

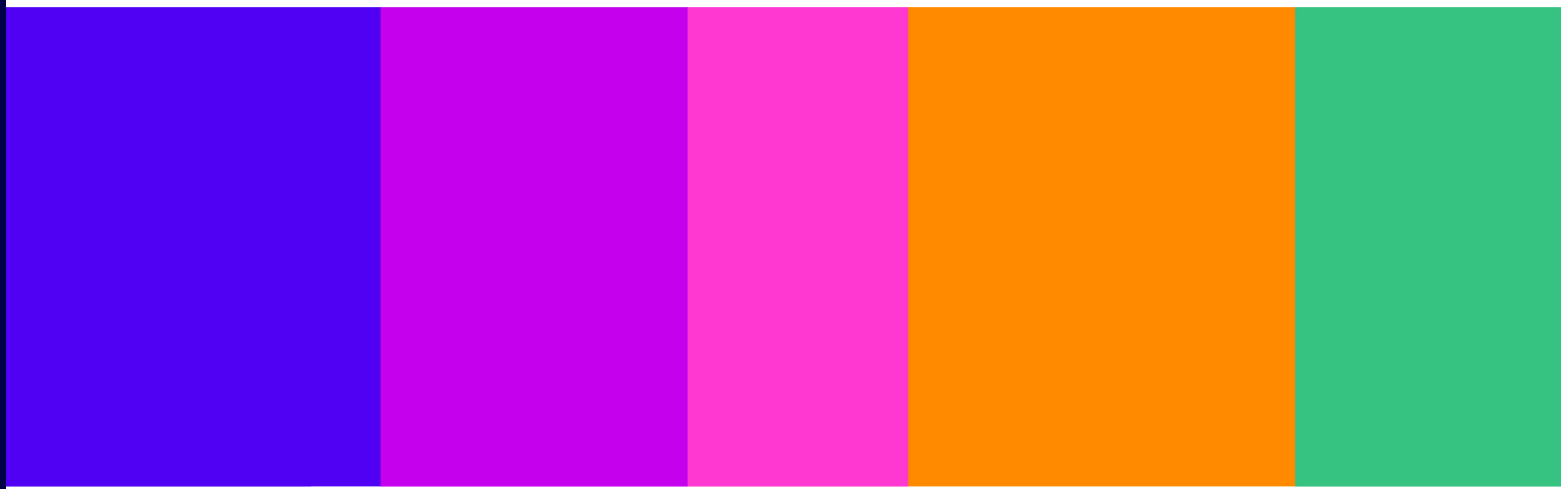
Reviews of Call Termination Markets and End-to-End Connectivity Condition

Annexes 1-2

Statement

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A1. Glossary

Term	Definition
2025 Consultation	Ofcom’s statement of 18 July 2025 entitled “Reviews of Call Termination Markets and End-to-End Connectivity Condition”, available at: Consultation: Reviews of Call Termination Markets and End-to-End Connectivity Condition
2021 Statement	Ofcom’s statement of 30 March 2021 entitled “Wholesale Voice Markets Review 2021-26”, available at: https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/2021-26-wholesale-voice-markets-review
Access network	The part of a telecoms provider’s network that connects customers’ premises to the telecoms provider’s Local Access Node, which is the local exchange in the case of BT.
Bill and Keep	An approach to termination pricing where communications providers make no payments to each other for call termination (that is, termination rates are zero).
BT	British Telecommunications public limited company, registered company number 1800000.
Charge control	A control that limits the price that a telecoms provider can charge for a particular product or service. Most charge controls are imposed for a defined period.
CLI (Calling Line Identity)	Data about the calling party, in particular, the telephone number that has initiated the call.
Common costs	Costs that are shared across multiple services supplied by a firm.
Countervailing buyer power	The restraint a buyer is able to place on any attempt by the seller to set its prices above the competitive levels.
CPI (Consumer Price Index)	An official measure of inflation of consumer prices in the UK.
DCCs (Donor Conveyance Charges)	Wholesale charges for the provision of ‘onward routing’ of calls to mobile numbers that have been ported (i.e. when a consumer has kept their mobile number but has switched mobile provider).
DLE (Digital Local Exchange)	The local exchange switching component in BT’s telephone network.
Donor Provider	A communications provider whose telephone numbers relating to its customers have been ported to a Recipient Provider.
EC	The European Commission
EC SMP Guidelines	Guidelines on market analysis and the assessment of significant market power under the EU regulatory framework for electronic communications networks and services (2018/C 159/01).
EECC	European Electronic Communications Code (Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (Recast)).

