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**By email only to**

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This is a non-confidential version. Confidential redactions are marked with [X]

Dear Gideon

**Re: MBNL’s cost to replace fixed link in the 40 GHz band**

As discussed, I am writing to clarify the position in relation to MBNL’s likely costs of moving position within the 40GHz band (or migrating to an alternative band). I also understand you have sent a section 32A information request to MBNL requesting information about the cost of replacing fixed link equipment owned and/or operated by MBNL in the 26 and 40GHz bands.

You will notice that, in our response to the Ofcom consultation, we used the same unit costs that MBNL has provided to you in their s32A response. Using Ofcom’s estimate in the consultation, we provisionally assumed that only 2% of the links involved would require an additional hop. The reason is that it was impossible to robustly estimate the number of replacement sites MBNL will require without undertaking a detailed survey of its 40GHz estate (which we did not have the time or resource to do). Sites where an additional hop is required will incur additional acquisition and line of sight (LOS) costs as detailed below.

	Cost as per Ofcom	Our estimate as per Consultation		Cost to MBNL (full link deployment)
		With Additional hop	without Additional hop	
Capex of equipment	£7,000	[X]		
Installation cost	£3,500			
MSP				
Survey				
LOS				
Acquisition				
Access and Other				
Administrative Cost				
	<b>£10,500</b>			

Upon further investigation, we now think likely that a full link deployment will be required (rather than an equipment swap). Here, MBNL would physically replace each link with new hardware regardless of frequency bands used. It is likely that dish sizes would be changed, requiring landlord permission. Also, it is likely that [redacted]. To optimise the use of self-managed spectrum, cluster replanning will be considered to limit link interference and get optimal reuse. As a result, it appears that all sites are likely to require additional acquisition and LOS costs (as estimated by MBNL).

In addition, in the consultation we used Ofcom's estimate and only included the cost of links which have a remaining book value of more than 5 years. We had conservatively estimated that the average fixed link is replaced every [redacted] years. MBNL has explained to us that the useful life of its microwave links is significantly longer than [redacted] years. MBNL replaces fixed link equipment when [redacted]

[redacted] Therefore, the total cost of replacing 4,417 microwave links across the nation in the 40 GHz band will be **£84m** (£19,032 x 4417).

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Please let us know if you have any questions.

Yours sincerely

**Luis Lopez Jimenez**  
**Director Economic Regulation**