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Dear Kate,

Business Connectivity Market Review: Update on the proposed leased lines charge controls

Previously, we have provided detailed responses to Ofcom's BCMR and initial LLCC consultations. This brief response should be considered alongside our previous responses.

Ofcom has invited stakeholders to provide views on proposals set out in this additional leased line charge controls consultation and to provide responses to the consultation questions. We note this consultation covers proposals mainly relating to BT Openreach's (BTO's) internal accounting and forecasting models.

Unfortunately we are unable to provide any detailed or meaningful analysis of your revised proposals. We suspect the same is true for most stakeholders (other than BTO). Ofcom appears to acknowledge this in their consultation (at least implicitly) when they note "*...BT was the only stakeholder to engage in detail on our proposed modelling approach*". This should come as no surprise given the information asymmetry between BTO and other stakeholders and the esoteric nature of the detailed subject matter.

This information asymmetry may, if unchecked, lead to a general bias in favour of BTO as they have much greater knowledge of these areas than other stakeholders, and it is possible that this could lead to BTO being able to achieve a more favourable regulatory settlement as a consequence. We would request that Ofcom takes this into account when making final decisions on the BCMR price control issues.

The effect of the revised proposal would be to increase the charges BTO levies on us for the provision of the Ethernet Access Direct (EAD) and in future dark fibre products used for backhaul from our developments. Given that IFNL competes with BTO for the provision and operation of fibre to the home networks and it needs to benchmark its wholesale prices with those levied by BTO for equivalent services. Therefore, any increases in BT charges for the use of dark fibre for backhaul will impact GTC's and other stakeholder's ability to compete at the infrastructure level with BTO due to reduced margins and hence decreased financial viability.

We continue to believe that the charges levied by BTO in providing EAD and in future dark fibre products should be equivalent to the notional charges that BTO levies on its own business

in respect of providing the equivalent fibre services to connect new build domestic developments. We are concerned that this is not the case.

Please contact me if you wish to discuss our response.

Yours sincerely

Mike Harding
Head of Regulation
GTC