

## **OFCOM CONSULTATION: VALUING BT COPPER ACCESS NETWORK (PART 1)**

I am providing the Welsh Assembly Government's response to Ofcom's Valuing BT Copper Access Network (Part 1) consultation. We note that, at this stage you are consulting on principles only at this stage.

We note that Ofcom believes that much of BT's copper access network is not effectively competitive and that this is likely to be the case for the foreseeable future.

We agree that BT is not currently subject to effective competition from cable and other network operators at the wholesale access market level. This is particularly true in Wales where cable networks are predominantly only available in the Cardiff, Newport and Swansea areas.

We note that Ofcom views that direct regulation on the return that BT is permitted to make on its assets is a means of consumer protection. However, even though in today's environment, it is difficult to see serious competition entering the access market, we do urge Ofcom to consider how, through regulation it can maximise the chances of this happening. Ofcom puts forward only two alternative approaches for the valuation, based on the belief that any competitor would need to replicate BT's network instead of considering alternative technologies such as fibre to the kerb and wireless solutions.

We assume the consultation is designed to help set the price that Local Loop Unbundlers pay for the use of BT's access network. For Wales, LLU is only an urban solution. The majority of the country will be excluded from this style of competition due to its geographic and demographic nature. Therefore the majority of Welsh consumers will be ignored if Ofcom believes that LLU is the only appropriate means of providing competition.

The Welsh Assembly Government would ask Ofcom to consider another number of points as part of this consultation, which we believe would help foster competition in the access market.

The first is the cost of backhaul. As discussed in our response to the TSR, we believe that the cost of backhaul services are excessive and stop innovative alternate service providers entering the market, especially those who are working with the latest wireless technology.

As we will suggest in our response to the Spectrum Framework Review, from a wireless perspective, we believe Ofcom is still focused on wireless as a narrowband technology and that Ofcom should look at allocating the required amount of contiguous bandwidth to allow true broadband services to be delivered over wireless. The lack of use of the 3.4 and 3.6GHz areas of spectrum illustrate this point. We do not believe that the organisations that

own the licences can make their business cases work due to the lack of bandwidth.

We would also want Ofcom, when looking at the value of the access network to consider it in two parts, the E side and D side. We believe that these need to be separated, as we would like to see the availability of sub-loop unbundling, i.e. giving alternate service providers access to the D side only. In completing research this area, we have found a number of companies that would make use of this approach. These are typically the CATV organisations. We have also met with innovative equipment vendors who are producing low cost, environmentally hardened DSLAM style equipment that can be deployed outside of a local exchange and closer to the end user. We have seen costs as low as £85 per port for a 24 port DSLAM, including power but not backhaul (see our comments above).

From the Welsh Assembly Governments perspective, we believe it is vital that the TSR, Valuing the copper access and the spectrum framework review consultations should not be considered in isolation, but as part of the same review. We do not believe that a fully considered answer to competition in access will be concluded otherwise.

We would suggest that continuing with the CCA method of valuation is the most appropriate way in going forward. We would also suggest that using option 3: optimised deployment of new technology methodology of valuation is the more appropriate, considering our concerns outlined above.

We do not feel able to comment on the duct sharing section of the consultation nor the impact of a change in valuation.

We trust you will find these comments useful and will consider our requests fully.

Andy Williamson  
Chief Technology Officer  
Broadband Wales Unit  
Welsh Assembly Government