

Your response

Question	Your response
Question 3.1: Do you agree with our approach to assessing the BT Commitment and proposals for pricing WLA services in Geographic Area 3?	<p>Confidential? –N</p> <p>Yes, the forecast RAB approach is simpler and allows BT increased flexibility to invest in Fibre in Area 3 whilst providing an appropriate level of protection for consumers. Making Area 3 regulation consistent with Area 2 is a positive step given the BT Commitment (to build to 3.2 million premises in Area 3).</p> <p>Our experience with Openreach is that they are acting honourably and doing full justice to their independent remit. Openreach also has a clear commitment to its full fibre rollout. These two factors together support a move to lighter weight and simpler regulation.</p> <p>We consider it extremely unlikely that Openreach would diverge from the spirit of the proposed regulatory step by hiking the price of higher bandwidth services (higher than 40/10) in Area 3 – it is certainly not a worry for Zen.</p> <p>Moving to a forecast RAB approach relies on Openreach delivering on its forecast, as noted in the consultation. Building to 3.2 million premises in Area 3 is a huge and ambitious undertaking, that carries with it a fair degree of risk in terms of delivery timescales – as also acknowledged in the consultation (para 4.10). Zen’s view therefore is that Ofcom should take a balanced approach when assessing Openreach’s progress against its commitment – giving Openreach reasonable flexibility to slip timescales for genuine reasons, whilst still holding it to account for ultimate delivery against its commitment.</p> <p>We would like to add a note of caution on the assumption that 20 years is the correct/best time period to assess investment return on the fibre network. In reality, 20-years is an arbitrary figure that is more of interest to financiers than being representative of the actual useful lifetime of the asset. Consider</p>

	<p>that the copper network that BT plc inherited when it was privatised in 1984 is still of substantial value to BT today in providing broadband services, despite the fact that the copper network was never designed to carry data. In contrast, the FTTP network is designed to carry data at Ultrafast speeds and is upgradable to faster speeds virtually without limit. The FTTP network will therefore be an asset of immense value to BT for many decades to come, well beyond the 20-year timeframe used to assess return on investment. Whilst the active parts of the investment (the equipment) will have a limited life, we consider that the bulk of the investment will be in the passive network (the fibre cables and passive network components), and that these would be better treated as non-depreciable assets, akin to land.</p>
<p>Question 4.1: Do you agree with our proposals for basket design and implementation of a forecast-RAB?</p>	<p>Confidential? – N</p> <p>Yes, the proposals have Zen’s support.</p> <p>Regarding the question in para 4.12, Zen believes that BT’s fibre network deployment plans should be made public due to BT’s market dominance and duty to do the right thing for UK consumers and businesses in a transparent way.</p>
<p>Question 5.1: Do you agree with our proposals for reporting requirements?</p>	<p>Confidential? – N</p> <p>Yes, the proposals for reporting requirements appear thorough and commensurate.</p>