End to end connectivity	The facility for users of retail telephone services to call all other telephone users on their provider's network and those on all other providers' networks
End to End Connectivity Condition	An access condition on BT under sections 73 and 74 of the Communications Act 2003 which required BT to purchase wholesale call termination services as soon as reasonably practicable and on reasonable terms and conditions, including charges.
End user	The final consumer of a product or service.
FTR (Fixed Termination Rate)	The wholesale charge levied by fixed telecoms providers for WCT.
GC (General Condition)	One of the General Conditions of Entitlement imposed under Section 45 of the Communication Act 2003, which apply to all telecoms providers or all telecoms providers of a particular type.
Hull Area	The area defined as the 'Licensed Area' in the licence granted on 30 November 1987 by the Secretary of State under Section 7 of the Telecommunications Act 1984 to Kingston upon Hull City Council and Kingston Communications (Hull) plc (KCOM).
Interconnection	A connection between two public electronic communications networks to facilitate communication between those networks, for example for wholesale call termination.
Interconnect circuits	Communications circuits used to facilitate interconnection.
IP (Internet Protocol)	Packet data protocol used for routing and carriage of messages across the internet and other modern communications networks.
IPEX	BT's IP Exchange Internet Protocol interconnection service.
LRIC (Long-run Incremental Costs)	Only those costs which are caused by the firm's provision of a defined increment or service including fixed costs specific to that increment or service – i.e. those costs that would not be incurred if the firm was structured in such a way as not to provide that service, while still producing all other services and products that are currently produced.
LRIC+	The long-run (average) incremental costs plus a mark-up for the recovery of shared and common costs (often in the form of an equi-proportionate mark-up). LRIC+ should be taken to mean the same as LRAIC+ (a term used by some other national regulatory authorities).
MCT (Mobile Call Termination)	The wholesale service provided by an MCT provider to allow an originating telecoms provider to connect a caller with the intended mobile call recipient on that MCT provider's network.
MNO (Mobile Network Operator)	A provider which owns a cellular mobile network.
MTR (Mobile Termination Rate)	The wholesale charge levied by mobile telecoms providers for MCT.
MVNO (Mobile Virtual Network Operator)	A telecoms provider that provides mobile phone services using the radio access network of a Mobile Network Operator.
NICC	A technical forum for the UK communications sector that develops interoperability standards for public communications networks and

	services in the UK. It is an independent organisation owned and run by its members. Ofcom participates in NICC as an observer.
Off-net	A call that terminates on a network different to the one it originated on; that is, calls between customers of different networks.
Online communications service (OCS)	Services that facilitate personal and business online communications including video and voice calls. Examples include WhatsApp, Facebook Messenger and Microsoft Teams.
On-net	A call originated and received by customers of the same network.
POC (Points of Connection)	The point where two telecoms providers' networks are interconnected.
Ppm	Pence per minute.
PSTN (Public Switched Telephone Network)	A telephone network that uses circuit-switching technology to connect telephone calls.
Recipient Provider	A communications provider to whom the telephone numbers relating to its customers have been ported from a Donor Provider.
Reciprocity Conditions	Conditions imposed in the 2021 Statement that allow providers of WCT and MCT to set termination rates for calls originated outside the UK at up to the respective termination rate charged by an international telecoms provider for such calls from the UK.
RFS (Regulatory Financial Statements)	The financial statements that BT is required by Ofcom to prepare, have audited and publish.
Reference Offer	A document published by a telecoms provider setting out matters such as technical information, the terms and conditions for provisioning, service level agreements, service level guarantees, and availability of other related services such as accommodation.
SIPIA (Standard IP Interconnect Agreement)	BT's standard terms and conditions for the provision of Internet Protocol interconnection and related services.
SMP (Significant Market Power)	An undertaking will have significant market power if, either individually or jointly with others, it enjoys a position equivalent to dominance, that is to say a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers.
TAR 2026 Statement	Ofcom's statement entitled "Statement: Promoting competition and investment in fibre networks - Telecoms Access Review 2026-31", published on 17 March 2026, available at: Statement: Promoting competition and investment in fibre networks - Telecoms Access Review 2026-31 .
TDM (Time Division Multiplexing) network	A circuit switched telephone network which uses TDM technology.
VMO2	Virgin Media O2
WCO	Wholesale fixed call origination services.
WCT	Wholesale fixed geographic call termination services.

WFTMR21 Statement	Ofcom’s statement entitled “Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26”, published on 18 March 2021, available at: https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/2021-26-wholesale-fixed-telecoms-market-review .
WLR (Wholesale Line Rental)	The service offered by BT to other UK telecoms providers to enable them to offer retail line rental services in competition with BT's own retail services.

A2. Regulatory framework

Review of the markets for WCT, MCT and 070 WCT

Introduction

- A2.1 In this annex we provide an overview of the regulatory framework relevant to the market review process, to give some additional context to the matters discussed in this document, including the legal instruments published at Annexes A3a-A3d.
- A2.2 In particular, the first part of this annex is relevant to our views (set out in this document) about the review of the following markets:
- a) **“Wholesale Call Termination” (“WCT”)**, which essentially covers the termination of voice calls to UK geographic numbers by fixed communications providers;
 - b) **“Mobile Call Termination” (“MCT”)**, which essentially covers the termination of voice calls to UK mobile numbers by mobile communications providers; and
 - c) **“070 Wholesale Call Termination” (“070 WCT”)**, which essentially covers the termination of voice calls to 070 numbers (used for personal or ‘follow-me’ services) by communications providers holding the relevant number allocations.
- A2.3 Market review regulation is technical and complex, and requires us to apply legislation. We may also have regard to a number of relevant recommendations and guidelines. This overview identifies some of the key aspects of materials relevant to the market reviews in question, but does not purport to give a full and exhaustive account of all materials that we have considered in reaching our views for the relevant markets.
- A2.4 The regulatory framework relevant for market reviews is set out in Part 2 of the Communications Act 2003 (the “Act”). In particular, sections 45 to 48C and sections 78-86 set out the procedure for imposing conditions based on a finding of significant market power (the “SMP conditions”); sections 87 to 93 set out specific rules for each type of SMP condition.

