

# FCS Response to the consultation “Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31”

## About FCS and the complex supply chain

The Federation of Communication Services (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. Some FCS members also have some consumer customers. FCS is the largest trade organisation in the professional communications arena, representing the interests of around 350 businesses, which supply B2B services nationwide.

Many small businesses prefer to engage with smaller telecommunications providers due to their responsiveness, bespoke service offerings, and understanding of small business needs. As a result, smaller telecommunications providers constitute a significant sector of the UK economy and can substantially contribute to economic growth.

It is, therefore, essential that the regulatory framework acknowledges and supports the complex supply chain which allows smaller providers and resellers to flourish. The FCS was pleased to observe that Ofcom's three-year strategic plan includes support for small businesses. For this support to be meaningful, the regulatory regime needs to ensure that smaller providers and resellers can access the products and services they need on an equality of input basis and that they can switch wholesale providers easily. It is also important that the regulatory regime recognises the differing requirements of business customers.

Smaller telecoms suppliers often have a handful of employees and consequently lack the resources, expertise or power to negotiate with Openreach and other network suppliers. They are often at the end of a long supply chain and lack the ability to influence the wholesale services they purchase to create the packages that their retail customers require. Ofcom market reviews are therefore crucial to ensuring that smaller providers and resellers can compete and that network providers such as Openreach are held to account, so that appropriate products and services are delivered.

## Introduction

The FCS welcomes the opportunity to respond to the consultation "Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31" (the “TAR26”). This response represents the interests of FCS members.

Set out below is our response, which details our key concerns in broad terms rather than responding to each individual consultation question.

Within the confines of the scope of the TAR26, the FCS broadly agrees with the conclusions of the TAR26 market definitions and structure. However, we think the remedies could be made stronger in some areas to provide the certainty that our members require. In particular, the Quality of Service (QoS) measures should be made stronger as this encourages Openreach to deliver products to the required standard – something which is extremely difficult for small providers to enforce and is particularly important in the business market. Ofcom should not underestimate the importance its remedies have in holding Openreach to account and allowing the complex supply chain to succeed.

This is particularly significant at a time when the impact of Equivalence of Input (Eol) requirements originally agreed by BT and Ofcom in the BT Undertakings are being diluted. BT decided to provide WLR via Openreach, thus attracting full Eol obligations. It is no surprise that the reseller market flourished as smaller providers were able to access products on the same terms and conditions as larger operators. With the PSTN switch-off, more smaller CPs and resellers will be purchasing FTTP and related voice products via wholesalers and aggregators rather than directly from Openreach, potentially losing the benefits of Eol provision. The FCS urges Ofcom to keep the impact of this change under review.

Failures at the network level have knock on effects to downstream wholesalers and providers and we, therefore, support Ofcom's proposed remedies, and in a few areas below we indicate where these should be made stronger.

The TAR26 splits the access market into two product types: Leased Lines and Wholesale Local Access products. The former are mainly used by business users and large organisations whereas the latter are mainly used by residential and some business customers. Of note is that the high bandwidth FTTP broadband lines are a product used by small businesses as they provide the bandwidth required at a much lower price than an equivalent leased line. Whilst both types of users are consuming essentially the same product, we accept that there may be some differences in installation or repairs and, to this extent, we welcome Openreach making available a range of business services. Our members welcome differentiated products that allow them to provide the better service that business customers require. However, these products need to deliver true differentiation, and the FCS does not see any reason why business users should be discriminated against by suppliers and made to pay more for a 'business' line. It should not be the case that a fibre supply to a business is necessarily more expensive than to a residential customer simply because of the address or name of customer. Therefore, in formulating all remedies (pricing and non-pricing) we ask that Ofcom ensures that business customers are not discriminated against and that any pricing differences are objectively justified.

We are also concerned that the TAR26 structure does not sufficiently address the growing convergence in the marketplace. Increasingly, all consumer types are purchasing fixed and mobile services as a package or solution. The FCS urges Ofcom to address the competition concerns that arise. Smaller CPs and resellers require a *right* to wholesale mobile services on a fair and reasonable basis if they are to continue to be successful. Regulation also needs to be forward-looking, and the FCS is concerned that the current approach creates regulatory silos which do not address the

challenges the market faces. It is important that new technologies are encouraged at the same time as allowing the complex supply chain and smaller CPs/resellers to be successful. We would like to see Ofcom taking a lead in the regulation of the converged market, ensuring that there are requirements to provide wholesale access to technologies as they emerge.

