

28 August 2014

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John Davies

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Dear Mr Du Parc Braham

**Re: VULA Margin Consultation**

The proposal to require preservation of retail margins has the potential to keep consumer prices higher than necessary and is therefore in the supply sides interest. The preservation of retail margins could, if maintained for any period, in effect create pricing practices which are anti-competitive from a consensus of price leadership. The approach appears to anticipate inappropriate behaviour by BT rather than imposing conditions after evidenced inappropriate action and the fact that there are other more economic retailers who could not enter the market.

The cost allocation in relation to BT Sport might also wish to consider the beneficial competitive impacts of BT Sport on Sky's SMP position and its margin and cross product arrangements.

Kind regards

Yours sincerely



**John Davies**

**Chairman, Ofcom Advisory Committee for Wales**