

## Response to Ofcom consultation document Strengthening Openreach's strategic and operational independence

The Ofcom vision of achieving fibre to the premises (FTTP) for a high proportion of the population, together with the fibre by default approach of the new Openreach CEO, is to be welcomed. However, it must be recognised that the UK's progress in FTTP is so poor (at around 1-2%) that we don't even rate on some global charts as it is so embarrassing. Unlike the copper based LLU products supplied by Openreach which are regulated, their FTTC and FTTP products are currently unregulated. Current moves to extend the life of copper-based assets by adoption of G.FAST gives opportunities for the incumbent supplier to increase their hold on the market by providing greater bandwidth but does not help the UK meet the FTTP challenge. It also raises questions regarding competition policy, the converging roles of BT Wholesale, Openreach and EE and the wishes of BT's largest shareholder, together with the need for more competition in the backhaul market.

Ofcom's statement about multiple fibre providers passing 40% of the population should be seen against the reality of the cost of putting these multiple fibres in place. The fact is that the business case for digging fibre is very sensitive to the proportion of customers passed that actually subscribe to the service. The more competition in an area, the less good is the business case for adding additional fibre. Also, from a national infrastructure perspective how can this make sense given the huge costs? We don't have duplicate mains supply cables or gas pipes. Why waste money on multiple fibres, when we only need 1 pair per home? There is a huge cost and complexity in switching customers from one supplier to another when there are multiple pieces of infrastructure involved. If all major operators joined forces with Openreach to pipe fibre everywhere, the business case would be excellent and the UK would end up with a proper national infrastructure. However, to achieve this, DCMS would need to do something special beyond Ofcom's suggestion for controlling Openreach while it stays in the arms of BT.

We live in a market where many customers get very deeply discounted offers for broadband and voice products. To an extent, customers are able to get a free broadband product for a period and then move to an alternative supplier to get another low cost product, and so on. For most operators, this drives a lot of Openreach manual activity to move jumpers and makes the whole network less reliable as a result, and generates huge additional costs. The volume of fixed line calls is also continuing to decline and many operators rely on the income from line rental to make any money at all. Recently, the line rental concept, which has been relatively discount free for many years, has come under attack by operators such as Vodafone, although their combined product offering is not very different. Does this look like a market in which multiple operators are going to invest huge amounts of money for very uncertain and very long term returns?

Looking at some of the smart city initiatives in parts of Asia, which make it relatively easy for different operators to deliver their own fibre infrastructure through ducts owned by the city, it seems a shame that the government does not really have a national strategy that takes this kind of opportunity into account. One action for the UK government would be to amend

building regulations to require all new developments and refurbishments to be built with a fibre connection. This could be included in Ofcom's recommendations to the DCMS.

In summary, BCS feels that there is a pressing need for radical thinking about the future national telecommunications infrastructure. The objective should be to achieve a universal service of fibre to the premises as a utility comparable to gas, water or electricity, with standards over the pipes used that allow for innovation and a commercial/regulatory environment that ensures consumer choice, value for money and a competitive market. The current proposals to strengthen Openreach's independence should be evaluated against that overall long-term objective. Anything less would be seen as a lost opportunity from the ten-year Strategic Review of Digital Communications. More importantly, it would be a lost opportunity to improve the competitive position of the UK in a post-Brexit world.