

Your response

Question	Your response
<p>Question 1: Do you agree with our proposed procedures for commencing a review of a net cost of complying with universal service conditions?</p>	<p>Confidential? – N</p> <p>No. We disagree with the fundamental premise that a Universal Service Obligation should necessarily accord a monopoly right to the designated provider. We also disagree with the assumption that the industry should be compensating BT for its structural inefficiency.</p> <p>In short, the Designated Provider (BT and KCOM) should not be the default option for providing broadband USO, but only the backstop option.</p> <p>Where technology options are expanding continually, and where user requirements are constantly evolving, a mechanism should be introduced to allow the USO request to be subject to market test by the independent supply industry. This would allow the market to be served by the most appropriate and efficient technology available, at the lowest cost to the public purse.</p> <p>This view is based on our own practical experience of providing broadband in rural areas. We know from our daily experience that the use of innovative technology, commercial and funding models, and our low overhead cost structure, ensure that our costs are consistently lower than the incumbent provider.</p> <p>Broadway is very conscious of the risk of market distortion – we know our costs are lower than BT’s and we know that, according to current USO proposals, we will be competing against a subsidised provider.</p> <p>As part mitigation of this distortion risk, Ofcom should require BT to publish details of those 110,000 premises that it claims would cost more than the reasonable cost threshold, and allow these to be subject to market competition.</p>

<p>Question 2: Do you agree with our proposed procedures for making an application requesting compensation for any unfair burden?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p>
<p>Question 3: Do you agree with our proposed procedures when making determinations when assessing a net cost claim, including our proposed approach to finality?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p>
<p>Question 4: Do you agree with our proposal on the information the Universal Service Provider should provide alongside an application to review a net cost?</p>	<p>Confidential? – Y</p> <p>[X]</p>
<p>Question 5: Do you agree with our proposed approach to calculating, verifying and auditing a net cost?</p>	<p>Confidential? – N</p> <p>No - see answer to Questions 1 and 4.</p> <p>BT should be obliged to publish details of those 110,000 premises it claims would cost more than the reasonable cost threshold, and allow these to be subject to market competition.</p>
<p>Question 6: Do you agree with the proposed factors we will consider when assessing an unfair burden?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p>
<p>Question 7: Do you agree with our proposed approach to determining whether an industry fund should be set up?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p> <p>If a fund is to be established, we believe that, as Broadway was rejected in its application to be a Designated Provider at least partly on grounds of its size, Broadway should be exempt from contributing to the fund. We will in any case be making our own contribution to reducing USO costs by competing against BT in its USO areas, and do not expect to have to make double contribution.</p> <p>We assume that, under the principles of transparency, least market distortion, no undue discrimination and proportionality, and following the principle of the legal/accounting separation of BT Retail and BT Openreach, as a prime beneficiary of the USO obligation, BT Retail will be required also to contribute to the USO Fund, in direct proportion to its market</p>

	<p>size. Thus, while Openreach may receive compensation for its so-called unfair cost burden, BT Retail will have to pay its fair share of the levy.</p> <p>Consider the thought experiment: if Openreach were required at a later date to be wholly separated from BT Group, it would unquestionably become the USO Designated Provider, in which case BT Retail would equally unquestionably become a contributor to the USO Fund. A change in legal ownership or structure should not affect this calculus.</p>
<p>Question 8: Do you agree with our proposed approach to determining which providers will contribute to any industry fund?</p>	<p>Confidential? – N</p> <p>No - see answers to Questions 1 and 7.</p>
<p>Question 9: Do you agree with our proposed approach on calculating contributions from fund contributors?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p>
<p>Question 10: Do you agree with our proposed approach to collecting contributions to an industry fund?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p>
<p>Question 11: Do you agree with the proposed process by which we would compensate the Universal Service Provider?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p>
<p>Question 12: Do you have any comments on the specific provisions of the draft funding regulations?</p>	<p>Confidential? – N</p> <p>Yes, under the guiding principles of transparency, least market distortion, no undue discrimination and proportionality, we believe there is no case for according open-ended, non-time-limited monopoly rights to the high-cost provider, in the face of clear market-driven technology alternatives.</p>
<p>Question 13: Do you agree with our proposed approach to the choice of the counterfactual for the calculation of a net cost of the broadband USO?</p>	<p>Confidential? – N</p> <p>No - see answer to Question 1.</p> <p>Furthermore, in our view the true counterfactual case is not where the Designated USO Provider might hypothetically lose (some) margin to an alternative provider,</p>

	but where that alternative provider is invited to provide the service at competitive cost. That is the best way to provide incentive to the Designated Provider to maximise its efficiency.
Question 14: Do you agree with our proposal to use a NPV methodology to calculate a net cost of the broadband USO?	Confidential? – N Yes.
Question 15: Do you agree with our proposed reporting requirements in respect of the broadband USO?	Confidential? – N No view.
Question 16: Is there anything else you would like to tell us about the proposals set out in this document?	Confidential? – N No - see answer to Question 1.