

Question 1: Do you agree with our no material change considerations as set out above? In particular, do you agree with Ofcom that:

1.1 The characteristics of Traditional and Alternative Interface products are such that separate markets continue to exist for TI and AI products?

1.2 We should retain the main bandwidth breaks for traditional interface products but combine 34/45 Mbit/s and 155 Mbit/s services?

1.3 VPNs continue to be outside the business connectivity markets?

Please explain why:

1.1 We agree that separate markets should exist for TI and AI products although the relevance of the TI market will be diminished over the coming years by the substitution of Ethernet products for PPC and other TI offerings.

1.3 VPNs should continue to be outside the business connectivity markets as they require an input product which is typically supplied from the TI/AI market.

Question 2: What are your views on the extent to which broadband products can be used effectively for the delivery of business connectivity? How do you think this might change over the next 3 to 4 years?

We are of the opinion that broadband products will play an increasingly important part in the provision of lower bandwidth business services. Openreach have intimated that AI 10Mbit/s products will eventually be withdrawn leaving a gap in the AI market for lower bandwidth connectivity. We see product fulfilment coming from the broadband market utilising both traditional copper offerings and next generation access products such as FTTP and FTTC. There has been a significant increase in the uptake of Ethernet First Mile solutions by the business community and we anticipate that this type of broadband product will replace lower bandwidth TI and AI products over the next few years.

Currently the Openreach NGA products are being positioned into the residential marketplace but industry is working with Openreach to enhance these products to provide full business functionality. We see NGA as being a critical component in providing low to medium speed, lower cost, symmetric business services over the next 3 to 4 years.

Question 3: What are your views on the existence of a break in the market for Ethernet services provided at speeds above 1 Gbit/s?

The current break of 1Gbit/s for Ethernet services will not adequately address the bandwidth demands for the next 3 to 4 years. The previous BCMR was developed when the market was evolving from a traditional leased line product offering to lower bandwidth Ethernet products. The past 3 years have seen a huge growth in the consumption of higher bandwidth Ethernet products for both access and backhaul.

The current take up of >1Gbit/s is being inhibited not by the cost of the circuits but by the cost of hardware interfaces. The industry is already seeing a reduction in the price of this hardware which will enable cost effective consumption of higher bandwidth products particular for use in backhaul solutions. If it is the intention to retain a bandwidth based market break then it is felt that 10Gbit/s would be the logical point to cover increasing bandwidth requirements over the next 4 years.

Whilst WDM products such as the Openreach offerings of OSA are still in their infancy we

anticipate growth in the adoption of these products particularly in providing lower cost backhaul solutions. The concern of industry is that with BT Group applying for exemption from EoI on higher bandwidth solutions the lack of definition for WDM services could result in CPs not being able to consume the products for cost effective backhaul which is specifically being exempted from the BT application.

Question 4: Do you consider that:

4.1 There is still a separate market for trunk segments provided with a Traditional Interface which warrants SMP assessment for the purpose of considering ex-ante regulation?

We believe that the major failing of the last BCMR has been in the implementation of Trunk Aggregation Nodes. It was our impression that TANs were introduced to allow lower cost entry to market due to the provision of fewer aggregation points. However, BT have interpreted the TAN definitions in a contrary way to industry by implementing routeing restrictions based on exchange to TAN parenting rules. These restrictions have now also been applied to the Ethernet Access Direct product line thereby placing routeing restrictions on access circuits.

BT have announced that they intend to map their entire exchange footprint to TANs which will affect the consumption of both EBD and EAD circuits but will leave the higher bandwidth BES and WES circuits exempt from price control and routeing restrictions. The restricted EBD footprint, coupled with the withdrawal of the 1Gbit/s and below BES variant, will necessitate the increased usage of the EAD product for backhaul applications. The implementation of the TAN routeing rules could significantly increase the cost of this deployment.