Market review concept

- A2.5 A market review is a process by which we identify relevant markets and carry out analyses of these markets to determine whether they are effectively competitive. Where an operator has significant market power (“SMP”) in a market, we impose appropriate remedies, known as SMP obligations or conditions, to address this. We explain the concept of SMP below.
- A2.6 In carrying out this work, we act in our capacity as the sector-specific regulator for the UK communications industries, including telecommunications. As mentioned above, our functions in this regard are to be found in Part 2 of the Act. The Act requires that Ofcom carry out reviews of competition in communications markets¹ to ensure that SMP regulation remains appropriate and proportionate in light of changing market conditions.
- A2.7 Each market review normally involves three analytical stages:

¹ Sections 84 and 84(A) of the Act.

- a) the identification and definition of the relevant markets (the market definition stage);
- b) the assessment of competition in each market, in particular whether the relevant market is effectively competitive (the market analysis stage); and
- c) the assessment of appropriate regulatory obligations (the remedies stage).

Market definition

Relevant markets

- A2.8 The Act provides that, before making a market power determination,² we must identify “the markets which in [our] opinion are the ones which in the circumstances of the United Kingdom are the markets in relation to which it is appropriate to consider whether to make the determination”³ and analyse those markets.
- A2.9 In identifying or analysing markets, the Act provides that we may have regard to “EECC materials” relating to market identification and analysis⁴, such as the European Commission Recommendations on relevant product and service markets published in 2014 (the “2014 Commission Recommendation”)⁵ and 2020 (the “2020 Commission Recommendation”).⁶
- A2.10 We may only identify a market for the purpose of assessing market power where we consider the three criteria set out in section 79(2B) of the Act (the three criteria test) are met.
- A2.11 The three criteria, which are cumulative, are:
- a) the presence of high and non-transitory structural, legal or regulatory barriers to entry;
 - b) a market structure which does not tend towards effective competition within the relevant period,⁷ having regard to the state of infrastructure-based and other competition behind the barriers to entry; and
 - c) competition law alone is insufficient to adequately address the identified market failure(s).
- A2.12 In considering whether each of the markets under review meet the three criteria, we have had regard to the 2014 Commission Recommendation and the 2020 Commission Recommendation, which identify a set of product and service markets within the electronic communications sector in which ex ante regulation may be warranted within the EU. These are the markets which the European Commission identified as meeting the three criteria

² The market power determination concept is used in the Act to refer to a determination that a person has SMP in an identified services market.

³ Section 79(1) of the Act.

⁴ Section 79(2ZA). Section 79(6A) of the Act defines EECC materials as “recommendations or guidelines published by the European Commission, and guidelines published by BEREC, under the Framework Directive or the EECC Directive (including those published after IP completion day)” i.e. after 31 December 2020.

⁵ Commission Recommendation of 9 October 2014 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services.

⁶ Commission Recommendation of 18 December 2020 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code.

⁷ Such period as we determine to be appropriate in relation to the review.

test,⁸ after observing technological and market trends across the EU. This can provide a useful indicator of the markets which exhibit competition issues in neighbouring countries (and those which do not) and a consideration of the reasons for this and the trends observed, which might also be relevant to UK circumstances.

- A2.13 The 2014 Commission Recommendation identified the fixed and mobile call termination markets as susceptible to regulation, but these were not included in the updated list published by the European Commission in the 2020 EC Recommendation. This is because Article 75 of the [European Electronic Communications Code](#), introduced by Directive 2018/1972⁹ (the “Code”), empowers the European Commission to set, by means of a delegated act, Union-wide voice termination rates, based on the efficient costs of providing termination services and applying to any provider of fixed and mobile termination services in the Union.
- A2.14 On 18 December 2020, the European Commission adopted a Delegated Regulation ([Regulation 2021/654](#)¹⁰) setting EU-wide maximum termination rates (the “Eurorates”) for voice calls. The European Commission is required to review this Regulation every five years. It published its latest review on 19 January 2026 and concluded that “the existing Eurorates remain appropriate and provide a stable framework that balances cost efficiently with regulatory simplicity and regulatory certainty”.¹¹ These rates are directly applicable to operators in the EU. As a result, termination rates of fixed and mobile calls within the European Union should be similar to those expected in case of competitive markets and these termination markets no longer meet the three-criteria test at Union level.
- A2.15 Since the termination rates set by the European Commission do not apply in the UK, we consider the 2020 Commission Recommendation is less directly relevant to the WCT and the MCT termination markets which are the subject of this market review.
- A2.16 There is no harmonisation of termination rates for 070 calls at European level.
- A2.17 The fact that we identify product and service markets that meet the three criteria test does not automatically mean that regulation is warranted. Market definition is not an end in itself, but rather one input into assessing effective competition.

