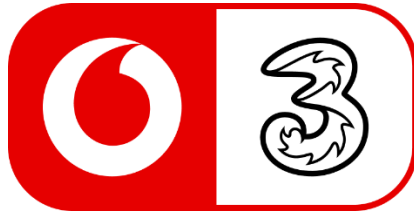


Leased Lines Market Analysis and Various Pricing Issues:

Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31

December 2025

Non-Confidential



Introducing VodafoneThree

At the beginning of June 2025, Vodafone UK and Three UK merged to become VodafoneThree. The merger signals the start of an exciting new chapter in UK communications, allowing citizens and consumers to benefit from a market leading new company that has the scale, resources and the innovative spirit to deliver game changing connectivity.

A new era of connectivity

The merger signals not just a transition towards material enhancements in the UK's mobile coverage, but it will create more opportunities for more customers to benefit from competitively priced, quality business connectivity and broadband services.

Connecting every community

VodafoneThree is the UK's fastest growing broadband retailer, one that has a track record of championing the consumer, offering a top-quality customer experience, delivered over fibre wherever it is available. We are entrusted by the UK's top businesses and public sector organisations to provide the fixed connectivity that provides the circulatory system for our economy and public services.

The Telecoms Access Review – creating a framework fit for the future

This submission represents the views of VodafoneThree. Our integration journey has just begun, and we are optimistic for our own future and for what we can achieve to benefit UK connectivity. The importance of this market review cannot be overstated. It is fundamental to all UK telecommunications services, fixed and mobile, residential and business. We want to help the UK to succeed, with class leading communications infrastructure that underpins a retail market that delivers choice and innovation to the UK's businesses and citizens consumers.

To find out more about VodafoneThree, our brands and how we are building the United Kingdom's best network, visit: <https://vodafoneandthree.uk/>

Leased line access market and modelling the boundaries of the geographic markets

Overview

- Regulatory intervention remains critical:** Ongoing regulatory oversight in the leased lines market is essential to curb excessive pricing, safeguard fair competition, and protect enterprise customers from market failures and inflated costs. This need is particularly acute given BT/Openreach's enduring dominance across High Network Reach (HNR), Area 2, and Area 3.
- FTTP consolidation does not impact the leased lines market:** Consolidation among FTTP providers has no bearing on leased lines, as these services operate in fundamentally separate markets. Leased lines rely on distinct network topologies designed to deliver point to point, high-capacity, dedicated, secure, and resilient connectivity for top-tier enterprises. While FTTP can serve a subset of customers who do not require all these characteristics, a growing number of enterprises continue to demand true dedicated leased line solutions.
- Opposition to Cost Reallocation Proposals:**
 - Leased Line prices have risen throughout the 2019–2025 FTTP rollout period. As Openreach transitions to a single full-fibre network for FTTP and Leased Lines, the expectation is that costs across all services should fall. Instead, Leased Line costs and prices have increased. This strongly suggests that elements of FTTP network investment have been misallocated to Leased Line services, as there is no other plausible explanation for the cost uplift. FTTP is clearly not exerting any price constraint, indicating an ongoing market failure.
 - BT now proposes to explicitly transfer additional costs that would materially increase regulated charges. However, this transfer cannot be properly scrutinised due to limited transparency, the absence of underlying RFS data, and insufficient time for Ofcom or stakeholders to test its validity. Ofcom should therefore proceed with its March proposals. Adopting the November proposals at this stage would risk locking in unjustifiably higher enterprise prices at a time when long run costs are falling, driven by the direct routing of Leased Lines to Openreach Handover Points (OHP) following exchange closures and the introduction of lower cost EAD2.
- Support for Area 3 price controls:** VodafoneThree strongly endorses the application of pricing remedies to regulate BT/Openreach's charges in Area 3, where wholesale competitive pressures do not exist and the risk of excessive pricing is significant. Enterprises in these areas have been underserved by new network competition and regulatory intervention over the past five years has been insufficient to insulate them from the negative impact of Openreach supplier dominance, making robust price controls essential to protect them from further harm.
- Main link pricing changes** ⚡
- Retain the 50-metre buffer distance:** VodafoneThree strongly advocates maintaining the 50-metre buffer for market boundaries as a critical safeguard for accurate market definition. Over the past five years, network build activity has substantially diminished, even with operators making use of Physical Infrastructure Access (PIA). This decline underscores the economic and practical barriers to meaningful expansion, confirming that competitive alternatives remain extremely limited for enterprise customers. ⚡ Retaining the 50-metre threshold ensures consistency, fairness, and alignment with the realities of enterprise demand rather than builds tied to the very particular requirement of mobile providers who are almost uniquely prepared to accept longer delivery times and extended site tenure predictions thus making new connections viable.
- Preserve dark fibre competitive gap:** Ofcom must ensure that dark fibre remains a genuinely lower-cost, pro-competitive alternative to active services. Maintaining a clear and meaningful price differential is essential to incentivise uptake, foster infrastructure-based competition, and ⚡.

