



FCS response to Ofcom's consultation 'Openreach proposed commercial offers'

The FCS represents companies which provide professional communications solutions to business users. Our members deliver telecommunications services via mobile and fixed line telephony networks, broadband, satellite, wi-fi and business radio. Our members' customers range from SMEs, home-workers and micro-businesses up to the very largest private enterprises and public sector users. The FCS is the largest trade organisation in the professional communications arena, representing the interests of circa 350 businesses which supply B2B services nationwide.

As stated in our response to the original consultation on Openreach special offers, the FCS welcomes special offers that help to promote competition and reduce prices. We believe, though, that infrastructure providers should be focused on long-term pricing structures that provide certainty and stability for the whole industry.

Given the extent of Ofcom's economic analysis and detailed responses from other industry players, we are not going to respond specifically to the consultation questions. However, we do have a significant point to raise that Ofcom has failed to address in its analysis relating to the ability of providers within the complex supply chain to take advantage of Openreach offers, and the implication for competition if this important part of the industry is excluded.

To assist, we have detailed below how the complex supply chain works.

Importance of the complex supply chain

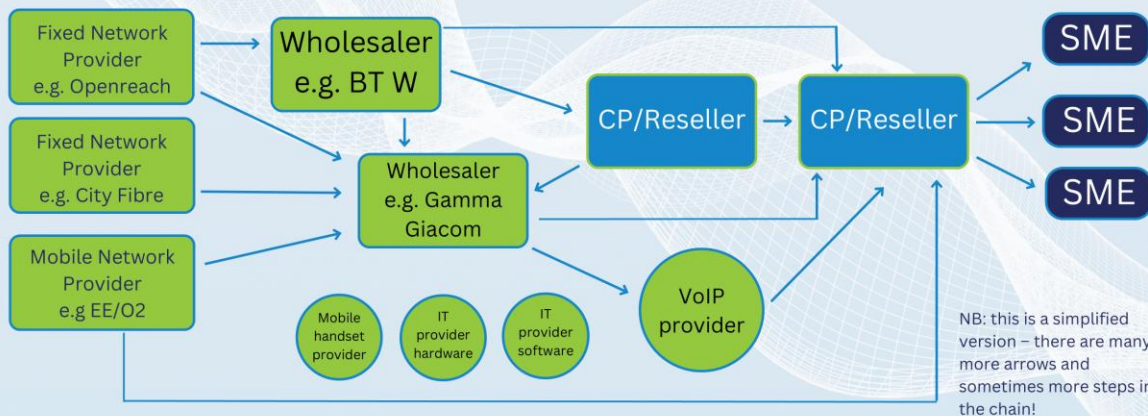
The complex supply chain is often misunderstood and sometimes ignored when making regulatory decisions. In essence, smaller Communication Providers (CPs)/ Managed Service Providers (MSPs)/Internet Service Providers (ISPs)/resellers take inputs from various sources including fixed lines, broadband, mobile, VOIP, IT applications, security services, handsets and equipment, to provide the products and services that customers want.

In its simplest form, this could be the provision of just one service, such as broadband connectivity, but in most cases several services are bundled together and can also include non-telecom services, such as billing, project management and even customer services. The complex supply chain is most often seen in the business market and can provide tailored, innovative solutions in a flexible and customer-centric way that differentiates it from the larger providers. It is vital that the chain functions effectively to ensure that the UK economy thrives.

An illustration of the complex supply chain is given below:

The complex supply chain

In essence, the complex supply chain is a long supply chain often combining multiple value-added services across different markets.



Our members emphasize that business customers place a high value on the services provided by local resellers/CPs/ISPs/MSPs. The complex supply chain helps to fulfil the role of trusted advisor to SMEs when it comes to technology purchasing decisions, and close relationships with local service providers help SMEs to identify the most suitable tools and most appropriate pace of technology adoption to support their growth. This position is also seen in the results of the UK Government's 2025 report¹ on SME digital adoption, which states that SMEs “value reliable, personalised support and advice” when adopting digital technologies and that SMEs often turn to trusted advisors to guide technology decisions. The FCS believes that local IT service providers, CPs/ISPs/MSPs and resellers often fulfil this role in practice.

The vibrancy of the communications sector can be seen by the thousands of small providers/resellers that support the business market. The ability to provide bespoke solutions in a fleet of foot way, and to understand the needs of SMEs, is a key reason for this dynamism, but the regulatory regime has also played its part. Given their size, smaller MSPs/CPs/ISPs/resellers have little purchasing power in the wholesale market and regulatory safeguards are, therefore, essential to ensure competition. The requirement on Openreach to provide its products and services on an Equivalence of Input (Eol) basis has helped to ensure a level playing field which means that smaller MSPs/CPs/ISPs/resellers can compete with BT Retail and the other large providers in the provision of fixed line/broadband.

However, due to the withdrawal of WLR/ISDN, the structure of the market is changing, and most of the complex supply chain will no longer be direct customers of Openreach but will buy FTTP and other products via a wholesaler. This structural change, which is driven by the switch-off of the PSTN network, could have a significant impact on competition as the safeguards of Eol and equal treatment would be lost, as they only apply to Openreach and not to BTW. The FCS is concerned that unless there are specific regulatory Eol obligations on BTW to ensure that it

¹ <https://www.gov.uk/government/publications/sme-digital-adoption-taskforce-final-report/sme-digital-adoption-taskforce-final-report>

passes Openreach offers on to its customers then FCS members will be severely disadvantaged.

In Ofcom's analysis of the Incremental New to Openreach Customer Offer, the impact on smaller ISPs is addressed thus:

4.114 However, smaller ISPs can benefit from the offer without having to meet a baseline. As a result, they do not face the same uncertainty about which customers are eligible for the offer and may therefore be better placed to reflect the discount in their retail pricing. This could increase pressure on both retail and wholesale altnets to lower prices or risk losing volumes.

However, this misses the very important point that smaller ISPs/MSPs/CPs/resellers will not be buying directly from Openreach, but instead will purchase products via BTW, or a wholesaler/aggregator who buys from BTW. There is no guarantee that BTW will pass on any special offers to its customers and no ex-ante regulatory reason why BTW could not pass on any savings from the offer to BT Retail only. This is clearly very worrying for FCS members.

Furthermore, there are practical concerns that wholesalers may find it difficult to pass on short-term offers to the complex supply chain, as they can require costly system and billing changes.

It should also be noted that if offers are passed down through the chain it could take many months for a smaller ISP/MSP/CP/reseller to receive any benefit. Offers that are not point of sale offers favour larger CPs significantly as they are better able to deal with the associated cash flow implications.

It was interesting to note that a number of respondents to the original consultation said that, due to the difficulty of identifying which new customers would be covered by the offer, there was unlikely to be a direct link to lower retail prices. This, again, is worrying for FCS members as such offers will simply provide larger CPs with lower costs which could stifle competition.

The FCS believes that as well as addressing the relevant economic competition points, Ofcom should also consider in its analysis how these types of special offers flow down (or fail to flow down) to smaller providers. The FCS would welcome the chance to discuss these specific points further with Ofcom.

FCS

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