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Ofcom
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NON CONFIDENTIAL VERSION

BY EMAIL ONLY

4 September 2012

Dear Ms Papadopoulou,

Business connectivity Market Review and Leased Lines Charge Control

I am writing with some further comments of Everything Everywhere (EE) in relation to Ofcom's proposals with respect to the Business Connectivity Market Review (BCMR) and the associated Leased Line charge control (LLCC) proposals, collectively "the Consultations".¹ EE is submitting a combined response with Mobile Broadband Networks Limited (MBNL) on the bulk of the proposals in the Consultations. MBNL (a joint venture with Hutchison 3G UK Limited) operates the bulk of EE's radio network access networks and is therefore responsible for purchasing the bulk of EE's mobile backhaul requirements. EE's main interest in the topics covered by the Consultations relates to these requirements.

[CONFIDENTIAL] This letter provides additional comments on proposals for the latter contained within the Consultations which should be read in conjunction with the combined response with MBNL.

EE welcomes the proposal to have a specific sub-cap, under the TI basket cap, on a basket comprising RBS, Netstream 16 Longline and Siteconnect products. Mobile operators purchase backhaul services linking multiple sites on a national basis for reasons explained in the combined EE/MBNL response and therefore this additional sub-cap is entirely appropriate. However, EE is concerned that the application of RPI+3.25% to a basket of such services could lead to an inappropriate increase in some of its costs. There are a range of different products within the proposed basket which are all essentially legacy products. [CONFIDENTIAL]

Therefore, we do not think that BT should be able to increase the prices of such individual products by any more than the level which Ofcom has deemed reasonable for TI services as a whole. In these circumstances

¹ Set out respectively in "Business Connectivity Market Review: review of the retail leased lines, wholesale symmetric broadband origination and wholesale trunk segments markets: Consultation" published on 18 June 2012 and "Leased Lines Charge Control: proposals for a new charge control framework for certain leased lines services: Consultation" published on 5 July 2012.



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there is no justification or need for BT to have the flexibility to recover additional fixed and common costs from these services. The proposal to set this sub-cap as a *basket* on all of the TI mobile backhaul products is therefore inappropriate and could lead to some individual prices increasing by significantly more. At least in the short term, customers are likely to be locked into continued purchase of these products and no useful additional incentive will be provided by allowing BT this flexibility. Therefore, we propose that Ofcom set this additional sub-cap as an RPI-X cap on each individual charge within this product set, rather than on a basket (i.e. the weighted average of the prices of all of the RBS, Netstream and Siteconnect services).

Please do not hesitate to contact me if you would like to discuss any aspect of this letter further.

Yours sincerely

Matthew Cherry
Head of Regulatory Economics

cc Robyn Durie (Director of Regulation, EE)
Gideon Senensieb (Ofcom)