Due to the complexity of the issues facing the business market, the FCS believes that Ofcom should be required to designate a business lead to ensure that the correct focus is given to business customers and the complex supply chain in all regulatory considerations. Small providers are typically at the end of a long value chain with negligible market power when negotiating with Openreach, yet small changes to Openreach products and services can filter down through the chain to have a large impact on these providers. For an effective supply chain, it is important that these issues are understood and addressed. FCS believes that a business lead would be of significant benefit.

## Remedies

### Quality of Service (QoS)

FCS has a number of concerns in relation to the QoS measures and their suitability as remedies. Openreach QoS measures are important as they impact end customers who often require more certainty over outcomes (installations and repairs) which are mission critical. Combined with the limited resources our members have, the QoS measures become a key role in the management of Openreach service.

Firstly, it is our understanding that the FTTP rollout is aimed at the residential market and the measures proposed in the consultation are primarily crafted to monitor this. Business installations, by contrast, may be slightly more complex and prone to failure which could be lost against the volume of residential installations. Without a split between residential and business QoS measures, Openreach could, for example, focus on easier residential installations at the expense of more complex business ones. We would like to see the QoS measures separated out between residential and business customers to ensure that both are delivered to the required standard. Openreach is currently developing its FTTP business standard product and processes, and we consider that this could be used to track the performance of QoS for business customers. At the May industry Service Management Forum, Openreach confirmed that it would publish its performance for business standards products, so this change should not be onerous for Openreach.

Secondly, we are concerned that Ofcom is not proposing to impose QoS measures on FTTP in area 2, as it considers that the competitive forces in WLA Area 2 will address any issues. However, we believe that the competitive pressures in this area will be insufficient to prevent a drop in QoS, not least because retailers are often unable to choose the infrastructure supplier. The incentives of Openreach are different to those of retailers, which could lead Openreach to 'game' performance between products, for example FTTC and MPF may take precedence over FTTP in some circumstances. Competition and consumer choice may not address such problems due to the

inability of retailers or consumers to switch suppliers rapidly. Therefore, the FCS believes that Openreach should continue to have QoS obligations on FTTP in area 2.

Overall, we consider it essential that Openreach should have an obligation to separate out QoS measures for business and residential customers for all products in WLA2.

## Pricing

Ofcom is proposing to impose some price cap remedies which traditionally have been used to control pricing in regulated markets. Ofcom is mainly proposing flat rate in real terms (RPI-0%) caps in some markets. Such controls give pricing certainty to other telecoms providers (wholesalers and retailers) as well as the regulated provider. However, regulatory changes have banned the sale of inflation-based retail contracts and instead require prices to be expressed in currency over the duration of the contract. We appreciate this has obvious benefits to the end user in that they have price transparency. However, this change has had a significant impact on small CPs and resellers in the complex supply chain. For the retailer this represents a high degree of risk as their input costs are related to inflation, but inflation linked retail prices are prohibited. The retailer must estimate the expected price increases of Openreach based on predicting the future rate of inflation. A surge in inflation, as has been seen in recent years, results in an unanticipated price increase for the access services to retailers, which may dramatically squeeze retail margins. Larger retail CPs are better placed to manage such a risk, particularly where they are vertically integrated, but for smaller CPs and resellers this is change causes significant challenges.

We would suggest that Ofcom looks at fixes for this issue, potentially in the form of a cap on the rate of inflation that may be passed on by Openreach. For example, a cap of RPI up to 4% may be appropriate. This would ensure both that wholesalers and retailers would have an upper limit to the price increase they may expect and help to spread the risk of sudden price increases across the value chain. Such a change would have a significant positive impact on smaller CPs/resellers.

## Switching wholesalers

FCS members are smaller telecoms service providers who generally do not operate infrastructure such as fibre and copper or electronics such as switches or routers. Additionally, service management systems can be sourced from other parties. Consequently, smaller providers are often at the end of a long supply chain over which they may have little or no control. In that supply chain will be multiple systems with multiple interfaces with multiple contract terms. Some pricing schemes may also backend-load cease charges. As a result, switching wholesalers or providers can be quite difficult. The TAR26 does not address switching between wholesale suppliers as it is a review of market power in the access market. In the absence of any General Conditions on wholesalers not to frustrate wholesale switching, this leaves providers with purely commercial arrangements with no regulatory or competition law fallback. This particularly affects smaller CPs/resellers, and the FCS urges Ofcom to address this regulatory gap and would be very happy to discuss how this could be achieved.

