

Consultation Response to Ofcom's Further Consultation on Leased Lines Market analysis and various pricing issues (November 2025)

Date: 16 December 2025

Introduction

Community Fibre Ltd welcomes the opportunity to respond to Ofcom's "Further consultation on leased line market analysis and various pricing issues" for the Telecoms Access Review (TAR26) period, covering 2026 to 2031. As the leading full fibre alternative network provider (AltNet) in London, we are critically focused on ensuring a regulatory environment that promotes growth, sustainable investment and robust infrastructure competition.

Our response focuses primarily on the proposed changes to PIA pricing.

Response to Question 3.1: Do you agree with our reasoning on the impact of consolidation? Please set out your reasons and supporting evidence for your response.

No, Community Fibre's experience is that the development of capabilities to provide Leased Line Equivalent services (which Ofcom have proposed to include within the definition of the Leased Line Access (LLA) market) occurs at a later stage in an AltNet's business development. For Community Fibre's this was around year 9-10 of our 12-year active life. Many AltNets have not yet reached that maturity but will do within the next review period. They will not want the LLA market foreclosed to them by virtue of a remedy that forces the significant market power (SMP) provider to offer its sub-gigabit LLA services at cost-based prices and sustains SMP in those geographies.

Ofcom's assumption that a consolidation between two Altnets, who have not yet developed the capability to compete in the LLA market, would not be able to exert a material and sustainable constraint on BT during the review period also seems misplaced. This is because, even if the smaller consolidated entities decided not to enter the LLA market themselves, their consolidated size would make them a more attractive consolidation target for one of the current or potential and sustainable competitors in the LLA market. Ofcom already agrees that if that consolidation were to occur then sustainable competition is more likely.

Consequently, we would urge Ofcom to take the broadest possible view of the impact consolidation could have on LLA market competition during the review period and avoid remedies that embed SMP which would be contrary to the Government's strategic priority of infrastructure competition.

Question 3.2: Do you agree with our revised proposals relating to the buffer distance? Do you have a view on the most appropriate value of the buffer distance? Please set out your reasons and supporting evidence for your response:

We have shared with Ofcom the buffer distance Community Fibre currently uses for leased line equivalent services which is more than the distances proposed by Ofcom within both of its TAR consultations. Installing and / or repairing PIA lead-in duct is often more expensive in city centres than in many rural locations. This would indicate that the economically viable buffer distance on the Area 2 or Area 3 boundary should be longer for a reasonably efficient operator. As such we propose Ofcom should consider a buffer distance of at least 100m.

To reduce regulatory complexity and burden, and encourage growth of the leased line equivalent market, we propose that the simplest solution would be to align the Area 2 and Area 3 boundaries with those defined within the wholesale line access (WLA) market.

Question 4.1: Do you agree with our revised approach to the application of discount rate when calculating the charge control for simplified lead-in duct?

Equality of Regulation

We agree that where errors are found within the costing and pricing models then these should be corrected, as in the case of double discounts on some elements of the lead-in duct charge described in this consultation.

What would not be fair and transparent regulation is if only errors identified by Openreach are corrected whilst errors identified by its competitors are ignored. Collectively Altnets have identified several issues with the PIA costing and pricing models including:

- Failure to make adjustments to take account of previous over-recovery of costs by Openreach due to high inflation during the current review period.

- Failure to account for the extended usable life (longer depreciation period) of PIA assets following the extensive repairs that have taken place during the current review period.
- Failure to adjust the WACC rate used in the PIA model to take account of the lower risk premium associated with a long-life, guaranteed use, asset such as PIA.
- Openreach’s internal use of single bore spine duct being identical in FY23 and FY22 indicating that they have not been properly updated during a period of significant network transformation.

So, although we agree that Ofcom should correct the errors identified by Openreach they must also correct the errors identified by Openreach’s competitors or provide a valid reason why these errors have not been corrected along with a clear explanation as to why these errors do not enable Openreach to sustain its Significant Market Power (SMP).

Fair Pricing For All

If the regulated unit prices are truly cost based then Openreach should have no issue about using the regulated prices for its own downstream services, the charges should be the same. Ofcom’s arguments around under-recovery, instability and complexity are illogical. Ofcom’s model defines a cost-based unit price for each PIA service element and then applies a “sharing percentage” discount to that service element unit price to derive the AltNet price.

