

Question 1: When do you consider it would be timely and efficient for next generation access investment to take place in the UK?:

We believe the UK is ready for next generation access deployments whether by a FTTC or FTTH solution, investment in this next generation technology is critical if the UK is to maintain a competitive technological advantage given the deployments announced not just in Europe but worldwide.

In our view the technology exists and is proven to offer the high bandwidths customers are seeking in order to obtain today's broadband access services.

Question 2: Do you agree with the principles outlined for regulating next generation access?:

We agree with Ofcom's two underlying principles in its approach to regulation of next generation access investments, in particular the first principle to ensure that disproportionate regulatory policy does not inhibit efficient and timely investment. We does not enjoy the benefit of having current generation access networks which have recouped their initial investment and are now providing funding to invest in next generation networks.

We takes comfort from Ofcom's views that it should adhere to its stated principles formulated as part of the Telecoms Review namely 'contestability', 'reflecting risk in returns' and 'regulatory certainty'. We wish to see these principles applied to allow us to be confident that the conditions are right for timely and efficient investment to take place in next generation access networks.

Question 3: How should Ofcom reflect risk in regulated access terms?:

We note Ofcom's options in respect of an operator's ability to earn monopoly rents in return for undertaking risky investment.

- a) A mandated upstream price that is based on a project specific cost of capital that includes estimates of risk
- b) Upstream prices set by the asset owner, and
- c) Anchor product pricing with pricing freedom for non-anchor products but equivalence of input on all products

We believe that asset owners of the next generation access networks must be permitted to earn a reasonable return on what is a risky investment. It also considers that monopoly rents are not possible in a market that offers alternatives to service providers. If next generation network access providers were to charge monopoly rents, the service providers would simply decline the offering or find an alternative method of connecting with the end user.

Anchor product pricing is something that we believe should be set at a direct market price assuming an identical product is available in the market place to give a price

signal. Bundled anchor product pricing requires careful consideration as it may be difficult to establish the exact individual product pricing point due to cross subsidisation.

Question 4: Do you agree with the need for both passive and active access remedies to promote competition?:

As a provider of next generation FTTH access networks, we will use passive optical network (?PON?) technology and offer service providers an open access bitstream service which is effectively an active line access service.

We believe that there is a place in the market for both active and passive access services, however it is important to ensure that regulation necessitating passive access does not compromise investment in next generation access infrastructure which may rely on service revenues to provide a return. For example, on a positive note, allowing access to dark fibre for an academic network would be acceptable, as you would not be undermining your own service revenues, allowing a return on investment to be achieved. From a negative perspective it would not be possible for us to cost effectively design and build an on site infrastructure that would allow other service providers to unbundle our fibre assets and easily co-locate the equipment necessary to provide service in our Streetside cabinet.

Question 5: Do you consider there to be a role of direct regulatory or public policy intervention to create artificial incentives for earlier investment in next generation access?:

From an overbuild perspective, we do believe that the time is right to create artificial incentives to encourage the deployment of next generation access. An example of such an incentive would be regulation holidays.

The situation relating to green field next generation access offerings is vastly different to the issues facing current generation network access providers. Whilst incentives may not be necessary in urban areas, intervention may be required in rural areas to encourage next generation access to fix and effectively leapfrog the issues currently seen in existing access networks, effectively reducing the current ?digital divide?.