County Broadband
Response to Consultation:

Wholesale Fixed Telecoms Market Review 2021-26
Further consultation on certain proposed remedies
Contents

INTRODUCTION AND BACKGROUND .........................................................................................................3
INTRODUCING CBL ..................................................................................................................................3
OFCOM’S CONSULTATION PROCESS ....................................................................................................5
Introduction and background

1. County Broadband Limited ("CBL") is part of a group of respondents submitting a detailed response to the Wholesale Fixed Telecoms Market Review 2021 – Further consultation on certain proposed remedies consultation (the November consultation).

2. This separate response is to express our deep concerns at both the way Ofcom has consulted on such critical issues and the at Ofcom’s proposals - in particular with regards to Ofcom’s proposed changes to PIA charges and how they are set.

Introducing CBL

3. The Company was started in 2003 as a Wireless Internet Service Provider and more recently has been deploying Fibre to the Premises networks using a mix of Overhead and Underground new build and PIA infrastructure.

4. CBL is based near Colchester, North Essex, close to the Suffolk Border and is actively engaged in building FTTP networks in Essex, Norfolk, Cambridgeshire and Suffolk in 2021.

8. The following map identifies our built, in-build and planned FTTP (only) coverage.

PIA rental charges

12. CBL is building full fibre networks to rural villages and small towns. Our deployment is very efficient, and we use PIA whenever possible as it reduces costs and accelerates rollout.
14. 

15. Ofcom’s proposals are in response to BT’s WFTMR response in which BT argues that (as it removes its copper cables), the occupancy levels in its multi bore ducts will reduce substantially and, consequently, PIA users should pay a higher share of the total duct capacity - according to their share of occupied space.

16. BT’s proposal would result in an approximate doubling of overall PIA rental charges per metre and render many if not all PIA-based competitive fibre network unviable.

17. Ofcom appears to accept that PIA users will need to pay a larger share of BT’s total duct costs, despite them not increasing the actual use of the ducts. Ofcom proposes a ‘value approach’ to sharing duct costs by which it concludes that a PIA user should pay for half a bore of duct, regardless of the fact that a bore can accommodate 7-8 25m subducts, and a PIA user pays per 25mm subduct equivalent (even if it uses much less space). Ofcom offers no rationale to support this approach, other than it approximately matches the current levels of utilisation.

18. So, despite Ofcom stating that it wishes to depart from a duct utilisation approach to cost allocation between BT and PIA users, it sets its new approach to match current utilisation levels. We understand that this may be intended to avoid significant step changes to PIA pricing in the short term, but it provides no comfort that this is a reasonable and defensible approach for the medium to long term. And even the short term proposal involves a 33% increase to 2 bore duct rental.

19. Ofcom and the Government have built up their objectives for competitive fibre deployment on the extensive use of PIA. Without PIA, competitive deployment is not viable if the competing operators (or their wholesale customers) are to be able to compete with BT’s current broadband and leased lines prices (which are set through Ofcom’s wholesale price regulation of BT).

20. The proposed PIA price increases (and the prospect of additional increases according to the BT proposals), combined with Ofcom’s historic focus on bringing BT’s active wholesale prices down as far as possible, effectively create a margin squeeze situation for competitive operators, entirely of Ofcom’s making.

21. CBL and many other competitive fibre providers have invested in good faith on the assumption of stable wholesale inputs, and Ofcom’s recent move to stop the downward pressure on BT’s regulated active wholesale prices in the BCMR and the WLAMR, could be relied upon as long term stable market conditions. It now seems that Ofcom is reneging on its commitment to regulatory transparency and stability to encourage investment in competitive fibre. Operators like CBL, and other much larger altnets, will be the casualties.

22. CBL urges Ofcom to reconsider. If it is not Ofcom’s intention to cause a major disruption in fibre investment and deployment, then it should take time to make that clear, consider the proposals set out in the shared response we have co-sponsored, and put in place transparent and sustainable costing and pricing methodologies for PIA services.
Ofcom’s consultation process

23. The November consultation was issued on November 6th and had a response deadline of December 8th, allowing only a month for stakeholders to analyse the proposals and formulate responses.

24. Further, the PIA rental charge proposals were consulted on alongside a number of other (much less significant) changes to remedies proposed in the main WFTMR consultation in January 2020.

25. Ofcom provides no evidence to support, nor impact analysis, of its proposed changes. It took us some time to realise the significance of the PIA pricing proposal in the consultation, leaving us even less time to formulate considered responses.

26. The November consultation (and December responses) fall only a very short time before Ofcom has to complete its WFTMR Final Statement if Ofcom is to meet its planned and published WFTMR timetable. This suggests to us that Ofcom did not consider that its proposals were of any materiality to stakeholders, which could not be further from the truth.

27. The shared response we have co-sponsored presents alternatives to Ofcom’s and BT’s proposals that warrant very serious consideration. We are concerned that Ofcom will be too set on completing the WFTMR within the planned timeframe to give them due consideration. Please be assured that Ofcom’s reaction to the responses received to this consultation will have significant repercussions and could damage the investment climate for UK fibre networks irreparably.

28. CBL is concerned and disappointed at Ofcom’s approach to this consultation, leaving the consultation so late in the consultation process and allowing only a very short period for responses.

29. When we requested an extension to the response deadline, this was declined with the reason that stakeholders had made it clear to Ofcom that they want the WFTMR process completed on time. We can assure Ofcom that a considerable number of stakeholders consider it more important to resolve the PIA rental costing and pricing than the timely completion of the WFTMR.

30. This response and the shared response are submitted two days after the formal deadline, simply because it was not possible to complete the necessary work any earlier. We believe Ofcom has a duty to take full account of both responses and we would be grateful for a follow-up meeting with Ofcom (together with the other respondents in the shared response) to explain our concerns and present our proposals.