

Incentivising investment in fibre

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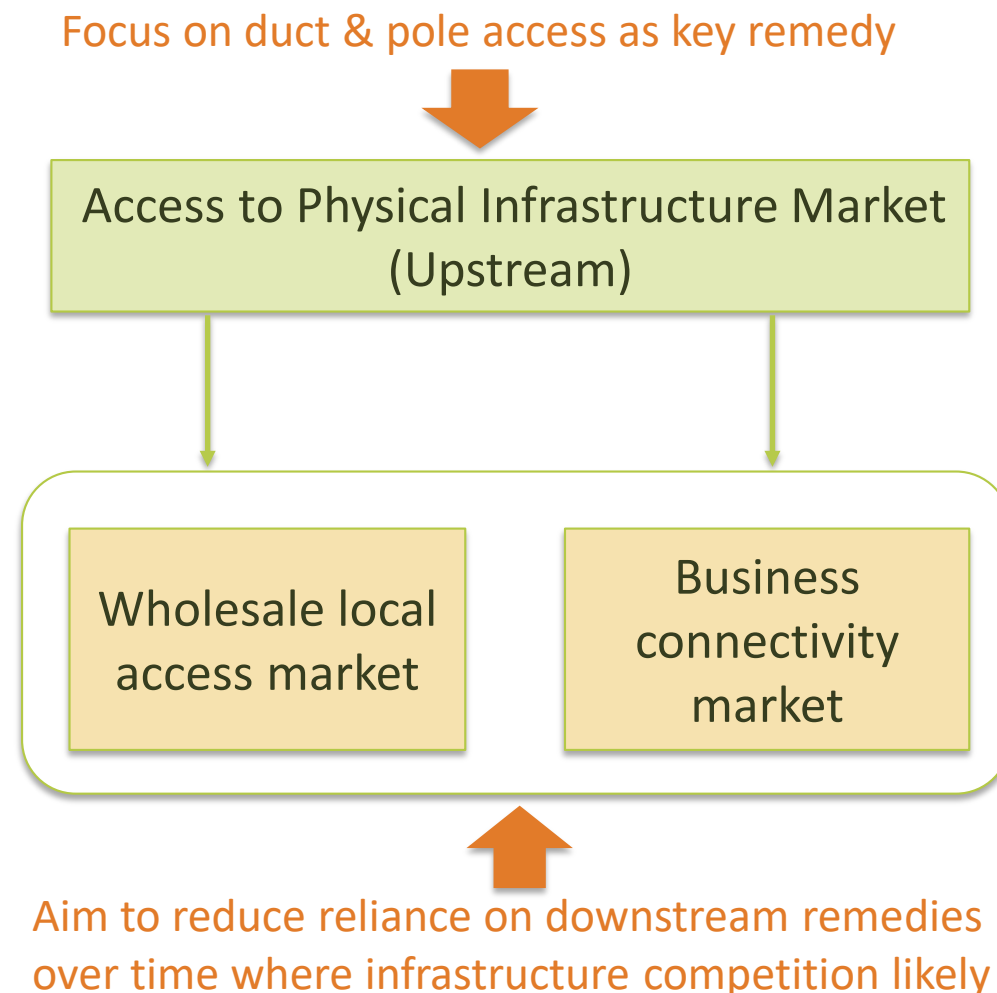
Women in Infrastructure Forum, 5 November 2019

Objective: Pro-investment, pro-competition strategy to support full-fibre ambitions

- Significant departure in approach to support step-change in investment by all players and in all areas
- Focusing regulation upstream
- Reducing regulation downstream where local competitive conditions allow
- Pricing proposals to promote investment
- Balanced approach towards copper network retirement
- Predictable long term regulation

Focusing regulation upstream

- Unrestricted duct & pole access:
 - lowers upfront cost and reduces time to build
 - Enables delivery of full suite of services (business & consumer)
- Level playing field
- Simplified and less costly processes
- Lower pricing
- Enhanced monitoring of anti-competitive behaviour



Focus upstream leading to deregulation downstream as appropriate

Type of area	Objectives	Focus remedies on Openreach
Competitive	<ul style="list-style-type: none"> No regulation 	<ul style="list-style-type: none"> n/a
Potentially competitive	<ul style="list-style-type: none"> Ensure incentives to invest by other providers Incentivise Openreach to invest in fibre Protect consumers against excessive pricing and poor quality Maintain retail competition based on access to the Openreach network 	<ul style="list-style-type: none"> Price controls only for entry level superfast and high capacity leased line services based on new entrant costs not Openreach costs Freedom to set prices for higher speeds and full fibre services
Not competitive	<ul style="list-style-type: none"> Preserve BT's investment incentives Protect customers against the risk of high prices Promote retail competition, based on access to Openreach wholesale products 	<ul style="list-style-type: none"> RAB style controls on copper based broadband (all bandwidths) Cost based access to dark fibre to support supply of mobile backhaul and business connections

Support smooth transition from copper to fibre

- Switch focus intervention from copper to fibre services on an exchange basis when specific triggers and requirements are met
- Openreach to be required to provide a 40/10 service on its fibre network
- Sufficient transition period to allow rival access seekers to inform their customers and manage the future changes (2 years tbc)
- Ensure end customers are supported through the transition
- Once transition period has elapsed, lift price regulation on copper-based services and switch to regulating a set of fibre-based products only:
 - Charge control to apply to entry level 40/10 product only
 - Slight premium over 40/10 FTTC to reflect additional benefits

Creating the right investment incentives for all

Openreach

- Balanced approach to copper retirement:
 - Support migration to fibre so legacy network can be retired
 - higher price for products on its fibre network - to reflect additional value
- In potentially competitive areas allow returns above the cost of capital
- In non competitive areas minimise risk of investment (e.g. through RAB approach)

New entrants

- Cost based access to a fit for purpose duct and pole product
- Openreach subject to strict no undue discrimination
- Sufficient margin for all network investors:
 - index prices for existing copper products to inject more margin into network layer
 - regulated prices only for entry-level superfast services – freedom to set prices for higher speed and higher-quality fibre-based services