Leased Lines: A Strategic Pillar of the UK's Digital Economy

8. Leased lines are critical infrastructure that underpin the UK's digital economy. They provide high-quality, high-bandwidth, uncontended connectivity essential for public services, enterprise operations, and telecoms networks. These services continue to evolve, supporting growing bandwidth demands and enabling mission-critical applications across sectors.
9. The market for leased lines is well-established but remains structurally resistant to rapid change. Despite decades of rival network development, effective competition is limited. High sunk costs, long contract durations, complex migrations, high switching costs⁴ and the need for scale and service quality have slowed competitive entry. Enterprise Retailers like Vodafone rely on scalable wholesale partnerships to meet national demand, as building ubiquitous infrastructure independently is not economically viable.
10. Leased lines are foundational to mobile and broadband networks. They enable resilient, high capacity backhaul, particularly for 5G, where dark fibre is increasingly used to connect cell sites and support scalable bandwidth upgrades. In urban areas such as the CLA, HNR, and parts of the current Area 2, Vodafone makes extensive use of both on-net and commercial dark fibre for its mobile network. Nationwide dark fibre access remains essential to delivering efficient and future-proofed mobile and prospectively enterprise connectivity.
11. Despite Vodafone's extensive fixed network assets, alongside commercial and regulated supply, we have been unable to source the dark fibre products we need across the entirety of the UK. Alternative networks lack sufficient scale, despite our willingness to engage in long contract terms for the commercial supply of dark fibre, suppliers have been unwilling to invest in the required network expansion and BT/Openreach has not agreed to commercial terms to offer dark fibre beyond its regulated footprint⁵. This highlights the limitations of relying on commercial negotiation alone and reinforces the need for continued regulatory intervention. Regulatory inaction now would mean prolonging the harm to competition and innovation, while those dependent on high-capacity infrastructure, particularly in underserved areas, continue to face inflated costs and limited choice.
12. Enterprise customers typically contract for terms of three to five years, reflecting their need for flexibility and responsiveness to evolving business requirements. However, the wholesale market is significantly less competitive for these customers compared to those able to commit to very long-term contracts. Wholesale providers prioritise investment and pricing incentives toward longer-duration deals, leaving shorter-term enterprise contracts with fewer viable options. These customers are also less inclined to absorb the high upfront costs of network extensions or tolerate extended lead times for service delivery, factors that further limit their access to competitive supply. As a result, the current market structure disproportionately disadvantages enterprise users seeking shorter, more agile arrangements, despite their strategic importance to the UK economy. We therefore support the application of a pricing remedy to control BT/Openreach's charges in Area 3, where competitive constraints remain weak, and the risk of excessive pricing persists.
13. BT/Openreach's dominance is evident in its pricing behaviour and financial returns. It maintains a national pricing strategy, with only selective discounts in areas which have a risk of competition. Where rivals exist, they tend to follow BT/Openreach's pricing rather than challenge it. In FY 2023/24⁶, BT/Openreach achieved returns of 88% on IEC services and 16% on local access leased lines, well above the regulatory WACC of 7.8% and the returns achievable by other market participants. These margins reflect a lack of competitive pressure and a failure to deliver dynamic efficiency or pass-through benefits to downstream providers.
14. Service quality has materially declined. BT/Openreach has raised prices while simultaneously offloading responsibilities onto retailers, degrading the service wrap and increasing operational burdens. This "shrinkflation" distorts the regulatory balance and undermines both affordability and service standards for end users. Such practices should not be tolerated by Ofcom. The regulator must act decisively to restore fairness in the market and ensure that service quality and value are preserved for consumers and enterprise users alike. Failure to intervene risks normalising a model where higher

