

AXIONE'S RESPONSE TO OFCOM CONSULTATION

EQUINOX 2 OFFER
4TH MARCH 2023

The Ofcom logo consists of the word "Ofcom" in a bold, red, sans-serif font. Below the text is a horizontal bar with a rainbow color gradient.

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Axione's Response

Axione would like to take the opportunity of this consultation to provide a brief reaction focusing on the key issues that we believe will hinder Altnets' ability to establish themselves on the market.

The release of an Equinox 2 offer so soon after the release of Equinox and before the end of the period of price and regulation stability has been unexpected and sets a dangerous precedent with potential additional revisions before even the Year 6 review which would deprive further Altnets of all pricing stability [§<...].

We were reassured to read in 3.20 that Ofcom recognises the challenge that Altnets face in building a completely new network and gaining customers when competing with an incumbent which benefits from Significant Market Power, particularly through its already established commercial relationships with Internet Service Providers (ISPs). As a purely wholesale only network builder and operator, Axione's revenue will come from high volumes of wholesale priced services. Axione is therefore reliant on signing up national ISPs to achieve these volumes.

The key issue with Equinox 2 proposal is the price level which is too low to make it worthwhile for national ISPs to invest in interconnecting (physically and in systems) with Altnets.

[§<...].

While Ofcom have provided a cost range for an efficient network operator in Area 2 through modelling, no such cost range has been proposed for Area 3. Axione's deployment areas are mainly located in Area 3. The last 3 years however have demonstrated that there is interest in deploying across Area 3 as was communicated by the market to Ofcom during the Wholesale Fixed Telecommunications Market Review (WFTMR). The cost of deploying across such areas is higher than across area 2 however. In terms of wholesale pricing and therefore revenue for Altnets, ISPs want to achieve a consistent offer across both area 2 and area 3 and therefore expect to have access to the same wholesale tariffs across the two areas. It is becoming very difficult to combine higher costs and lower revenue even acting as an efficient network operator especially at a time of high inflation impacting the cost of energy, materials, resources (both internal and external) and PIA prices.

One other key issue with the new Equinox 2 pricing is the loss of all relevance of the anchor product FTTP 40/10 given that prices for all products up to and including 115/20 are now lower than the anchor price. After the WFTMR there was an expectation from the market that prices for all services could not be lower than the anchor price, this is not the case. Consequently, as the benchmark for an entry level broadband package is now 80Mbps down minimum, expected to move to between 100 Mbps and 150 Mbps within the next few years, the FTTP 40/10 product, if its price is not acting as a floor, becomes of no relevance on the market and so does the associated regulatory measure.

In 3.133, Ofcom states that it has little evidence that Openreach's pricing conduct is creating uncertainty for ISPs such that they are being deterred from using Altnets. [§<...].

In conclusion, the release of Equinox 2 has [§<...].

Axione
Becket House, 1 Lambeth Palace Road
London SE1 7EU