Furthermore, we believe that Ofcom should provide clarity around the cost and processes of number porting. The costs of number porting create barriers to switching and the processes, in their current form, are inefficient and do not adequately support the overall switching process. Clear principles need to be articulated by Ofcom in this area, particularly in the business market where single numbers are not the norm.

The FCS supports the principle of 'free at the point of delivery' when it comes to moving CLIs / DDIs. We are aware that range holders may levy charges of up to £11+ per number for porting out numbers from their original ranges. When this charge is multiplied by the thousands of such numbers within a retail CP's customer base it becomes a significant barrier to switching and can be anti-competitive. One of the reasons for such charges is the inherent complexity in the porting process caused by the inefficient management of numbers and outdated processes. The FCS strongly advocates the introduction of a Central Number Database, or other similar mechanism, and asks Ofcom to address the porting process as a matter of urgency. It is difficult to see how Ofcom will address some of the underlying issues that the market review highlights without changes in this area. A Central Number Database, or similar, will also help to address fraud and scams which are an increasingly important issue for the industry, and will facilitate faster switching in the business market.

Looking ahead, with the move to All-IP, the provision of Battery Back-up will become an increasing issue and could be a significant barrier to wholesale switching. The FCS believes that there should be a requirement for Battery Back-up to be provided at the network level on an Equivalence of Input basis and also be included in the SMP remedies.

As we have mentioned, there are often wholesalers involved in the supply chain to the retailer. An issue that does not appear to have been considered in the TAR26 is what would happen if a wholesaler went out of business or was unable to pay Openreach bills to the extent that it would lead to termination of Openreach services. Such an event would cause significant disruption to end customers which should be avoided. Ofcom should consider whether BT, as an SMP, supplier should have a remedy of an obligation to supply when a wholesaler is unable to meet financial commitments so that customers are not switched off.

## Network Access

It is not uncommon for property developers to restrict access to properties which can lead to local monopolies in the access network. Unlike Openreach which, as an access provider, is required to provide access on an EOI basis, these local monopolies would have no similar obligation. The TAR26 does not appear to consider this issue, which we consider is an oversight.

## Exchange closure and notice to industry

We broadly support the exchange closure plans. To be successful there are some issues that would need to be overcome. One of the key issues is the switch from analogue voice services using WLR to voice over a fibre broadband and its impact on care alarm users. Resolving this issue will require many parties to work together and a central point will be the advance, clear communication of any exchange closure plans.

## Volume discounts

We are pleased to see that the consultation addresses loyalty, volume and other related discounts by extending the notice period to 120 days from 90 days. This will allow Ofcom more time to consult on Openreach proposals to ensure they do not act to distort competition, and we agree with this. Given the timescales for investment and network rollout this will do no harm and is likely to provide greater certainty to the industry.

Ofcom's main concern appears to be the impact any discounts may have on the plans that the Alternative Network Providers (Altnets) may have to invest in fibre. It clearly would not be appropriate for any Openreach discounts to undermine the investments made or planned by the Altnets. Therefore, Openreach should justify why a discount is being offered and we would expect discounts to be underpinned by cost savings or efficiency gains.

However, looking further downstream in the supply chain there are a number of further issues that should be considered. For example, we would expect any discounts which would apply to FTTP to be applied to both business and residential customers as there is, in general, very little difference between the products, except some minor installation details. We see no reason why residential customers should be given a discount but not business ones.

## Conclusion

This market review is incredibly important as it sets the regulatory regime for the next five years. Those five years will see significant changes in the telecommunications market; there will undoubtedly be increased convergence, a move away from old technology and the closure of the PSTN network. It is imperative that the remedies Ofcom sets encourage continued investment in the sector and allow the complex supply chain to flourish. The FCS would welcome the opportunity to discuss its submission with Ofcom and to explain the impact regulation can have on smaller CPs and resellers, which form a vital element of the telecommunications market and contribute so much to the economy, supplying as they do many 10,000s of small businesses which are in turn a key part of the UK growth engine.