prices are accompanied by an ever-diminishing quality of service, to the detriment of competition, innovation, and end-user outcomes.

15. We strongly support Ofcom's continued regulatory focus on the leased lines market. The March 2025 proposed remedies are grounded in robust evidence and reflect sound regulatory judgment. Without firm intervention, entrenched issues will persist, disadvantaging consumers and enterprise users and undermining the UK's digital ambitions. Ofcom's differentiated approach, assessing competition by product and geography, is proportionate and well aligned with government objectives. The refined Area 3 boundary closely reflects Vodafone's operational experience. In summary, leased line demand is not only enduring but increasingly vital. Their role in enabling 5G, enterprise connectivity, and national resilience demands continued regulatory oversight to ensure that the benefits of connectivity are widely and fairly distributed.

Leased line access market and modelling the boundaries of the geographic markets

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.

16. We do not agree that consolidation between FTTP networks will have any material impact on the leased lines (LL) market. FTTP network builders have had no significant effect on LL during the period 2021–2025, and the markets remain fundamentally distinct.
17. Leased lines and FTTP broadband operate in separate markets with different deployment models and performance characteristics. Leased Lines services support the highest quality demands of enterprise customers, guaranteed bandwidth, resilience, security, and symmetrical performance, features that FTTP networks do not provide.
18. Data shows a substantial reduction in network extensions for retail enterprise customers, with volumes in 2020–2023 at less than 30% of those seen in 2017–2019. This decline demonstrates that enterprise demand for Leased Lines extensions has contracted significantly, independent of FTTP activity.
19. While we support Physical Infrastructure Access (PIA) as a remedy and it has played a critical role in preventing the complete loss of Leased Line new build occurrences, it has done little to alter the economics of enterprise Leased Lines build or increased overall new build volumes which continue to dramatically decline each review period. Enterprise Leased Lines extensions involve bespoke engineering and route planning with uncertain demand. 30%
20. PIA primarily facilitates FTTP roll-out for residential and SME markets. For enterprise Leased Lines, Openreach incumbency advantage and customer behaviour remain overriding barriers to rival network build.
21. In conclusion, consolidation among FTTP networks does not influence the Leased Lines market. The two markets serve different customer needs, operate under different economic models, operate across distinct networks and face distinct investment drivers.

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

22. We do not agree with Ofcom's revised proposals to change the buffer distance and strongly advocate retaining the 50-metre threshold set in the WFTMR and reaffirmed in the March 2025 consultation. This threshold most closely reflects genuine enterprise leased line deployment patterns and investment incentives and remains appropriate for the current

regulatory period.

23. In the following section we address concerns that:

- There are clear evidential errors in the data set used to support the November 2025 consultation, through the inclusion of build for unregulated markets such as the CLA and data centres. This data should be removed.
- Ofcom should take into consideration the overall decline in the total volume of new network extensions. There has been a substantial decline of ~40% taking account of all build or a decline ~~8~~ taking account of build to retail enterprises between the BCMR and the WFTMR periods.
- ~~8~~
- Ofcom’s own analysis identifies that rival build is in the main successful in winning sales only at sub 50m distances.

The data includes unregulated geographies

24. Ofcom should base its analysis on data specific to regulated geographies. Including the Central London Area (CLA) or connections to data centres, which are unregulated, is inappropriate and not relevant for assessing buffer distances in regulated areas.

