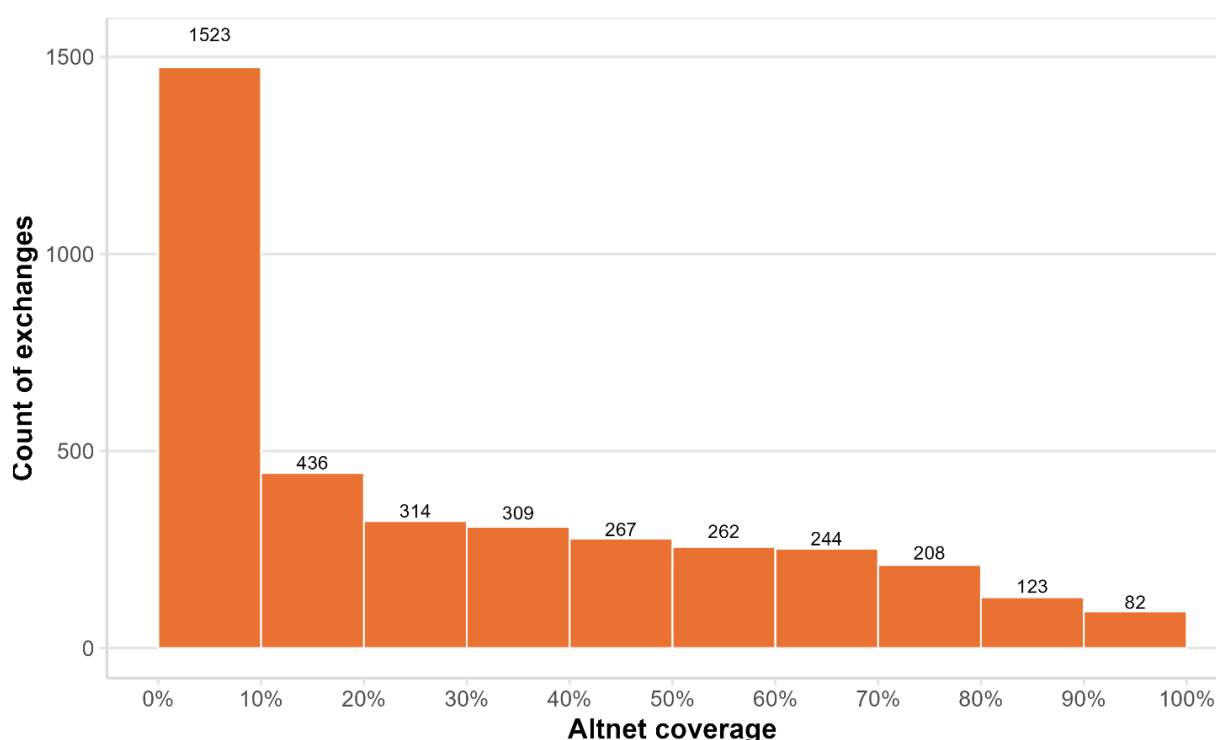
⁵¹ By 'ultrafast' Ofcom means broadband services provided using the Openreach network capable of delivering a minimum of 300 Mbit/s services, be this by FTTP or G.fast.

⁵² Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 3: Non-Pricing Remedies; paragraph 2.15.

exchange coverage leads that of Openreach. In those exchanges where altnets have rolled out FTTP, altnets' within-exchange coverage leads Openreach in 55% of cases.

- 109 Figure 6 shows that there are 82 exchanges where altnet coverage exceeds 90%, 205 exchanges where altnet coverage exceeds 80% and 413 exchanges where altnet coverage exceeds 70%.

Figure 6 Histogram of altnet coverage of exchange areas



Source: Gigaclear analysis based on own and competitors' postcode coverage

6.2 Recognising altnets' FTTP coverage in the switch-off framework would accelerate the fibre transition and reduce socially inefficient overbuild risk

- 110 **Ofcom's copper switch-off framework ignores the role altnets like Gigaclear can play in facilitating copper switch-off.** There may be opportunities to make progress towards copper switch-off based on altnet coverage that are overlooked under Ofcom's approach. Faster copper switch-off and migration of customers to gigabit-capable networks will reduce the duplicative costs of running parallel copper and gigabit-capable networks (which ultimately need to be recovered through bills). Faster copper switch-off will also provide customers with the benefits of more reliable gigabit-capable networks earlier.
- 111 Indeed, Ofcom's copper switch-off approach runs counter to the European approach, which foresees a role for altnets. In contrast to Ofcom's approach, the EC's Gigabit Recommendation sets out that copper switch-off should be as smooth and fast as



possible, while preserving effective competition, and could be subject to there being a wholesale access offer available, including from a non-SMP operator.⁵³ The European Electronic Communications Code also suggests that regulators should encourage co-investment between altnets and incumbents, as co-investment agreements can offer significant benefits in terms of pooling of costs and risks.⁵⁴

