

**PROMOTING COMPETITION AND
INVESTMENT IN FIBRE NETWORKS:
TELECOMS ACCESS REVIEW 2026-31**

**CITYFIBRE RESPONSE TO FURTHER CONSULTATION ON
LEASED LINES MARKET ANALYSIS AND VARIOUS
PRICING ISSUES**

1. LEASED LINE ACCESS MARKET AND MODELLING THE BOUNDARIES OF THE GEOGRAPHIC MARKETS

- 1.1. In the March 2025 consultation on the Telecoms Access Review (“TAR”), Ofcom’s analysis of leased line access (“LLA”) markets defined 3 markets susceptible to regulation, HNR, LLA Area 2 and LLA Area 3. In LLA Area 3, Ofcom considers that competition will not emerge and proposes to impose regulation to limit Openreach’s ability to exploit its market power and to promote downstream competition.
- 1.2. By contrast with LLA Area 2, the proposed regulation in LLA Area 3, in particular the Dark Fibre remedy, significantly reduces the incentives for investment by rival networks. As a result, consumers in LLA Area 3 will be denied the benefits of competition for the long term. It is therefore critical that Ofcom does not extend the boundary of LLA Area 3 into areas where competition may emerge.
- 1.3. In that context, Ofcom should err on the side of caution in exercising its regulatory judgment around the boundaries of LLA Area 3, allowing for competition across the widest possible footprint. Where there are uncertainties, Ofcom should lean towards the outcome which leaves open the possibility for competition to emerge.
- 1.4. The approach which Ofcom has adopted in respect of both consolidation opportunities and buffer distance in the Consultation fails to do this. In both cases, Ofcom has adopted an approach which neither recognises nor takes into account the risks to consumers from an unduly wide definition of LLA Area 3.

Consolidation

- 1.5. The Consultation recognises that “[i]f one of the current or potential material and sustainable competitors in the LLA market were to acquire another network, the resulting entity would likely have the ability or the potential to exert a material and sustainable constraint on BT on the footprint of the acquired network.”¹ However, Ofcom concludes that “at present, these transactions are not expected or foreseeable developments that we can take into account in our LLA geographic market definition.”²
- 1.6. That position is in contrast to the position taken by Ofcom for WLA markets, where Ofcom concludes that “[w]hile the exact timing and form of consolidation remains uncertain, this evidence suggests that there is likely to be some consolidation during the review period which could materially affect competition to BT.”³ Consolidation in WLA markets will inevitably affect LLA markets as both WLA and LLA products can be delivered over the same underlying network, as Ofcom recognises through the inclusion of leased line equivalent services in the LLA product market.

¹ Consultation, paragraph 3.13

² Consultation, paragraph 3.17

³ TAR Volume 2, paragraph 4.75

- 1.7. As Ofcom is aware from responses to formal information requests, **[REDACTED]**. It is CityFibre's intention to offer leased line equivalent services and dark fibre across that footprint, once integration has occurred.
- 1.8. CityFibre is identified by Ofcom in the TAR as a potential material and sustainable competitor to BT. The proposed acquisitions are therefore those which Ofcom accepts would result in material and sustainable competition to BT across the acquired footprint.
- 1.9. Those potential acquisitions are the same as those taken into account by Ofcom in its assessment of WLA geographic markets yet, for LLA, Ofcom dismisses them as not expected or foreseeable events. Ofcom appears to rely on the uncertainty over the timing and form of consolidation to support its conclusion but fails to recognise the evidence that CityFibre is most likely to be a major consolidator.⁴
- 1.10. The failure to take account of CityFibre's likely and foreseeable consolidation activity in the Consultation will have a significant impact for consumers of LLA products. Should Ofcom proceed with its proposals, CityFibre's incentives to invest are significantly reduced as a charge controlled Dark Fibre product will reduce the margins available to CityFibre.
- 1.11. If the required investment cannot be justified, LLA consumers will be deprived of the benefits of competition. Whilst there may be short term benefits from charge controlled products, the long term benefits of material and sustainable competition will not be realised, contrary to Ofcom's policy. Ofcom can avoid such a risk of harm to consumers by erring on the side of caution when defining the boundaries of Area 2 and 3. CityFibre considers that it should revisit its approach to align with the position in WLA which seeks to promote competition.