Sufficiency of competition law

- A2.18 In considering the third limb of the three criteria test, that competition law alone is insufficient to adequately address the identified market failure(s), we bear in mind the specific characteristics of the relevant markets we have defined. Generally, the case for ex ante regulation is based on the existence of market failures which, by themselves or in combination, mean that the establishment of effective competition might not be possible if the regulator relied solely on ex post competition law powers which are not specifically tailored to the sector. Therefore, it may be appropriate for ex ante regulation to be used to address such market failures along with any entry barriers that might otherwise prevent

⁸ The three criteria test applied by the European Commission is equivalent to that set out in section 79(2B) of the Act.

⁹ Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (the “Code”).

¹⁰ Commission Delegated Regulation (EU) 2021/654 of 18 December 2020 supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council by setting a single maximum Union-wide mobile voice termination rate and a single maximum Union-wide fixed voice termination rate.

¹¹ European Commission. 19 January 2026. [Review of the Delegated Regulation \(EU\) 2021/654 setting EU-wide maximum termination rates \(Eurorates\) for voice calls](#).

effective competition from becoming established within the relevant markets we have defined. By imposing ex ante regulation that promotes competition, it may be possible to reduce such regulation over time as markets become more competitive, allowing greater reliance on ex post competition law.

- A2.19 Ex post competition law is also unlikely in itself to bring about (or promote) effective competition, as it prohibits the abuse of dominance rather than the holding of a dominant position itself. In contrast, ex ante regulation is normally aimed at actively promoting the development of competition through attempting to reduce the level of market power (or dominance) in the identified relevant markets, thereby encouraging the establishment of effective competition.
- A2.20 We generally take the view that ex ante regulation provides additional legal certainty for the market under review and may also better enable us to intervene in a timely manner. We also consider that certain obligations are needed as competition law would not remedy the particular market failure, or that the specific clarity and detail of the obligation is required to achieve a particular result.

Forward look

- A2.21 Market definition is not a mechanical or abstract process. It requires an analysis of any available evidence of past market behaviour and an overall understanding of the mechanics of a given market sector. The Act requires that Ofcom must conduct a forward-looking assessment of the market, taking into account expected or foreseeable developments that may affect competition in the market.¹²

Approach to market analysis and Modified Greenfield

- A2.22 When identifying and analysing markets, we apply the following two principles.
- A2.23 First, when identifying wholesale markets for the purposes of section 79(1) of the Act, we start with an analysis of corresponding retail (or other downstream) market(s). We do not formally define the retail market(s), but consider if it is (they are) prospectively competitive in the absence of wholesale regulation based on a finding of SMP, and therefore whether any lack of effective competition is durable.¹³
- A2.24 If the underlying retail market(s) is (are) prospectively competitive under these circumstances, we would conclude that regulation is not needed, or no longer needed in the case of a regulated market, at the wholesale level. If the underlying retail market(s) is (are) not prospectively competitive, then we identify the corresponding wholesale market(s). Where wholesale markets are vertically linked, we identify and analyse the most upstream market first, followed by a subsequent analysis of the markets that are downstream, to determine whether they would be effectively competitive in the presence of regulation upstream.
- A2.25 Second, when identifying and analysing a market, we assume that no SMP regulation exists in that particular market. This avoids the risk of circularity in our assessment – i.e. a finding

¹² Section 79(1A) of the Act.

¹³ Our analysis takes into account the effects of other types of (sector-specific) regulation, decisions or legislation applicable to the relevant retail and related wholesale market(s) during the relevant period.

of no SMP in a market which is predicated on pre-existing ex ante regulation of that market (this is often referred to as the ‘Modified Greenfield approach’).¹⁴

A2.26 We note that this approach is consistent with that set out in the EC SMP Guidelines.¹⁵

Product and geographic dimensions

A2.27 We use competition law methodologies in the market review analysis. In particular, there are two dimensions to the definition of a relevant market: the relevant products to be included in the same market and the geographic extent of the market.

A2.28 The boundaries between markets are determined by identifying competitive constraints on the price setting behaviour of firms. There are two main constraints to consider:

- a) to what extent it is possible for a customer to substitute other services for those in question in response to a price increase (demand-side substitution); and
- b) to what extent suppliers can switch, or increase, production to supply the relevant products or services in response to a price increase (supply-side substitution).

A2.29 The hypothetical monopolist test is a tool used to identify good demand-side and supply-side substitutes.¹⁶ In this test, a product is considered to constitute a separate market if the hypothetical monopolist supplier could impose a small but significant non-transitory increase in price (“SSNIP”) above the competitive level without losing sales to such a degree as to make this price rise unprofitable. If such a price rise would be unprofitable, because consumers would switch to other products or because suppliers of other products would begin to compete with the hypothetical monopolist, then the market definition should be expanded to include the substitute products.¹⁷

A2.30 The starting point for the application of hypothetical monopolist test can be referred to as the ‘focal product’,¹⁸ and typically starts from the narrowest potential market definition.¹⁹

A2.31 We may consider both demand-side substitution and supply-side substitution possibilities to consider whether either provide additional constraints on the pricing behaviour of the hypothetical monopolist. In this assessment, supply-side substitution is considered to be a low-cost form of entry which can take place within a reasonable timeframe (e.g. up to 12 months). For supply-side substitution to be relevant not only must suppliers be able, in theory, to enter the market quickly and at low cost by virtue of their existing position in the

¹⁴ *Hutchison 3G UK Ltd v The Office of Communications* [2009] EWCA Civ 683

https://www.catribunal.org.uk/sites/default/files/1083_Hutchison_CoA_160709.pdf, paras 64 to 66.