- 112 As set out in Section 3.5.1, **Ofcom’s copper switch-off framework may incentivise Openreach to overbuild altnets in some areas**, even if FTTP roll-out would be uneconomical for Openreach on a standalone basis (i.e. if Openreach did not benefit from switching off its copper network). In other areas, this may lead to consumers being deprived of the benefits of gigabit-capable networks, given the knock-on effect that such socially inefficient overbuild would have on altnet investment in further FTTP roll-out (see Section 3.5). This is in direct contradiction to Ofcom’s wider TAR policy objective.
- 113 **We propose that altnet coverage should be recognised in the copper switch-off process.** This could be achieved by counting altnet coverage in the threshold for stop-sell, for example. This would accelerate the fibre transition by enabling Openreach to switch off its copper network in a more timely manner. It would also mitigate the risk that Openreach is incentivised to overbuild altnets where this is not socially efficient. This is a risk which distorts investment and limits altnets’ ability to contribute as fully as they otherwise might towards nationwide FTTP coverage.

6.3 Ofcom’s rationale for not including altnet coverage in the second threshold is ill-founded

- 114 Anchor copper product charge controls will be removed at the second threshold. Openreach will meet this threshold once it provides 100% ultrafast services to all but ‘excluded’ premises (in the exchange area). We note Ofcom has stated it will consult further on the precise method of identifying ‘excluded’ premises. But, Ofcom’s provisional conclusion is that excluded premises will be those that are *‘too difficult or costly for Openreach to reasonably make ultrafast services available under its commercial programme’*.⁵⁵
- 115 Openreach proposed that *‘more premises should be excluded’* than envisaged in this conclusion.⁵⁶ This includes *‘premises served by other fixed networks’*. Gigaclear is encouraged that Openreach recognises (to at least some extent) that there is a role for altnets in facilitating the copper switch-off. But Gigaclear is disappointed that Ofcom has rejected Openreach’s proposal. We think this is a mistake.

⁵³ EC (2024) Commission Recommendation of 6.2.2024 on the regulatory promotion of gigabit connectivity; paragraphs 68-77.

⁵⁴ EC (2018) European Electronic Communications Code; paragraph 198.

⁵⁵ Ofcom (2025) Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 3: Non-Pricing Remedies; paragraph 2.60.

⁵⁶ *Ibid*; paragraph 2.44.



- 116 Ofcom assessed the impact of Openreach’s proposal on: (i) Openreach’s investment in gigabit-capable networks; (ii) network competition; and (iii) consumer protection. We agree these are relevant considerations and note that Ofcom’s conclusion that the proposal may harm network investment appears to drive Ofcom’s ultimate rejection of the proposal.⁵⁷ However, we fundamentally disagree with the logic Ofcom applies when assessing the impact on network investment. It is inconsistent with Ofcom’s position elsewhere.
- 117 Counting altnet coverage towards the second threshold will mean that it is met sooner. We agree with Ofcom that this means that (i) copper charges will increase sooner, and (ii) customers will transition from copper products to fibre products sooner.
- 118 Ofcom considers that this accelerated transition to fibre may harm network competition where customers are not yet able to move to an altnet. This is because:
- (a) These customers will be driven towards Openreach’s own FTTP network. (The implicit assumption is that it will be harder for altnets to compete for Openreach FTTP customers than Openreach copper customers.)
 - (b) In the longer term, there will be fewer temporary obstacles preventing customers moving to an altnet. (Ofcom does not specify what these temporary obstacles are.)
- 119 We understand the essence of Ofcom’s concern to be that the proposal may incentivise customers to migrate to fibre ‘too soon’ (given the development of network competition). We note that it is common ground that Equinix provides commercial incentives for ISPs to accelerate their adoption of Openreach FTTP. We do not see how it possible for both:
- (a) Equinix to incentivise/accelerate the migration to Openreach FTTP in a way that is unproblematic for network competition; and
 - (b) Including altnet coverage in the copper switch-off thresholds to incentivise/accelerate the migration to Openreach or altnet FTTP in a way that is problematic for network competition.
- 120 Ofcom has not defined what the ‘temporary obstacles’ that customers may face are. As such, it is difficult to evaluate the validity of Ofcom’s concern. Nonetheless, even if these temporary material obstacles did exist, Ofcom has not considered the pro-network competition effects of including altnet coverage in the copper switch-off threshold. As set out above, including altnet coverage in the thresholds would:
- (a) Remove Openreach’s incentive to deploy FTTP where the commercial case is contingent on the value to Openreach of ‘triggering’ copper switch-off thresholds.
 - (b) Consequentially improve investor confidence in altnet roll-out in remaining commercially-viable but uncompetitive areas. This would in turn accelerate altnet roll-out, boosting network competition.