Question 5: Do you think that separate markets could now exist for access and backhaul products? If you do, please explain why:

The introduction by Openreach of Ethernet Access Direct strengthens the case for separate markets for access and backhaul. Openreach have withdrawn the 1Gbit/s and below variants of BES and WES. This has resulted in CPs having to adopt one product to cover both access and backhaul requirements. Industry has immediately seen a cost implication as Openreach have not introduced an EAD daisychain variant thus increasing exchange connectivity costs. In addition the implementation of TAN routeing restrictions has been adopted by Openreach for the EAD product thereby affecting both access and backhaul circuits. We would certainly like to see current and future Openreach product offerings being delivered with backhaul and access variants. This would also assist Ofcom when considering issues such as a request for EoI exemption. If Openreach launch a high bandwidth EAD product this cannot currently be differentiated between access and backhaul variants and therefore could conceivably fall outside of EoI for both market segments.

Question 8: Do you agree that the three parts of our analytical approach discussed in paragraph 1.31 are still relevant and continue to provide an effective tool for assessing competitive conditions and for considering regulatory obligations? In particular, do you agree with Ofcom that:
8.1 the approach to identifying geographic markets used in the last BCMR is still appropriate, or is there any additional perspective that we should

appraise to inform our competition assessment?

8.2 the definition of the CELA from the last BCMR is still relevant? and

8.3 there continues to be a trunk market which is national in scope?

Please explain why:

We would generally agree that the analytical approach used by Ofcom previously remains relevant.

Question 9:Do you think that Ofcom should consider the extent to which other local geographic markets exist in the UK outside the CELA, and excluding Kingston upon Hull?

Please explain the reasons for your answer.:

We believe CELA is rather unique in terms of network competition and that no other geographic area of the UK would display the same competitive constraints on BT.

Question 10:In the last BCMR, we found no SMP provider in the market for high bandwidth 622 Mbit/s TISBO and high bandwidth AISBO provided at speeds above 1 Gbit/s in the UK and, separately, in Kingston upon Hull.

Do you consider that deregulation has worked well in these markets?

Do you think that the competitive conditions in these markets have improved, or do you consider they have deteriorated?

Please explain, providing examples where appropriate, based on your company's first-hand experience.

We are concerned that the market definition and SMP based on bandwidth alone is becoming less relevant. Whilst BT argue that they do not have SMP in the > 1Gbit/s market based on a conventional bandwidth-based analysis, we believe this is an over simplification and obscures the real competition issue.

Inter-Exchange connectivity is provided predominantly by BT regardless of circuit speed and we feel that this particular connectivity should be afforded its own market definition and SMP assessment. Inter exchange connectivity is vitally important to CPs due to high level of exchange investment and all variants of this connectivity should be excluded from TOA (terms on application) pricing.

Question 13:What are your views on how the current remedies have worked in promoting downstream competition?

Openreach have now introduced Terms on Application pricing on all high bandwidth AISBO products. We feel that this is not helping to promote downstream competition. As stated in response 10, BT have SMP on inter exchange connectivity and all bandwidths for this variant should be designated SMP products and be subject to a price control for BT. For other product variants it is the TalkTalk opinion that all Ethernet 10Gbit/s and below variants should be under price control and thereby excluded from Terms on Application pricing.

Question 18: What are your views on the role that passive remedies could play in this market for the promotion of downstream competition?

In your view, what implications might adoption of passive remedies have on the provision of active remedies?

We hold the view that passive remedies could have a significant impact on downstream competition and should be extended to cover the business connectivity market. We also feel that access to Openreach's dark fibre assets is necessary to enable competition with downstream BT lines of business.

Openreach downstream lines of business have unrestricted access to dark fibre to develop connectivity solutions whilst Ofcom does not feel that external CPs should have the same access. We feel that this is a contradictory position and is inhibiting competition within the business sector.

PIA is currently restricted to the provision of NGA services (primarily aimed at the consumer market). Adoption of PIA in support of the "Final Third" still results in a fragile business case with long duration payback periods. By way of example, relaxation of the rules in this area will assist the bidders for the BDUK funding to construct more efficient proposals which support both NGA services and point to point connections designed for B2B consumption. The availability of passive remedies to the B2B market will clearly encourage competition at an infrastructure level, although this is likely to be selective in support of major long term customer contracts or to allow CPs to augment gaps in their existing infrastructure.