¹⁵ [Guidelines on market analysis and the assessment of significant market power](#) under the EU regulatory framework for electronic communications networks and services (2018/C 159/01), paras 15 to 18.

¹⁶ For example, the hypothetical monopolist test is one framework the CMA may use for considering substitution in its market reviews, market studies and investigations (CMA. [Markets regime Guidance](#). 3 February 2026, page 115, para 2).

¹⁷ In the case of zero-price products (i.e., products supplied at a zero monetary price), it may be appropriate to consider alternatives to the SSNIP test, such as assessing the switching behaviour of customers in response to a small but significant non-transitory decrease of quality (the “SSNDQ test”). See para 98 of Commission Notice [C/2024/1645](#).

¹⁸ This reflects the terminology used by UK competition authorities (see OFT, Market definition, December 2004, OFT403, www.of.gov.uk/shared_of/business_leaflets/ca98_guidelines/of403.pdf, which has subsequently been adopted by the CMA Board).

¹⁹ Paragraph 3.2 of the OFT Market Definition Guidelines explains that ‘previous experience and common sense will normally indicate the narrowest potential market definition, which will be taken as the starting point for the analysis’.

supply of other products or geographic areas, but there must also be an additional competitive constraint arising from such entry into the supply of the service in question.

- A2.32 In relation to defining the relevant geographic markets, this comprises an area in which the undertakings concerned are involved in the supply and demand of the relevant products or services, in which the conditions of competition are sufficiently homogeneous, and which can be distinguished from neighbouring areas in which the prevailing conditions of competition are significantly different. Areas in which the conditions of competition are heterogeneous do not constitute a uniform market.
- A2.33 Our approach to market definition follows that used by the UK competition authorities and is consistent with the EC SMP Guidelines.

Relationship with ex post competition law

- A2.34 While competition law methodologies are used in identifying the relevant markets ex ante, the markets identified will not necessarily be identical to markets defined in ex post competition law cases, especially as (i) the markets identified ex ante are based on an overall forward-looking assessment of the structure and the functioning of the market under examination, and (ii) as noted above, in carrying out an ex ante assessment, we assume there is no SMP regulation in place in the market under examination. Accordingly, the economic analysis carried out for the purpose of this review, including the markets we have identified, is without prejudice to any analysis that we may carry out in relation to any investigation pursuant to the Competition Act 1998²⁰ (relating to the application of the Chapter I or II prohibitions) or the Enterprise Act 2002.

Market analysis

Effective competition

- A2.35 The Act requires that we carry out market analyses of identified markets for the purpose of making or reviewing market power determinations. The Act requires that such analyses are normally to be carried out within five years from the publication of a previous market power determination relating to that market. Exceptionally, the five-year period may be extended for up to one additional year.²¹ In the case of WCT, MCT and 070 WCT, we last reviewed these markets in March 2021.²²
- A2.36 In carrying out a market analysis, the key issue for Ofcom is to determine whether any one or more operator(s) has SMP.
- A2.37 The definition of SMP is equivalent to the concept of dominance as defined in competition law.²³ In essence, it means that an undertaking in the relevant market is in a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, other telecoms providers which are its customers, and ultimately consumers.
- A2.38 The Act provides that, in considering whether to make or revise a market power determination, we may have regard to EECC materials relating to market analysis or the

²⁰ <http://www.legislation.gov.uk/ukpga/1998/41/contents>

²¹ Section 84A of the Act.

²² Ofcom's "Wholesale Voice Markets Review 2021-26 Statement" of 30 March 2021.

²³ Section 78(1) of the Act. References in section 78 to dominance of a market are to be construed, so far as it is appropriate to do so, in the same way as the reference in section 18(1) of the Competition Act 1998 to a dominant position in a market.

determination of what constitutes significant market power, such as the EC SMP Guidelines.²⁴

- A2.39 The EC SMP Guidelines consider the specific application of competition law principles to the electronic communications sector. They reflect our understanding of the factors driving competitive conditions in the markets we are reviewing. We have therefore had regard to the EC SMP Guidelines in considering whether to make or revise market power determinations in this document.
- A2.40 In line with the EC SMP Guidelines, we consider that market shares provide a useful first indicator of competitive conditions in the market, and that they should however be interpreted in light of the relevant market conditions.²⁵ According to established case law, a market share in excess of 50% is itself evidence of a dominant position, save in exceptional circumstances.²⁶ On this point, we have also had regard to the judgment of the Competition Appeal Tribunal in *BCMR 2019*. The Tribunal confirmed that the existence of a high market share is to be a trigger for a full assessment, but not to be determinative in itself.²⁷
- A2.41 The EC SMP Guidelines set out, additionally to market shares, criteria that can be used to measure the power of an operator to behave to an appreciable extent independently of its competitors, customers, and consumers, including:
- a) barriers to entry;
 - b) barriers to expansion;
 - c) absolute and relative size of the undertaking;
 - d) control of infrastructure not easily duplicated
 - e) technological and commercial advantages or superiority;
 - f) absence of or low countervailing buying power;
 - g) vertical integration;
 - h) engagement in contractual relations with other market players that could lead to market foreclosure; and
 - i) absence of potential competition.²⁸
- A2.42 A dominant position can derive from a combination of these criteria which when taken separately may not necessarily be determinative.

