

REVIEW OF THE FIXED NARROWBAND SERVICES RETAIL MARKETS

Cable&Wireless

4^H JUNE 2009

Cable&Wireless is one of the world's leading international communications companies. It operates through two standalone business units – Worldwide and CWI.

The Worldwide business unit provides enterprise and carrier solutions to the largest users of telecom services across the UK and the globe. In October 2008 Cable&Wireless strengthened its position when it acquired UK business communication provider THUS. With experience of delivering connectivity to 153 countries – and an intention to be the first customer-defined communications service business – the focus is on delivering customers a service experience that is second to none. More information on Cable&Wireless can be found at: <http://www.cw.com/>

While not directly serving the residential consumer market, we do have a significant interest in the retail market as the consequence of deregulation are likely to be felt in the wholesale and carrier markets. We also supply services to a range of customers who do directly address the UK consumer market.

We have concerns around Ofcom's proposals for full deregulation of the retail market and we do not believe that the market is sufficiently competitive to conclude that BT no longer has significant market power (SMP). BT's market share remains very high and well in excess of the level at which the European Framework indicates a presumption of SMP. BT is now more focused than ever on retaining its existing customer base. There is a danger that if Ofcom were to fully deregulate now, there may be a reversal in the advancement of competition in the retail narrowband market. We would welcome a more detailed justification from Ofcom as to why it has chosen to disregard BT's majority market share.

BT seem to be entrenching their market position and protecting their market share by requiring customers to sign up to extended rolling contract terms in order to receive 'standard' benefits and discounts. If customers don't accept BT's extended contract terms they face the prospect of paying higher charges and /or finding another supplier at short notice. If they do accept the extended contract term and later decide to switch supplier they face paying a high early termination charge.

BT's ability to bundle voice services with broadband, which has a terminating operator-initiated switching process also allows BT to protect its dominance by creating a barrier to customers

switching. BT's tactics lock in a large proportion of customers, making it prohibitively expensive to seek a new supplier and results in a significantly reduced addressable market available to BT's competitors.

These issues do not relate to a lack of adequate wholesale products to support effective retail competition but instead the fact that BT retains a majority market share which in itself gives them a significant advantage in the market. Cable&Wireless would urge Ofcom to look into the rolling contract terms used by BT prior to any of BT's SMP obligations being removed in the retail market.