



27 September 2017

CWU Response to Ofcom Wholesale Local Access Market Review

Recovering the costs of investment in network expansion

1. The Communication Workers Union (CWU) is the largest union in the communications sector in the UK. We represent over 60,000 members in the telecommunications industry working in around twenty companies including BT, Openreach, Virgin Media, Sky and TalkTalk. We are the only trade union with formal recognition for non-management grades in BT and Openreach.
2. The CWU made a submission to Ofcom's WLA market consultation in March 2017, when we expressed our concern that Ofcom's charge control proposals do not reflect the costs of higher service and that this will make the new quality of service targets unachievable. We argued that the charge controls should enable Openreach to fund the extra resources it needs to deliver the proposed service improvements. We also said that Openreach should be able to earn a fair return on its investment, to help secure the ongoing funding required to deliver high quality universal digital networks.
3. We support Ofcom's proposal to allow Openreach to recover its efficiently incurred costs associated with delivering its offer for universal broadband. However, we believe that without a significant adjustment to Ofcom's original charge control proposals, the overall charge control would be insufficient in meeting this objective. This would seriously jeopardise the rollout of universal broadband across the UK.
4. The CWU has been calling for a universal service obligation (USO) for broadband for over a decade, due to the importance of decent internet access for full participation in society and the economy. We remain of the view that a statutory USO is the best route to ensuring digital inclusion for all, but we also believe that BT's proposal to roll out 10Mbit/s broadband across the nation is a welcome and positive step towards this objective.
5. BT is able to make such a commitment because it has the economies of scale and the workforce necessary for it to be achievable, if the regulatory environment is right. Unfortunately, we believe that Ofcom's approach to the WLA charge control will make BT's proposed investment commercially unviable. This would represent a serious setback for the universal roll out of high speed broadband across the UK, particularly given that there are no other network operators interested in making such a commitment, and there is no sign that the UK government is willing to provide the necessary funding.

6. As we said in our response to the March consultation, we are concerned that Ofcom's price control proposals would move Openreach's returns below the estimated cost of capital for the review period. Even if the additional annual charges are adequate to cover the cost of network expansion alone, the overall charge control will still be insufficient to achieve its dual objective of ensuring the funding of higher service levels and the universal rollout of 10Mbit/s broadband.
7. We call on Ofcom to look again at its charge controls and to ensure they are set at a level that allows Openreach to meet the costs of improved service quality, and BT to deliver high speed broadband to premises across the UK. This means ensuring that Openreach can recruit, retain and train the workforce it needs to deliver quality of service improvements. The charge controls must also enable Openreach to earn a fair return on its risk investment in order to incentivise future long term investment in the network.

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