Remedies

Powers and legal tests

- A2.43 Section 87(1) of the Act provides that where we have made a determination that a person has SMP in an identified services market, we shall set such SMP conditions authorised by

²⁴ Section 79(2BA) of the Act.

²⁵ EC SMP Guidelines, para 54.

²⁶ EC SMP Guidelines, para 55.

²⁷ *TalkTalk Telecom Group plc and Vodafone Limited v Ofcom (BCMR 2019)*, Judgment of 5 March 2020 [2020] CAT 8, at paragraphs 163 to 171 and 282 to 283.

²⁸ EC SMP Guidelines, para 58.

section 87 as we consider it appropriate to apply to that person in respect of the relevant network or relevant facilities.²⁹

- A2.44 Section 87 of the Act identifies a number of SMP obligations that Ofcom are authorised to set including: conditions making provision for securing fairness and reasonableness in the way in which requests for network access are made and responded to, price control, transparency, non-discrimination, accounting separation and cost accounting.³⁰
- A2.45 For each and every SMP obligation, we explain why it satisfies the requirement in section 47(2) of the Act that the obligation is:
- a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b) not such so as to discriminate unduly against particular persons or against a particular description of persons;
 - c) proportionate to what the condition (or modification) is intended to achieve; and
 - d) transparent in relation to what is intended to be achieved.
- A2.46 As part of ensuring that an SMP obligation meets this requirement, we consider whether it is based on the nature of the competition problem(s) we have identified in our market analysis.
- A2.47 Additional legal requirements may also need to be satisfied depending on the SMP obligation in question. For example, we are subject to additional requirements when imposing price controls and cost recovery obligations.
- A2.48 Specifically, we explain why any such SMP obligation satisfies the requirements of section 88 of the Act. Namely:
- a) our analysis indicates a risk that the telecoms provider concerned might fix and maintain prices at an excessively high level or impose a price squeeze so as to have adverse consequences for end-users of public electronic communications services;
 - b) we consider the setting of the obligation is appropriate for the purposes of:
 - i) promoting efficiency;
 - ii) promoting sustainable competition;
 - iii) conferring the greatest possible benefits on the end-users of public electronic communications services having regard, where relevant to the market analysis, to the long term interests of end-users in the use of next-generation networks; and
 - iv) where relevant to the market analysis, promoting the availability and use of new and enhanced networks.³¹
- A2.49 In setting such an SMP condition we also take account of:
- a) the extent of investment by the telecoms provider in the matters to which the SMP obligation relates; and

²⁹ Section 84(4) of the Act provides that where Ofcom determine that an undertaking to whom any SMP conditions apply is no longer a person with significant market power in that market, Ofcom must revoke every SMP services condition applied to that person by reference to the market power determination made on the basis of the earlier analysis.

³¹ Section 88(1) of the Act.

- b) where the condition involves price controls on the provision of network access to existing network elements, the benefits of predictable and stable wholesale prices in ensuring:
 - i) efficient market entry; and
 - ii) sufficient incentives for all undertakings to bring into operation new and enhanced networks.³²

A2.50 Where an obligation to provide third parties with network access is considered appropriate, we take into account factors including:

- a) the feasibility of the provision of the network access;
- b) the technical and economic viability, having regard to the state of market development, of installing and using facilities that would make the network access unnecessary;
- c) any technological developments that, in our opinion, are likely to affect the design and management of the relevant network or facilities;
- d) the need to ensure that the provision of the proposed network access does not have the effect of favouring one form of technology over another in relation to the design and management of the electronic communications networks
- e) the investment of the network operator who is required to provide access (taking account of any public investment made);
- f) the need to secure effective competition (including, where it appears to us to be appropriate, economically efficient infrastructure-based competition) in the long term and to support innovative business models that support sustainable competition; and
- g) any rights to intellectual property that are relevant to our decisions.³³

A2.51 In this document, we demonstrate the application of the relevant requirements to the SMP obligations we are imposing.³⁴ In doing so, we also set out our assessment of how, in our opinion, the performance of our general duties under section 3 of the Act would be secured or furthered by our regulatory intervention, and that it would be in accordance with the six requirements in section 4 of the Act (see below). This is also relevant to our assessment of the likely impact of implementing our decisions.

Ofcom's general duties – section 3 of the Act

A2.52 Under the Act, our principal duty in carrying out our functions is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition.

A2.53 In doing so, we are required to secure a number of specific objectives and to have regard to a number of matters set out in section 3 of the Act.

