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Lara Stoimenova,
Competition Group
Ofcom
Riverside House
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6 March 2009

Dear Lara,

Leased Lines Charge Control

I am writing with regard to Ofcom's consultation on a new charge control framework for BT's traditional interface and alternative interface products and services.

KCOM has been closely involved in the work undertaken by Ofcom during the Business Connectivity Market Review, particularly the review of KCOM's position in the provision of leased line services in the Hull area. While no charge control has been proposed in respect of KCOM services, Ofcom's findings in respect of the Hull area, together with our need to purchase leased line connectivity from BT outside of the Hull area, mean that we remain very interested in the outcome of the charge control consultation.

We fully support the submission by UKCTA and in this response will therefore limit our comments to the issue of 21CN network costs and their exclusion from the base and forecast charge control costs.

Ofcom has proposed a technology neutral approach to modelling of the charge control which excludes costs directly attributable to 21CN but allows BT to recover the costs of 21CN deployment through any efficiency gains made during the forecast period (relative to the efficiency gains which Ofcom has forecast). As a result if the costs of serving customers on the 21CN platform are much lower than those forecast using the technology neutral approach, BT will be able to retain any additional profits associated with those savings thereby theoretically enabling it to recover the costs of 21CN investment. This approach is designed to address uncertainties regarding volumes which feed into the charge control and will be influenced by the timing and extent of migration to BT's 21CN services.

While KCOM is in principle supportive of a technology neutral approach, we believe that Ofcom must take care in its application. In particular there must be a recognition that should the same approach be proposed in other markets, a specific analysis of its impact in relation to the market in question will be undertaken. If necessary the approach may need to be adapted to the specific circumstances which exist in a particular market. This will help to ensure that the application of a similar approach in other markets is justified and proportionate and does not adversely impact on investment decisions.



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We believe this is an important point of principle and while recognising that Ofcom cannot fetter its discretion in respect of future regulatory decisions we would encourage Ofcom to provide clarification on how it would approach the recovery of new technology costs in other markets.

Yours sincerely

Christine Roberts
Regulatory and Interconnect Policy Manager



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