No consideration is given to the overall decline in on-net connections despite a growing service market

25. The table below compares the volume of new on-net connections that competitors have undertaken annually as documented in each market review. This data illustrates a long-term downward trend in overall extension volumes since 2013.

Review	On-net connection data
TAR 2025 (2020 - 2024 ¹ - 4 years of data)	~1586 annualised (total 6346 inc PIA)
WFTMR 2021 ² (2017 – 2019 3 years of data)	~2482 annualised (total 7448)
BCMR 2019 (2017 1 year of data)	1200 annum (estimated from document data)
BCMR 2016 (2013 1 year of data)	9927 annum

26. This trend demonstrates that competitor network extension is in sustained decline. Annual volumes have fallen from nearly 10,000 connections for the year 2013 to around 1,500 per year in the most recent period. By contrast, overall

¹ Inconsistent data on suppliers some including 3 years others 4.

² [2021 WFTMR: Annexes 1-26](#) Table A5.23

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demand for leased lines has grown between the WFTMR and TAR reviews, as shown in TAR March Table A9.1, where total demand increased to 152,257, up from 147,893 in WFTMR statement Table A5.1.

27. The evidence shows that competitive network expansion is not accelerating; rather, it has contracted sharply over the past decade. With build in decline, this is the wrong time to alter market assessment metrics.

✂

28. ✂

29. ✂

✂			
✂	✂	✂	✂
✂	✂	✂	✂
✂	✂	✂	✂

30. ✂

31. ✂

32. ✂

33. ✂

Review	On-net connection data
TAR 2025 (2020 - 2024 ⁵ - 4 years of data)	✂
WFTMR 2021 ⁴ (2017 – 2019 3 years of data)	✂

³ Inconsistent data on suppliers some including 3 years others 4.

⁴ [2021 WFTMR: Annexes 1-26](#) Table A5.23

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BCMR 2019 (2017 1 year of data)	✘
BCMR 2016 (2013 1 year of data)	9927 annum

Ofcom's analysis identifies that rivals have modest success in competing for customers when a 50m build is required

34. Ofcom's analysis in Figure 3.3 demonstrates that competitive supply for leased lines is highly localised and collapses beyond very short distances. The data shows that, across all geographies, alternative providers overwhelmingly serve sites that are near their existing network infrastructure. Success rates for competitors are modest even at 50 metres, declining significantly after this distance. This confirms that most competitive activity occurs at or very close to already connected sites, with significant new build being rare. The evidence underpins Ofcom's proposal to retain a tight buffer distance for market boundary modelling.
35. In light the evidence above, we strongly recommend that Ofcom retains the 50-metre buffer distance. This approach ensures regulatory stability, supports fair competition, and avoids unintended consequences for retail enterprise connectivity.

Dark fibre transition DFA and DFX

36. VodafoneThree strongly supports Ofcom's proposal for a five-year transitional period for DFA/X where postcode reclassification moves locations from LLA Area 3 to Area 2 or HNR. This safeguard is essential, recognising the long-term nature of infrastructure investments and the strategic planning required for passive assets. Without it, operators face heightened regulatory uncertainty that deters investment and undermines confidence in Ofcom's remedies.
37. ✘

Cost-based charge controls in the LLA and IEC markets: Fibre cost reallocations and glidepath design

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?

38. We do not agree with Ofcom's revised charge control proposals:
- Ofcom should strike out BT/Openreach's proposal to move costs from WLA to LLA and revert to the March proposals.
 - The November proposals are competitively distortive ✘
 - i. ✘
 - ii. ✘
 - iii. ✘
39. In the following section we address concerns that:

- The fibre cost reallocation has been presented without adequate data transparency, with underlying RFS data and methodologies not made available. Stakeholders and Ofcom do not have sufficient time to scrutinise the proposed changes. This risks an outcome where leased line prices are set unjustifiably high, even though long run costs are

falling due to direct routing to Openreach Handover Point (OHPs) and the adoption of EAD2, coupled with FTTP build costs misallocated onto leased line services, inflating LLA/EAD costs.