A2.54 In performing our duties, we are also required to have regard to a range of other considerations, as appear to us to be relevant in the circumstances. For the purpose of this review, we consider that a number of such considerations are relevant, in particular:

- a) the desirability of promoting competition in relevant markets;
- b) the desirability of encouraging investment and innovation in relevant markets; and

³² Section 88(2) of the Act.

³³ Section 87(4) of the Act.

³⁴ See the reasoning in Sections 5, 6, 7 and 8.

- c) the desirability of ensuring that relevant markets facilitate end-to-end connectivity in the interests of consumers in those markets.

A2.55 We are also required to have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed, as well as to the interest of consumers in respect of choice, price, quality of service and value for money.

A2.56 However, we have a wide measure of discretion in balancing our statutory duties and objectives. In doing so, we have taken account of all relevant considerations, including the responses that we received during our consultation process, in reaching our conclusions.

The six requirements under Section 4 of the Act

A2.57 Section 4 of the Act requires us, when carrying out our market review functions, to act in accordance with six requirements for regulation, which are in summary:

- a) to promote competition in relation to the provision of electronic communications networks and services, associated facilities and the supply of directories
- b) to promote the interests of all members of the public in the United Kingdom;
- c) to take account of the desirability of Ofcom’s carrying out of its functions in a manner which, so far as practicable, does not favour one form of or means of providing or making available electronic communications networks, services or associated facilities over another (i.e. to be technologically neutral);
- d) to encourage, to such extent as Ofcom considers appropriate, the provision of network access and service interoperability for the purpose of securing: efficient and sustainable competition; efficient investment and innovation; and the maximum benefit for customers of telecoms providers and of persons who make associated facilities available;
- e) to encourage compliance with certain standards in order to facilitate service interoperability, end-to-end connectivity, end-users changing telecoms providers, end-users being able to retain their telephone numbers after changing telecoms providers, and secure freedom of choice for the customers of telecoms providers; and
- f) to promote connectivity and access to very high capacity networks³⁵ by members of the public and businesses in the United Kingdom.

A2.58 We consider that these requirements are relevant to the matters under review and that no conflict arises in this regard with those specific objectives in section 3 of the Act that we consider are particularly relevant in this context.

Section 4A of the Act – taking account of EC recommendations

A2.59 Section 4A of the Act provides that in carrying out certain functions (including, among others, our functions in relation to market reviews), we may take account of recommendations issued by the European Commission under Article 19(1) of the

³⁵ A “very high capacity network” is set out in the Act as meaning “an electronic communications network which —

(a) consists wholly of optical fibre elements at least up to the distribution point at the serving location; or
(b) is capable of delivering, under usual peak-time conditions, network performance that, in OFCOM's opinion, is similar, in terms of available downlink and uplink bandwidth, resilience, error-related parameters and latency and its variation, to the network performance of a network falling within paragraph (a).”

Framework Directive³⁶ or Article 38(1) of the EU Code³⁷ if the recommendations appear to us to be relevant to those functions.

- A2.60 We make clear in the relevant sections of this statement where we have regard to the EC recommendations, such as the 2020 Commission Recommendation mentioned above.

Impact assessments

Impact assessment – section 7 of the Act

- A2.61 The regulatory framework in relation to impact assessments under section 7 of the Act is set out in Section 2.
- A2.62 The analysis presented in Annex A8 to the 2025 Consultation constitutes our impact assessment, as defined in section 7 of the Act. We have addressed stakeholders' comments in relation to the impact of our proposals in the relevant sections of this statement setting out our final decisions. For example, stakeholders' comments about the impact of the charge control for WCT and MCT are discussed in Section 5. In Sections 5 to 9, we have also summarised the likely impact of our decisions.

Equality impact assessment

- A2.63 The regulatory framework in relation to equality impact assessments under the Equality Act 2010 and the Northern Ireland Act 1998 is set out in Annex A4. The assessment is also set out in that Annex.

Welsh language impact assessment

- A2.64 The regulatory framework in relation to the Welsh language impact assessment is set out in Annex A4. The assessment is also set out in that Annex.

UK Government's Statement of Strategic Priorities

- A2.65 Under section 2B(2) of the Act, when exercising our telecoms functions, we are required to have regard to a Statement of Strategic Priorities (SSP) that has been designated by the Secretary of State under section 2A(1) pursuant to the requirements set out in section 2C of the Act.
- A2.66 On 29 October 2019, the then government designated its SSP for telecommunications, the management of radio spectrum, and postal services (the "2019 SSP"). As at the date of this Statement, we have a duty to have regard to the 2019 SSP in carrying out our telecoms functions.
- A2.67 On 11 February 2026, a draft SSP was laid before Parliament (the "2026 draft SSP").³⁸ Subject to completion of the procedural steps in section 2C of the Act, it will replace the 2019 SSP once it is designated by the Secretary of State.
- A2.68 Further detail in relation to the 2019 SSP and the 2026 draft SSP is set out in Section 2.

³⁶ Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services, as amended by Directive 2009/140/EC of the European Parliament and of the Council.

³⁷ Directive 2018/1972 of the European Parliament and of the Council establishing the European Electronic Communications Code.

³⁸ Department for Science, Innovation and Technology. 11 February 2026. [Draft Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services](#).

