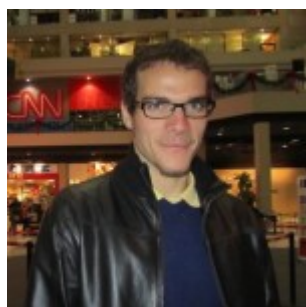


Ofcom's Consultation Triplet on Broadband Markets



The **DCMS Strategy Paper** declares that, “[f]ast, reliable, competitively-priced digital connectivity is crucial to economic growth”. The section of the paper that discusses broadband reflects two main policies already set out by DCMS in February 2013: “making it easier for the communications and telecoms industries to grow, while protecting the interests of citizens”, and “stimulating private sector investment to achieve a transformation in broadband in the UK by 2015”.

Predictably, the emphasis is on the market and competition. Public intervention, according to the plan set out by DCMS, would be necessary only to assist private investment where it is not commercially viable to provide for superfast broadband.

So what is the state of competition of telecommunication markets in the UK? Most importantly, it is crucial to identify the role of the market incumbent, BT, and whether it holds significant market power. In this context, Ofcom launched three separate consultations on the issues of cost and competition in broadband and phone services markets, the deadlines for which are all **25 September**.

The **first consultation**, launched on July 3rd 2013, deals with the Fixed Access Market Reviews (FAMR), and specifically with whether and to what extent regulation is needed in the following markets:

- Wholesale Fixed Analogue Exchange Lines ('WFAEL')
- ISDN30
- ISDN2
- Additional retail markets in the Hull Area only
- Wholesale Local Access ('WLA').

The **second consultation**, related to the first one, was launched a week later, setting out “Ofcom’s proposals for new charge controls for Local Loop Unbundling (LLU) and Wholesale Line Rental (WLR) services”. The consultation seeks comments from interested parties on the proposed controls as well as on the approach that was used in setting them.

The **third consultation**, finally, deals with the Review of the Wholesale Broadband Access (WBA) Market. The new WBA market definitions proposed by Ofcom identify three main areas:

- Market A – One or two potential significant WBA providers are present or forecast to be present (covering 9.6% of UK premises);
- Market B – There is effective competition (covering 89.7% of UK premises)
- Market C – Hull Area, where KCOM is the only significant provider (Covering 0.7% of UK premises).

Behind what may seem like an impenetrable wall of acronyms in these three consultations are some controversial issues the outcome of which will have consequences for the private investment and increased connectivity in the vision set out by DCMS. One key aspect of the realisation of competitive communication markets – which in turn play an important role in the Government’s plan – is **the role of BTOpenreach**, BT’s (independently managed) infrastructure division, in the economics of superfast broadband rollout. BtOpenreach, in fact, **has been criticised** by BT’s competitors Sky Broadband and TalkTalk for the quality of its service, and have addressed this issue – and its consequences on costs – in their responses to the consultation. Another object of criticism has been **Broadband Delivery UK (BDUK)**, which is the plan to roll out high-speed



broadband in rural communities; among other things, critics have accused BDUK of allowing BT to **reinforce its market position** and to **underfund its contribution**.

These are just a few of the open questions related to market definition and competition in the telecommunication markets, so if you want to contribute to the discussion, time is short.

This article gives the views of the author, and does not represent the position of the LSE Media Policy Project blog, nor of the London School of Economics.

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