

## Response to Ofcom Market Review Consultation

8 October 2015

Our response focuses on the fundamental issues of customer access and investment. Access means giving every individual and organisation, in any geographic area, at home, at work or on the move, access to quality communications network capacity from a choice of providers.

Access always has a geographic dimension, which means that supply and demand will vary between different locations. The density and mix of residential and business customers will impact on the cost of communication infrastructure and service provision, and the resulting business models. One supplier (incumbent), one technology solution, one product, one price is unlikely to meet “real local demands”. This means, regulatory frameworks should enable communications to be used to better lives, including for health, education and, importantly for stimulating economic growth and jobs locally.

The way communications networks are being used, reflects a significant shift away from the passive acceptance of bundled capacity and service provision to the active involvement of customers and businesses in the content creation and their requirement for capacity.

The paradigm shift to local demand and the way networks are being used, challenges the current regulatory framework, based on regulating a vertically integrated, dominant technology provider to the home. Further, the current access wholesale model and price structure acts as a barrier to local investment by other players.

We are of the opinion that now is the time to review the framework and ensure it encompasses “Customer and Local First Mile Thinking”. This in practice could mean:

- a. The separation of access business of BT (Access Co) and formation of an independent entity with fair consideration given to existing shareholders and a public offer of shares to raise finance for infrastructure investment
- b. The creation of regional access companies, or affiliates, that are given full commercial freedom to provide capacity and services required and are able to compete at the local level
- c. In addition, the creation of an Infrastructure Investment Holding Company, with funds raised in a public offer, its main objective being investment in communications and other local infrastructure networks
- d. Implement independent monitoring of network performance and customer quality of service at local level
- e. Fund and launch an “UK Access Networks Innovation Year” program with suppliers, local educational authorities and universities, to raise awareness and increase understanding of possible use of new technologies (wire and wireless) to better meet local needs
- f. Carrying out a profitability analysis, for the retail and wholesale sector players and the industry technology suppliers to inform all stakeholders and encourage confidence to make investment in communications.

Thirty years ago, the industry and the regulator were speaking about the sector regulation with “the light rein”. The shift in the way networks are being used by local communities and businesses means that it is now time that the above measures are implemented to deliver “light rein” regulation that the industry and UK market needs.