The desirability of promoting economic growth

A2.69 In exercising our regulatory functions, we have also had regard to the desirability of promoting economic growth (the “growth duty”).³⁹ In particular, we must consider the importance for the promotion of economic growth of exercising the regulatory function in a way which ensures that regulatory action is taken only when it is needed, and any action taken is proportionate. Section 110(3) of the Deregulation Act 2015 requires us to have regard to the “[Growth Duty: Statutory Guidance](#)” (revised by Government in May 2024). In Section 2, we set out how we have had regard to the desirability of promoting economic growth in formulating our decisions.

Regulated entity

- A2.70 The power in the Act to impose an SMP obligation by means of an SMP services condition provides that it is to be applied only to a “person” whom we have determined to be a person having SMP in a specific market for electronic communications networks, electronic communications services or associated facilities (i.e. the “services market”).⁴⁰
- A2.71 We consider it appropriate to prevent a dominant provider to whom an SMP services condition is applied exploiting the principle of corporate separation where that dominant provider is part of a group of companies. The dominant provider should not use another member of its group to carry out activities or to fail to comply with a condition, which would otherwise render the dominant provider in breach of its obligations.
- A2.72 To secure that aim, we apply the SMP conditions to the person in relation to which we have made the market power determination in question by reference to the registered company identified and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006 (or which would fall within that definition were it applied), in so far as they operate as communications providers in the relevant market.

Review of the End-to-End Connectivity Condition

Introduction

- A2.73 In essence, “end-to-end connectivity” is the ability for users to call any telephone number.⁴¹ Below, we provide an overview of the regulatory framework relevant to our review of the End-to-End Connectivity Condition that we imposed on BT in 2006, to give some additional context to the matters discussed in this document, including the legal instrument published at Annex A3e.
- A2.74 The regulatory framework relevant for our review of the End-to-End Connectivity Condition is set out in Part 2 of the Act. In particular, sections 45 to 48C set out the procedure for setting, modifying and revoking access-related conditions; sections 73 to 74A address the

³⁹ [Section 108](#) of the Deregulation Act 2015, which was extended to Ofcom’s regulatory functions by [The Economic Growth \(Regulatory Functions\) \(Amendment\) Order 2024](#).

⁴⁰ Section 46(8) of the Act.

⁴¹ Section 74(3) of the Act defines “end-to-end connectivity” as “the facility: (a) for different end-users of the same public electronic communications service to be able to communicate with each other; and (b) for the end-users of different such services to be able, each using the service of which he is the end-user, to communicate with each other”.

permitted subject-matter of access-related conditions, and section 74B requires us to review the results of imposing access-related conditions.

Powers to set and modify access-related conditions

A2.75 Ofcom has specific powers under section 45(2)(b)(ii) and section 73(2) of the Act to impose access-related conditions. In particular, section 73(2) empowers us to impose conditions relating to the provision of such network access and service interoperability as we consider appropriate for the purpose of securing:

- a) efficiency;
- b) sustainable competition;
- c) the bringing into operation, where we consider it appropriate, of very high capacity networks;
- d) efficient investment and innovation; and
- e) the greatest possible benefit for end-users of public electronic communications services.

A2.76 Section 74(1) to (1A) specifies that access-related conditions include:

- a) conditions which, for the purpose of securing “end-to-end connectivity” for the end-users of public electronic communications services provided by means of a series of electronic communications networks, impose obligations on a person controlling network access to any of those networks, and require the interconnection of the networks; and
- b) also conditions which impose such obligations on a person controlling network access to customers as Ofcom consider necessary for the purpose of securing service interoperability.

Our review of the End-To-End Connectivity Condition

A2.77 BT has been subject to an access-related condition requiring BT to purchase wholesale call termination services for any telecoms provider that reasonably requests them, as soon as reasonably practicable and on reasonable terms and conditions, including charges. This condition, which has been in place since 2006,⁴² is known as the ‘End-to-End Connectivity Condition’.

A2.78 We are required by Section 74B of the Act to review access-related conditions we have imposed under the Act. In particular, Section 74B(2) requires us, by 21 December 2025, to review the results of imposing the End-to-End Connectivity Condition, and consider whether the condition should be modified or revoked.

A2.79 In our April 2019 consultation, we said that we intended to review this condition.⁴³ However, in our August 2020 consultation, we decided to remove it from the scope of our market review.⁴⁴ As set out in Section 9 of this document, the 2025 Consultation set out

⁴² Ofcom’s [“End-to-end connectivity statement”](#), 13 September 2006.

⁴³ Section 5 of Ofcom’s [“Future of interconnection and call Termination. First consultation”](#), 11 April 2019.

⁴⁴ Paragraphs 7.132 to 7.134 of Ofcom’s [“Wholesale Voice Markets Review 2021–26. Main document”](#), 13 August 2020. See also Paragraphs 7.201 to 7.204 of Ofcom’s [“Wholesale Voice Markets Review 2021-26. Statement”](#), 30 March 2021.

our review of the results of imposing the End-to-End Connectivity Condition and Section 9 of this document constitutes our final report on our review for the purposes of section 74B(3)(a) of the Act.