

Welsh Government response to the consultation on Wholesale Fixed Telecoms Market Review 2021-26.

Firstly, we welcome the consultation and chance to respond. We recognise how fundamental access to fast and reliable digital infrastructure is to both the economic and social well-being of Wales. In both supporting businesses to grow through better connectivity with clients, customers and their workforce, and in supporting our communities and residents to be better connected and less isolated.

Through our Superfast Cymru project and other interventions we have transformed the broadband landscape in Wales. Our mobile action plan is helping to create the right conditions for investment in improving mobile connectivity. More recently we have been working with the UK Government to extend fibre connectivity still further both into rural areas and along key infrastructure routes. This work is ongoing.

What has always been clear is that Wales faces significant challenges in providing digital connectivity in rural and very rural areas. These are largely the result of a combination of the topography of Wales and the spread of the population across our landscape.

The proposals set out in the consultation must be seen against this backdrop of our continued effort to extend digital infrastructure and the challenges faced.

Turning to the proposals themselves we welcome the proposed geographically differentiated approach to regulation. Our view is that a 'one-size-fits-all' approach to regulation does not serve our more rural communities well and a move to a system of regulation based on geography can help drive investment in areas traditionally deemed unattractive. Indeed geographic differentiation in regulation is something that we advocated in our Mobile Action Plan for Wales to underpin connectivity in mobile networks.

We recognise the need to provide incentives for Openreach to invest in areas where there is unlikely to be infrastructure competition, referred to as Area 3 in the consultation. BT and Openreach have already benefitted from significant investment from the public sector to build out their fibre network in recent years. They will continue to derive financial benefit from this network over the period of the review. In light of this we would be interested to understand whether and how this public investment could be leveraged to encourage or require Openreach to invest in these areas.

The preferred 'forecast approach' to the Regulatory Asset Base framework raises some questions about how Openreach's commitments will be monitored. These concerns reflect the challenges outlined in the consultation document in 'confirming that Openreach's investment commitments would be sufficient and ensuring that Openreach delivers its committed investment programme'. Put simply how will Ofcom ensure that Openreach's investment is delivered in Area 3 and that the investment, and the pace of that investment, meets the needs of homes and businesses. We would appreciate clarity over how Ofcom propose to monitor and enforce the commitments made by Openreach.

The continued requirement for Openreach to offer Passive Infrastructure Access (PIA) supports our ambitions to create competition and diversity of supply in fibre. Anecdotal evidence in Wales reflects the wider picture that of PIA is increasingly being used by alternative providers but there remains some concern over associated costs.

The introduction of a dark fibre remedy in Area 3 is welcome not only in supporting the deployment of fibre to provide connectivity to homes and businesses but also to serve the mobile network. We agree that it could lead to greater innovation and the creation of competition that will benefit end users.

On the copper retirement proposals we are concerned that loss of charge control on legacy networks could lead to higher costs for customers unable or unwilling to switch to a fibre service. We recognise that Openreach have offered to commit to provide copper service at similar prices to areas where there is charge control to vulnerable customers. We welcome their offer, however, it will need to be monitored to ensure compliance and would welcome clarity on how Ofcom propose to do this. It would also be beneficial for Openreach to be mandated to offer support to vulnerable customers to understand the switch away from copper and to help them make the switch if they wish to do so.

Finally, the consultation recognises the need to work closely with the UK and devolved Government's to ensure that any funding schemes to deliver digital connectivity continue to complement the proposals in this review. It will be important that Ofcom continues to engage with the Welsh Government to ensure that the impact of the proposals on the publicly funded roll-out of fibre in Wales are recognised.