- The Area 3 charge control must address the level of excessive pricing that has resulted from a lack of competitive pressure on Openreach.
- ✂ Any legitimate costs that are accepted to be transferred to the LLA market should be borne equally, or it risks distorting the retail market for leased lines.
- ✂
- The proposals will disrupt the active-minus pricing relationship ✂ in place since 2019. Ofcom must address this relationship to ensure that passive remedies remain a genuinely lower-cost, pro-competitive option.

Fibre cost reallocation

40. We have substantial concerns regarding both the timing and the nature of the significant attribution changes proposed within the BT Regulatory Financial Reporting structure, as these may directly affect the integrity of Ofcom's final conclusions in the Telecoms Access Review.
41. We discuss the specifics of the proposed changes in the section below; however, it is worth emphasising that the outcome will have a materially negative impact on a large cohort of consumers. ~£90m of cost previously shared by ~24m customers, has through an arbitrary and discretionary process instigated by BT (and BT alone), been shared across just 105,000⁵ customers, moving costs into a much smaller market. This has profound consequences for these consumers and comes at a time when Openreach is making very significant returns from leased line services.
42. The timing and reasons behind these attribution changes prompt significant questions about the strength and transparency of the process. This concern is especially pressing because Ofcom seems prepared to allow the transfer of a large share of costs from a market regulated by strict charge controls, which are meant to address failures in leased line supply, to another market (WLA). In WLA, Openreach is not subject to the same cost-based regulations; instead, a price continuity approach is used, with Regulatory Financial data serving only as background context, with no direct relationship to end pricing.
43. A very significant information asymmetry exists between BT and other stakeholders when it comes to Regulatory Financial information. It is essential that we have a regulator and a regulatory approach which is both confident enough and robust enough to bridge that information asymmetry to prevent manipulation of the system and guard against consumer harm. This means taking an approach which blocks commercially motivated, discretionary attribution changes which are progressed in insolation and cynically timed to undermine the workings of a live market review.
44. The modifications to BT's regulatory financial reporting have been selectively implemented to benefit BT itself. The change control document, which is intended to justify a +£90m attribution adjustment, contains only three pages of limited information and lacks the detailed explanation normally present in the accounting methodology. It is evident from the document that the primary reason for the change is based on 'BT's Judgement'.
45. More than ten years ago, the industry identified several cases where BT restated or reattributed costs within its Regulatory Financial Statements (RFS). These actions were influenced by the objective to optimise commercial returns for BT Group, which led to regulatory outcomes more advantageous to BT than might have occurred if attribution

⁵ ~150,00 premises reduced to approx. Openreach share

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decisions had been made independently of commercial interests. Between 2008 and 2011, there were five notable instances in which BT significantly restated figures in its RFS and/or made substantial changes to its valuation assumptions:

- In September 2008, BT revised its 2006/7 PPC service data, reducing revenues by £143m.
- That same year, internal revenues linked to AISBO services (including Ethernet) were also adjusted.
- In July 2010, BT's regulatory financial statements reported a £1,880 million increase in the net replacement cost of duct and copper access network assets over the previous year.
- In September 2011, BT decided to re-examine how it calculated the LRIC, DLRIC, and DSACs for its 2010/11 RFS, and also updated these numbers for 2009/10.
- In the same year, BT restated its RFS for 2009/10 to incorporate a correction in the calculation of internal link volumes within the TISBO market.

46. In the 2013 RFS, BT implemented substantial modifications to its attribution methodology. Consequently, approximately £90 million in costs were reallocated from unregulated products to regulated ones. Furthermore, there was an internal redistribution of expenses within the regulated segment: £76 million was shifted from business connectivity products—recently subject to a market review and established charge controls—to local access products, which remained under market review with charge controls yet to be finalised.

