



Department for  
Digital, Culture  
Media & Sport

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Sharon White  
Chief Executive  
Ofcom

TO2017/03331/DC  
15 August 2017

Dear Sharon

I understand that Ofcom is in the process of consulting on the level of price reduction for certain superfast services, in order to correct Ofcom's assessment that Openreach and BT are excessively profiting from the network.

It is important that unreasonable profits within the sector are addressed. However, I am concerned that price suppression could reduce demand for better services, such as fibre, and so will disincentivise investment in the network. Transformation of our existing networks to full fibre or other, more future proof, technologies will take many years. So, decisions made now have significant consequences for the future digital infrastructure of the UK and the economy that will depend on it. I appreciate that the 40/10 service is one of many on the market but it represents a wider issue as to whether the regulatory regime is at risk of not striking the right balance between ensuring appropriate consumer prices while driving necessary levels of long-term investment in the networks.

The National Infrastructure Commission intend to make this point in their interim National Infrastructure Assessment. At the point of writing, I am also expecting to receive a letter, jointly signed by Virgin, TechUK, Openreach and a number of the altnets, making the same point and questioning whether Ofcom is reaching the right decision.

In the Digital Communications Review, Ofcom stated it would "err on the side of caution with respect to investment incentives". This is a position I share. High speed, reliable digital infrastructure is crucial for enabling our future digital economy. The UK must not be in a position in the future where our digital infrastructure cannot meet emergent demand. This is something we could examine for the Strategic Policy Statement (SPS).



With this in mind, I would be grateful for your view as to whether Ofcom is striking the right balance between keeping bills low for consumers and incentivising the necessary levels of investment in the UK's digital infrastructure, for your current consultation and more broadly. I would also welcome your view as to whether Ofcom's framework is constraining your ability to strike the right balance in any way. Finally, I would welcome your view as to whether there is merit at looking at new approaches to price reduction, such as reinvestment models, that can remove excess profits while driving investment in the networks.

A handwritten signature in blue ink that reads "Karen Bradley". The signature is written in a cursive, flowing style.

**Rt Hon Karen Bradley MP**  
Secretary of State for Digital, Culture, Media and Sport