If Openreach were to pay the shared price for PIA service elements it is sharing and the cost-based unit price (without the sharing discount) for PIA elements it is not sharing then this would lead to Openreach downstream services paying the same amount as currently, assuming the cost model is correct. There would be no under-recovery of PIA costs by Openreach as claimed by Ofcom in its previous consultation.

Such a construct would also provide Openreach with an incentive to share its physical infrastructure with others as this would reduce the PIA costs for its own downstream services.

Ofcom’s TAR consultation document did not provide a reasonable explanation as to why Openreach should not charge its downstream services the same cost-based unit prices as those paid by its competitors. This is something we hope will be properly addressed in Ofcom’s final statement.

New Evidence For Sharing Percentage

To establish a “sharing percentage” for PIA spine duct Ofcom assumes the number of addressable properties that could theoretically be served by a spine duct in a mature

competitive market. The model assumes that neither competitor would have SMP which of course contradicts the assumptions underpinning other parts of the market review..

In the WFTMR Ofcom assumed:

- For a single bore spine duct one competitor would share the duct with Openreach and so, in a mature market with no SMP, each would compete for 50% of the market and so each should pay half of the unit cost associated with that duct.
- For a two-bore spine duct, three competitors and Openreach would share the addressable market/duct and so the share would be 25%
- For a multi-bore duct it would be ten operators sharing and so the share would be 10%.

The market review identifies elsewhere that the downstream markets were not yet mature (SMP still exists) and so it is accepted that these levels of sharing would only be achieved over time and once the market had reached maturity (ie the “sharing percentages” were set for a fully competitive market even though the market review concludes that SMP exists).

The recent TAR consultation recognised that the sharing levels of two-bore and multi-bore duct was still growing towards the maturity levels and so the sharing percentages should remain the same. However, for single bore ducts it was recognised that in 24% of duct more than one competitor was using the duct and so the consultation proposed that, in these instances, each party should only pay a 33% share. The new share percentage was calculated as:

$(24\% * 33\%) + (76\% * 50\%) = 46\%$ “sharing percentage” for single bore ducts.

Based on the latest evidence available we propose that the maximum “sharing percentage” for single bore duct should be set at a maximum of 39% based on current utilisation. As AltNet build continues, it can be anticipated that the number of AltNets sharing single bore duct will continue to grow and so as the market matures the share will continue to shrink as so a lower “sharing percentage should be assumed – say 33%.

Question 5.1: Do you agree with our revised proposals relating to charge controlling active LLA services in LLA Area 3 and dark fibre services in the LLA and IEC markets?

It is noted that Ofcom feels it necessary to alter its regulatory response due to Openreach’s ability to make changes to its billing system in time. This would indicate

that BT Group have developed a billing system with insufficient flexibility, something also evident in BT Group's inability to provide sufficient accuracy and detail in its PIA billing services. Perhaps Ofcom should consider a remedy which determines that BT Group should improve its billing services.

In the interests of regulatory simplicity and to encourage growth in the leased line equivalent market during the review period we propose that Ofcom should abandon its proposal to introduce different pricing for Area 3 and maintain pricing parity between Area 2 and Area 3 in the Leased Line market.

It is concerning that BT Group can uncover these errors in its regulated financial statements at this late stage. We repeat our request from our consultation response that the audit of BT Group's regulated accounts is strengthened as these errors provide further evidence that the current audit process is insufficiently robust.

Question 6.1: Do you agree with our revised proposals relating to the estimation of Openreach sales product management costs within our dark fibre charge controls?

We continue to believe that the introduction of cost-based charge controls in Area 3 will hinder the growth of the AltNet leased line equivalent market in Area 3. This in turn will hinder infrastructure competition in these areas and hence is contrary to the Government's strategic priorities. The complexities of introducing such a remedy are highlighted within this consultation document. To promote growth and limit the regulatory burden we continue to support INCA's proposal to abandon a cost-based charge remedy for Area 3 and keep the pricing remedy aligned with Area 2.