⁵⁷ *Ibid*; paragraphs 2.55-2.57 and 2.61.

7 To maximise the consumer benefits from rolling out FTTP, the TAR must reflect the economics of FTTP build and provide greater regulatory certainty

121 The sections above set out our concerns with Ofcom’s consultation proposals. Below, we summarise our proposals for how Ofcom can amend the TAR framework to maximise the consumer (and social) benefits of rolling out FTTP.

7.1 Ofcom should adopt a definition of Area 2 / 3 that reflects the economics of FTTP build, rather than an arbitrary ‘rule of thumb’

122 It is well established that regulators, when defining relevant markets for ex ante regulation, should assess whether the conditions of competition are appreciably different across different areas, having particular regard to whether the activities of an incumbent with significant market power may be constrained in some areas but not in others.⁵⁸

123 As we have set out in Section 4, Ofcom’s proposed redrawing of the boundary between Areas 2 and 3 ignores evidence on how the unit economics of FTTP build varies by geography. In particular, Ofcom’s approach assumes that Openreach will roll out everywhere in its new Area 2 boundary, even though the reality is that (i) the CPPP in many areas in the proposed Area 2 means roll-out by more than one FTTP network will not be viable, and (ii) in many of these areas, altnets have already rolled out FTTP networks (see Sections 2.2 and 3.4).

124 Therefore, Ofcom’s proposed Area 2 covers areas where, on a forward-looking basis, conditions of competition are likely to differ significantly.

125 Furthermore, Ofcom’s proposed Area 2 / 3 definitions are likely to send a strong, negative signal to altnet investors, damaging altnets’ ability to expand FTTP coverage into new areas in line with the Government’s objectives.

126 Instead, Ofcom should adopt definitions of Area 2 and Area 3 that reflect the economics of FTTP build, rather than an arbitrary ‘rule of thumb’. This should mean that some postcode sectors move from Area 3 to Area 2 (and potentially vice-versa). However, the resulting split of the UK between Area 2 / 3 would remain largely aligned with the proportion established at WFTMR and would not send damaging signals to investors. Similarly, Ofcom should revise its stated objectives for the TAR, to seek to promote investment either by Openreach or altnets in gigabit-capable networks in areas that are unlikely to see the emergence of competing networks. This would replace Ofcom’s current objective of seeking only to promote Openreach investment in these areas. This

⁵⁸ See for example: EC (2020) Commission Recommendation of 18.12.2020 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code; paragraph 35.



will provide greater clarity and certainty to investors, so that Gigaclear, and other altnets, can continue to invest in accelerating the UK's fibre transition.

7.2 Ofcom should prohibit Openreach from applying geographically-targeted discounts in Area 3

127 As set out in Section 5, Ofcom's proposal to remove restrictions on geographically-targeted discounts incorrectly assumes (in spite of factual evidence) that only Openreach will be rolling out to Area 3, and therefore that removal of these restrictions in Area 3 will not weaken competition.

128 **Ofcom should continue to prohibit Openreach from applying geographically-targeted discounts in Area 3.** Altnets are present in Area 3 under both the existing and newly-proposed definition of the area, and enabling Openreach to apply such discounts will undermine investment in altnets by heightening Openreach's incumbency advantage.

7.3 Ofcom should adjust the copper switch-off framework, recognising that altnets can contribute to FTTP roll-out in collaboration with Openreach

129 As set out in Section 6, **Ofcom's approach to enabling copper switch-off is too narrowly focused**, meaning it risks holding back the fibre transition both by slowing Openreach's progress towards copper switch-off, and limiting altnets' ability to contribute towards nationwide gigabit-capable coverage.

7.3.1 Ofcom's copper switch-off process should include altnet FTTP build and enable co-investment underpinned by regulation or commercial negotiation

130 We believe that Ofcom can better position the sector to meet the Government's policy objectives if it allows altnets to contribute towards FTTP build thresholds for copper switch-off. To ensure maximum benefits for consumers, we accept that altnets would need to be required to provide a wholesale access offer to trigger copper switch-off in relevant areas. This is something that we are prepared to discuss further with you. For example, the terms of access offers could be aligned with Openreach's regulated offer, or subject to commercial negotiation (i.e. altnets / BT may agree to reciprocal access terms).