47. After repeated restatement, reattribution, and manipulation, Ofcom decided to dismiss BT's 2013 changes entirely, seeing them as an attempt to exploit the regulatory system. Unfortunately, we now find ourselves in a situation once again, where BT at a crucial point in a market review is seeking to attribute costs away from a product market where no cost-based charge control is to be set, to a market which is to be subject to a cost-based charge control (in an effort to remedy market failure).

48. We are also concerned that the 2017 Regulatory Commitments are not functioning as intended, with the RFS material being produced by BT Group, in an effort to manipulate the costs charged by Openreach. We would urge the OMU to examine the flow of communications between Openreach and BT that resulted in this attribution change.

49. In order to uphold trust in the regulatory process, it is essential for Ofcom to demonstrate the same level of integrity it displayed a decade ago by declining material, commercially driven attribution changes at this advanced stage of a market review. Endorsing such changes would risk undermining the significant progress made through regulatory accounting between 2016 and 2021 to re-establish confidence. During that period, Ofcom undertook substantial efforts to rebuild trust in the accounts, including enhancing production processes. For example, BT was required to disclose any major changes affecting figures in advance, enabling Ofcom to exercise veto power in cases of concern. Furthermore, a comprehensive cost attribution review conducted jointly by Ofcom and Cartesian was instrumental in eliminating errors, rectifying inappropriate attributions, and instilling greater fairness and rigor into the accounts.

50. This proposed change is selective, discretionary, and commercially driven, and it has not resulted from a comprehensive review of attribution methodologies. Permitting its implementation and incorporation into charge control setting compromise the integrity of the process.

51. The Regulatory Financial Statements remain a vital part of the regulatory framework. They help stakeholders and Ofcom understand what remedies are required and determine how effective those remedies have been. They help stakeholders engage with the regulatory process, providing consistent, comparable information year after year. They help Ofcom understand markets, helping to produce better regulation to benefit end consumers and remedy the

consequence of market failure.

52. In recent years, Ofcom seems to have placed less emphasis on regulatory finance, as evidenced by the absence of a Director of Regulatory Finance the previous holder of this position has since moved to Openreach. However, regulatory accounting continues to be an essential part of the broader oversight framework and must be adequately resourced within Ofcom. We encourage Ofcom to demonstrate the same integrity and determination it showed in 2014 by rejecting BT's commercially driven attribution changes proposed for October 2025. Ofcom cannot truly protect consumer interests if it oversees a system that can be easily manipulated by a dominant company during a crucial stage of the market review process.

53. We have commissioned Frontier Economics to provide an independent review of BT/Openreach actions. The report sets out that:

- Openreach's migration from a copper-based network to a consolidated full-fibre network should also reduce the cost of providing Ethernet services, yet Leased Line prices have risen throughout this period.
- There is already a likely misallocation of FTTP rollout costs into BT's Regulatory Financial Statements for legacy Ethernet services, evidenced by increases in reported fibre cable costs.
- BT's proposed changes to RFS methodologies, removing inter-exchange cable allocations from FTTP and reallocating spine cable costs on a usage basis, are partial, opaque and structurally favour BT.
- Frontier further notes that Ofcom's November proposals rely on new data and methodologies that stakeholders cannot scrutinise, given the absence of the 2026 RFS, the unpublished model, and limited transparency around BT's Change Control Notice. There is a material risk that Ofcom's approach would lock in transitional inefficiencies and inflated base year costs, despite long run efficiencies from exchange closures, direct routing to OHPs and the introduction of EAD2.

