



Vodafone response to Ofcom's Consultation on:

Openreach Proposed FTTP Offer starting 1 April 2023

Equinox 2

Non Confidential Version

March 2023



Introduction

1. Vodafone welcomes this opportunity to share its perspective on the expected impact of the Openreach's proposed Equinox II FTTP offer on the wider market. We fully support the work Ofcom is undertaking in connection with Equinox II, believing it to be important at ensuring notified discounts are properly scrutinised, giving an opportunity for all stakeholders to have their views considered before any final decisions are taken.
2. As a major UK broadband retailer, we are keen to see competition develop at scale between wholesale access providers. A competitive wholesale market will help to ensure UK consumers benefit in terms of value, choice, and service innovation.
3. In a world where bandwidth needs are growing and data consumption is ever rising, FTTP remains the connection standard that all consumers should aspire to. At Vodafone we have backed FTTP infrastructure investment from day one, being the initial anchor tenant for CityFibre's first 12 cities. We now actively purchase wholesale fibre from ~~8~~ and seek to offer FTTP to consumers across their respective footprints, following them when new FTTP enabled areas come on stream. We remain alert should new wholesale opportunities emerge that offer the quality, reach, and scale that would justify the commercial outlay to onboard a new wholesale supplier.
4. We are firmly of the view that Equinox II does nothing to undermine wholesale competition, indeed it provides a stable basis for wholesale pricing in the years ahead, allowing retailers to provide retail pricing certainty to consumers.
5. One of the biggest concerns we have in the migration to fibre is around the cost of making it affordable and worthwhile to consumers who may be sufficiently satisfied with their existing copper based broadband service. With PSTN switch off and then ultimately copper retirement on the horizon, we need the right wholesale commercial positions to exist in the market to enable retailers to create compelling propositions that showcase the benefits that fibre can deliver.
6. When wholesale commercial opportunities emerge from Openreach, we are always mindful of any offer characteristics that could seek to lock in historic levels of market share or bank incumbency advantages in the retail market. In the transition to fibre, we want all consumers to see the market with fresh eyes, using the access technology shift to look beyond their existing supplier and see what other market propositions may be available to them.



7. The retail broadband market in the UK is highly competitive and the array of choice available is testament to that. To keep the market competitive it is essential that retailers have access to scale wholesalers who can help ensure that the wholesale input pricing remains competitive.
8. We would not support any commercial offerings that sought to undermine longer term access market competition, even if it offered short term rewards. We continue to believe that Ofcom should scrutinise all Openreach's commercial offers in this space, as they remain the only UK-wide player and their actions could have a material impact on the competitive health of the wider market.
9. We would be particularly concerned if discounts were introduced requiring specific volume conditions that had a damaging impact on retail competition. This would be particularly true should overt or *de facto* volume related discounts apply (either through a tiered structure or from restrictions/limitations around eligibility or retailer suitability). As previously mentioned, any wholesale tariffing structure that sought to reward historic retail market scale would be a major competition concern. It is our firm view that there should be no attempt to limit the future retail market growth of any player, as to do so would constrain competition and ultimately damage consumer welfare. We are pleased that Equinox II does not have any of these characteristics.
10. We do not believe it would be wise or efficient if there were an intervention to artificially support FTTP businesses that are not sustainable, either due to high costs or a lack of scale. Not all investments in FTTP thus far are likely to be sustainable on a standalone basis in the medium or longer term. Like most market participants, we believe consolidation amongst wholesalers/FTTP builders is inevitable and should be viewed as being part of the normal course of market evolution.
11. We are also mindful of the impact of the cost of living crisis on consumers and the need for fibre to be affordable. This means prices shouldn't be artificially held high to support unsustainable market entry. Should intervention occur, it risks being at the expense of consumers. A balance is needed, one that allows for healthy competition between sustainable wholesalers, while providing realistic market pricing signals to investors around build profitability in the longer term, allowing the UK's fibre investment trajectory to continue.
12. We are firmly of the view that the pricing proposed in Equinox II does not discourage efficient competitive network build, nor do the terms of the offer deter retailers from procuring wholesale access from a variety of wholesale fibre providers. If we felt wholesale competition was in jeopardy, we would oppose the introduction of Equinox II in the strongest possible terms.
13. We believe discounts and special offers will remain an important feature of the wholesale market, particularly in the years where some level of encouragement is required to move consumers from



legacy copper access to fibre. Using a long-term pricing framework to promote fibre adoption and encourage migration from legacy products is a vital tool if we are collectively to ensure copper retirement can happen. It is entirely rational for Openreach to design a discount schemes around achieving this objective.

14. There are clear benefits around minimising the period where Openreach copper and fibre co-exist in the same geography. Equinox II is a rational proposition designed to minimise any period of costly parallel running.
15. We must draw Ofcom's attention to the lack of Social Broadband provision in the wholesale market. Given Wholesale cost make up the bulk of retailing costs for consumer broadband in the UK, it is essential that Wholesalers try to offer meaningful wholesale social tariff rental options within their portfolios. It is vital that broadband retailers and wholesalers work together to serve consumers who face affordability concerns. We would urge Ofcom to encourage wholesalers in this endeavour. We firmly believe that affordability concerns in the industry need to be addressed through a joined up approach involving retailers, wholesalers, Government and Ofcom.
16. It remains our view that Equinox II does not restrict retail or wholesale competition. It is however important that Ofcom remains vigilant to ensure retail competition can flourish in the UK broadband market and we welcome continued Ofcom oversight of this market..

Ofcom's Questions

Question 1: Do you agree with our assessment of the Equinox 2 Offer as set out above?

Question 2: Do you have any other comments on the matters set out in this document? Please provide evidence in support of your views.

17. We believe Ofcom has fairly presented the details and features of the Equinox II offer. ~~8~~, there remains no risk of altnets missing out on orders as a result of Equinox II, provided altnets remain price competitive and offer equivalent or better quality wholesale services.
18. ~~8~~.
19. ~~8~~.
20. ~~8~~. We believe that as proposed, Equinox II does not represent a threat to efficient altnets who remain focused on price, quality, and progressive footprint expansion.

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