131 By allowing altnets to support copper switch-off, and enabling co-investment, Ofcom would be supporting altnets and Openreach to maximise FTTP coverage in hard-to-reach areas. This would allow the fibre transition to progress at pace.



7.3.2 As a fall-back, Ofcom should carefully and transparently review Openreach's roll-out plans in 'naturally uncompetitive' areas, to ensure it does not overbuild altnets where this is not socially efficient

- 132 There could remain a risk that Openreach is incentivised to overbuild altnets in some areas where it would otherwise be socially inefficient to do so, instead of co-investing with altnets.⁵⁹ Therefore, as a fall-back, Ofcom should also review Openreach roll-out plans in 'naturally uncompetitive' areas, to ensure that overbuild is limited to areas where it is socially efficient.
- 133 In this regard, we note that Ofcom's Openreach Monitoring Unit (OMU) has investigated industry concerns and found no evidence of strategic overbuild in the '*cases we have looked at*'.⁶⁰ **However, we believe that a more systematic approach may be warranted.** The current approach is reactionary and lacks transparency. Notably, OMU's investigations into strategic overbuild have been triggered by industry concerns rather than being proactive and have narrowly focused on specific exchange areas highlighted by altnets. The OMU's actual examination of the evidence is also not made public.⁶¹ To improve its approach, Ofcom could introduce requirements for Openreach to, for example:
- (a) Notify where it is planning to overbuild altnets in areas where only a single network is likely to be viable (e.g. within the Area 3 boundary, as we propose it should be drawn); and
 - (b) Provide details of the underlying business case (e.g. CPPP, expected incremental revenues from consumers still using legacy products, etc.), to demonstrate its commercial rationale.
- 134 This would limit any perverse incentives for Openreach to overbuild altnets in rural areas, where co-investment would be more beneficial from a societal and commercial perspective. It would also safeguard competition and mitigate the risk of competitive distortions that would harm consumers in the long run, by ensuring altnets can continue to provide a competitive constraint against Openreach. Finally, our proposal would reduce the perceived risk of investment in altnet roll-out in more rural areas. This would enable altnets like Gigaclear to deepen our roll-out in rural areas. This in turn would maximise progress towards the Government's target of nationwide gigabit-capable networks by 2030.

⁵⁹ As set out in Section 3.5.1, Openreach may have various incentives to (from a social perspective, inefficiently) overbuild altnets in such areas, which are not limited to its incentive to overbuild altnets so that it can switch off its copper network, caused by existing regulation.

⁶⁰ Ofcom (2024) Openreach Monitoring Report: Ensuring an independent Openreach committed to fair competition – September 2024; paragraph 3.35.

⁶¹ Ofcom (2022) Open letter to industry about concerns raised with Ofcom associated with Openreach's fibre build; pages 1-2. Ofcom (2024) Openreach Monitoring Report: Ensuring an independent Openreach committed to fair competition – September 2024; paragraphs 1.3, and 3.31-3.35.



8 Concluding remarks

- 135 Gigaclear looks forward to the opportunity to continue accelerating and extending FTTP coverage in England's rural communities. Together with other rural-focused altnets, Gigaclear has allowed rural communities to share in the FTTP sooner than would have otherwise been the case.
- 136 However, as we have explained, certain of Ofcom's proposals will undermine Gigaclear and rural altnets' ability to continue deploying FTTP at pace and with ambition. Namely, Ofcom's new Area 2 / 3 boundary seems to serve no useful purpose, yet heightens the risk of socially inefficient overbuild. Secondly, Ofcom's proposal to allow Openreach to adopt geographic pricing in the proposed Area 3 risks undermining existing and planned altnet investment in Area 3. We believe that the case to reverse these proposals is clear.
- 137 We recognise that our proposals on copper switch-off represent a more significant departure from Ofcom's current thinking. However, we also believe that this document clearly sets out the case for change. Our proposals on copper switch-off are, necessarily, high-level. We would particularly welcome the opportunity to discuss our copper switch-off proposals further with Ofcom and wider industry groups.
- 138 This response has focused on those Ofcom proposals that have the greatest impact on Gigaclear and our fellow rural altnets. However, other Ofcom proposals also have a significant impact across the broader altnet community. This response's focus on issues relating to 'Area 3' does not mean that Gigaclear does not have views on Ofcom's other, cross-cutting proposals. In particular, Gigaclear has contributed to a number of industry responses which address issues beyond those covered in this response, including the responses from the PIA Coalition, INCA and Tech UK.