54. Frontier conclude:

- *Given information asymmetry, Ofcom should be extremely sceptical about basing charge controls on new methodologies which have been proposed or implemented by BT in the period immediately before charge controls are set. BT has a strong incentive to change the RFS, within the constraints placed on it, in a way which favours its investors and conversely not making changes which will reduce regulated charges, even when appropriate.*
- *The first change proposed by BT shows this clearly. BT have made a change to the allocation of interexchange allocation to reflect the fact that spine cables used for GEA services do not necessarily transit the local exchange. However, BT ignore the consequential changes required to the allocation of spine cables to take account of the fact that GEA services use separate cables to legacy Ethernet services and that these cables will be longer.*
- *The second change, to allocation spine cable costs based on number of fibres used, is a more egregious case of BT making a purely subjective change which makes the allocation of costs less accurately reflect causality of costs, but which favours BT.*
- *Ofcom should not change the final charge control to reflect these changes. Rather Ofcom should seek to carry out an independent review of the allocation of fibre cable costs between GEA and LLA services to ensure that costs associated with the roll out of the full fibre network are not inappropriately recovered from legacy Ethernet services.*
- *Ofcom should also consider how the efficiency gains in delivery of LLA services due to BT's exchange closure*

program should be factored into the forward-looking charge controls. In any case, Ethernet users should not see increases in prices due to the transition to a more efficient network structure largely built to deliver benefits to WLA customers.

55. In the following sections, VodafoneThree analyse the proposed cost reallocation, its effectiveness in addressing the excessive prices faced by Area 3 customers, ~~8~~.

Implementing Area 3 pricing to remove excessive pricing

56. Ofcom commenced the TAR and stakeholder engagement on 26 March 2024. A year later, in March 2025, Ofcom published its detailed proposals. In November 2025, Ofcom published substantially revised proposals. The scale of the changes between the March and November drafts is considerable and raises serious concerns regarding information asymmetries, due process, and the adequacy of consultation data (lack of clarity as to whether changes have arisen due to Ofcom errors in March or the proposed BT/Openreach cost transfer) and response timescales.
57. Ofcom's intention in March was to address the position of businesses in Area 3 who, due to the national pricing structure, have faced price increases between 2021 and 2025, leading to excessive pricing, without the prospect of future offsetting competition promised to businesses in Area 2. Over this period, businesses have experienced price rises of 21% for 1G Ethernet users and 38% for 100M Ethernet users. The proposed delayed implementation of new pricing in Area 3, will allow prices to increase further for another year. This would result in overall price rises between 2021 and 2026 of approximately 24% for 1G users and 41% for 100M users. These services fall within an SMP market where Openreach has a market share of 80 – 90%. The prices paid by businesses are out of line with costs and excessive.
58. Ofcom's March proposals proposed to address the level of excessive pricing via the imposition of annual price reductions. In our response to the March consultation, we proposed that Ofcom align prices to cost faster with starting charge adjustments. The new November proposals currently tabled, and now due to commence from April 2027 rather than 2026, have a range of impacts either increasing prices by a further 10% (high-cost scenario) or reducing by up to 22% (low-cost scenario). Given that the anticipated competitive response has not materialised, a pricing framework is now required to address this persistent imbalance. Only the low-cost scenario would have a material impact on the level of pricing paid by businesses, if applied evenly to services almost addressing the excessive pricing for 1G services users.

Proposals to set a price cap of CPI+5% for main link ~~8~~

59. We strongly oppose Ofcom's proposal to amend the sub-cap for Main Link service charges within the Ethernet charge control baskets in the LLA and IEC markets. Moving from CPI-0% to CPI+5%, alongside substantial increases to the Main Link component for DFA and DFX services, ~~8~~.
60. If Ofcom were to accept the proposed cost reallocation, though we believe there are strong grounds to oppose it, it must be applied in a way that delivers an equivalent effect for all purchasers of leased lines.
61. ~~8~~

- ~~8~~
- ~~8~~

62. ✂
• ✂
• ✂

✂

63. ✂

64. ✂

65. ✂

66. If cost reallocation is implemented without safeguards, it risks distorting retail competition. ✂

67. In light of these concerns, we strongly urge Ofcom to reject the proposed sub-cap changes and associated cost reallocation. Retaining the current CPI-0% sub-cap and applying cost allocation principles that ensure fairness across all purchasers is essential to maintain competitive neutrality and regulatory integrity.