Buffer distances

- 1.12. Whilst the Consultation proposes to extend the buffer distance for the purpose of defining LLA geographic markets, CityFibre does not consider that Ofcom has gone far enough in setting that buffer distance in light of the evidence.
- 1.13. **[REDACTED]**. Ofcom's evidence in the Consultation supports this, with both Figures 3.1 and 3.3 showing that a number of networks provide circuits to demand sites located at least 150 metres from their networks.
- 1.14. It follows that Ofcom should have proposed a buffer distance in the range 150-250 metres to reflect the evidence before it. Ofcom recognises that "*LLA providers can use PIA to build customer-specific extensions that are longer than 100 metres (in some cases considerably so)*",⁵ but concludes that competitive conditions are likely to be weaker beyond 100 metres. This conclusion appears to be reached on the basis that the share of new

⁴ As set out in paragraphs 3.41 to 3.43 of CityFibre response to the TAR and confirmed by CityFibre's responses to formal information requests

⁵ Consultation paragraph 3.59

connections for competing LLA networks is materially lower for distances beyond 100 metres, although not zero.⁶

- 1.15. However, Ofcom fails to take account of the fact that the availability of PIA for leased line services is relatively recent and leased line contracts are typically for periods of 6 years or more.⁷ During the period of the data in question, churn is therefore likely to have been relatively low at a point in time where networks were being built out. It is therefore unsurprising that the share of new connections gained by competing LLA networks would be lower.
- 1.16. CityFibre considers that Ofcom should extend the buffer distance to 200 metres. As set out above, an overly large LLA Area 3 presents serious risks to competition. Ofcom should err on the side of caution at this stage of market development to allow for the promotion of competition across the broadest possible footprint.
- 1.17. Whilst CityFibre considers that a buffer distance of 200m should be imposed in light of the evidence, if Ofcom does not propose to do so, CityFibre considers that Ofcom should adopt a buffer distance of 100 metres for all the reasons set out in this response and CityFibre's response to the TAR.

Failure to take account of CityFibre full fibre network

- 1.18. Ofcom has provided illustrative postcode lists for the LLA Area 2 and LLA Area 3 boundaries.⁸ CityFibre understands from Ofcom that those lists have not been produced based on the extent of the CityFibre full fibre network but using data related to CityFibre's Metro network only.
- 1.19. As set out in CityFibre's response to the TAR, such an approach fails to take account of the geographic area over which CityFibre is able to provide LLA services.⁹ CityFibre subsequently provided Ofcom with data on the extent of its full fibre network in June 2025.¹⁰ Despite this, CityFibre understands that Ofcom has yet to include this data in its assessment in producing the postcode lists in Schedule 1 to the Consultation. It is not possible therefore for CityFibre to comment on whether Ofcom has correctly drawn the boundaries of relevant LLA geographic markets in response to the Consultation.
- 1.20. CityFibre understands that Ofcom will update its assessment of the geographic boundaries in its final statement to take account of the extent of the CityFibre full fibre network. Should this not be the case, Ofcom should notify CityFibre, as a matter of fair process, to allow it to make appropriate representations.

2. SIMPLIFIED LEAD-IN PIA CHARGES

- 2.1. CityFibre recognises the logic of the position set out by Ofcom in the Consultation regarding lead-in PIA charges. CityFibre recognises that sub-

⁶ Consultation paragraph 3.60

⁷ [REDACTED].

⁸ Consultation Schedule 1

⁹ CityFibre response to the TAR, paragraphs 3.33 to 3.34

¹⁰ CityFibre response to section 135 notice dated 23 June 2025

components of the simplified lead-in product are likely to be in multiple rather than sole occupation and an adjustment is therefore likely to be required.

- 2.2. CityFibre would, however, reiterate the position set out in its response to the TAR regarding PIA pricing:
- a. A substantive revision of PIA fair shares is required to take account of dual occupation of ducts and poles by Openreach copper and FTTP infrastructure;¹¹
 - b. Adjustments are required to Ofcom's cost calculation methodology to more accurately reflect asset lives, holding gains, efficiency and starting cost adjustments;¹² and
 - c. Ofcom must be wary of any further calls by Openreach to increase PIA charges, including through the provision of new information at a late stage.¹³ This is particularly the case where the changes proposed in the Consultation have already reduced the savings for PIA users from the simplified lead-in product.

¹¹ CityFibre response to the TAR, paragraphs 4.11 to 4.18

¹² CityFibre response to the TAR, paragraphs 4.19 to 4.36

¹³ CityFibre response to the TAR, paragraph 4.7