The increase in dark fibre main link charging means it is no longer economic to switch from insitu active services to dark fibre for exchange backhaul in all pricing scenarios

68. The March pricing proposals offered steep cost savings where Retailers migrated their insitu services from active IECs to DFX, although we identified that ETCs payable would cut into those cost savings. ✂ This connectivity is critical to the provision of our mobile, broadband and enterprise service set. ✂

- ✂
- ✂
- ✂
- ✂

69. We have modelled an efficient migration which would minimise our exposure to ETCs ✂

The TAR proposals break the active minus price setting for main link

70. Ofcom must ensure that the price differential between dark fibre main link and EAD main link remains meaningful and stable. The effectiveness of the dark fibre remedy, and Ofcom's pro-competition objectives, depend on dark fibre being a genuinely lower-cost, pro-competitive option. If cost reallocation or price increases erode this gap, the remedy will fail to promote competition and will undermine Ofcom's regulatory objectives. We urge Ofcom to maintain a transparent, cost-based approach and to monitor the differential to prevent gaming or strategic pricing by Openreach.

71. In its 2019 Business Connectivity Market Review (BCMR), Ofcom determined that dark fibre services should be priced on an "active minus" basis, with the main link price set at £0.125 per metre, 30% cheaper than the EAD main link price of £0.18 per metre.

72. Ofcom's 2019 review set the dark fibre main link price at a cost-based level, aiming to:

- Reflect only the costs of passive infrastructure (ducts, fibre), not active electronics.

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- Provide a stable, predictable, and low price to promote competition and enable alternative providers to use BT's infrastructure on fair terms.
- Ensure that dark fibre was always cheaper than the equivalent EAD main link, to reflect the lower service level and greater responsibility on the buyer.

73. ✂

- ✂
- ✂
- ✂

✂

✂

✂

✂

74. ✂

- ✂
- The remedy becomes ineffective, and Openreach's market power is reinforced rather than constrained.

75. Ofcom adopted an "active minus" approach for pricing Dark Fibre Access (DFA) when introducing the remedy in the 2016 BCMR and subsequent consultations. ✂ To preserve the effectiveness of the dark fibre remedy, Ofcom should:

- Set or monitor a minimum differential (e.g., dark fibre must be at least 30–40% cheaper than EAD main link for the same route/length) as a regulatory safeguard.
- Ensure that any cost reallocation or price increases do not erode the competitive gap between dark fibre and EAD main link, so that dark fibre remains a genuinely lower-cost, pro-competitive option.

November proposals evaluation

76. ✂

77. ✂

- ✂
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78. ✂

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79. ✂

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Other charge control matters

80. Openreach has requested a delay to the implementation of Area 3 pricing and charge control to allow for system changes. Ofcom has accepted this request. VodafoneThree support this decision.
81. Ofcom states that it has consequently remodelled the charge control to commence in 2027, while maintaining the same outcome for end-unit prices and Openreach's cost recovery/profitability as if the charge control had started on 1 April 2026. Based on the consultation dataset, it is not possible to independently verify this calculation. We formally request that Ofcom publish the full dataset in its final statement to enable independent verification.
82. We support the removal of costs that have been miss reported as BT SMP instead of BT Group.
83. We understand the main link DFX data sets applies also to DFA, it would be beneficial to make that clear in the final statement.

Dark fibre cost modelling: Openreach sales product management costs

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?

84. Ofcom propose to change the treatment of Openreach sales product management component costs within the dark fibre cost modelling. This change follows on from BT's recent amendments to its cost allocation methodology for this component, which took effect in BT's 2025 RFS.
85. We support Ofcom's proposal to align OSPM cost treatment with BT's revenue-based allocation methodology, recognising the principle of consistency across cost components. However, as dark fibre services are used exclusively by BT's rivals, any increase in costs could disproportionately affect competition. The lack of complete data also limits our ability to fully assess the impact. We therefore recommend that Ofcom commit to ongoing review and stakeholder engagement, ensuring that any unintended consequences are promptly addressed.

Ends.