20 November 2008

Stuart McIntosh
Competition Partner
Ofcom
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

Dear Stuart,

Business Connectivity Market Review – BT voluntary commitments relating to I) the supply of new analogue and sub-2Mbit/s digital retail leased lines and II) pricing for analogue retail leased lines

In the Business Connectivity Market Review consultation document published on 17 January 2008, Ofcom stated that it was minded to accept the following voluntary commitments from BT:

- BT will continue to supply new analogue retail circuits until 1 January 2011 or earlier if, subject to industry agreement and consent by Ofcom, the underlying platform is closed at an earlier date;

- BT will continue to supply new sub-2Mbit/s retail circuits until 1 January 2011 or earlier if, subject to industry agreement and consent by Ofcom, the underlying wholesale products are withdrawn from new supply at an earlier date;

- BT will not increase its prices for analogue services more quickly than the rate of inflation (RPI-0%) for a period of two years following the publication of the Business Connectivity Market Review Statement i.e. from 2008 to 2010; and

- BT will commit to a further two-year-cap, the level of which would be agreed with Ofcom prior to 2011.

I would like to confirm, and invite Ofcom to accept, BT's offer of these voluntary commitments. We do so on the basis set out in the consultation document, namely that as a result of BT offering and Ofcom accepting the above voluntary commitments:

(i) Ofcom will not impose SMP remedies on BT for the new supply of analogue retail circuits or sub-2Mbit/s retail circuits;

Gaby Heppner-Logan
Director Regulatory Affairs

BT Group
PPC8K
BT Centre
81 Newgate Street
London
EC1A 7AJ

tel +44 20 7356 3256

e-mail gaby.heppnerlogan@bt.com

British Telecommunications plc
Registered Office
81 Newgate Street, London EC1A 7AJ
Registered in England no 1800000
BT is an ISO 9001 Registered Company

www.bt.com

(ii) SMP condition I3 will only apply if BT fails to comply with commitments relating to the pricing of analogue retail circuits set out in these voluntary undertakings.

As these commitments are voluntary, BT reserves the right to vary or terminate them. For example, we might need to review the pricing commitments if we were required to adjust our leased line prices by a decision of a relevant tribunal or other authority. However, BT would undertake to discuss any variation or termination with Ofcom at least two months before it came into effect, and we would take into account any views Ofcom put forward. Once finalised, BT would provide written notice of the variation or termination to Ofcom.

Yours sincerely,

Gaby Heppner-Logan

Gaby Heppner-Logan
Director Regulatory Affairs

BT Group
PPC8K
BT Centre
81 Newgate Street
London
EC1A 7AJ

tel +44 20 7356 3256

e-mail gaby.heppnerlogan@bt.com

KCOM group

KCOM Group PLC

37 Carr Lane
Hull
HU1 3RE

Tel: 01482 602527

19th November 2008

Gareth Davies
Competition Policy Director
Ofcom
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

Dear Gareth,

Further to my recent discussions with Serafino Abate with respect to the Business Connectivity Market Review, KCOM can make the following commitment with respect to the provision of services in the "Hull area":

KCOM commits not to increase prices for its low, high and very high bandwidth 155 Mbit/s TISBO products by more than "RPI+0%" for four years from the entering into force of the new regulatory framework for leased lines.

If you have any queries, please let me know.

Yours sincerely

Huw Saunders
Group Regulatory Affairs and Technology Development Director

Annex 10

Notification in relation to the market for high bandwidth AISBOs in the Hull area

NOTIFICATION UNDER SECTIONS 48 (2) AND 80 OF THE COMMUNICATIONS ACT 2003

Proposal to determine that no undertaking, individually or jointly with others, has significant market power in relation to the market for the provision of alternative interface symmetric broadband origination with a bandwidth capacity above one gigabit per second within the Hull Area under section 45 of the Communications Act 2003

(H) The Office of Communications ("Ofcom"), in accordance with sections 48 (2) and 80 of the Communications Act 2003 (the "Act") on 17 January 2008 published a notification stating its proposals for identifying markets, making market power determinations and the setting of SMP services conditions by reference to such determinations ("SMP Conditions") as well as Directions under certain SMP Conditions, altogether referred to herein as "the January 2008 Notification".

(I) Further to the January 2008 Notification Ofcom hereby now, in accordance with sections 48 (2) and 80 of the Act, makes the following modified proposals for making market power determinations. These modified proposals complement the January 2008 Notification and are to be read in conjunction with it.

(J) In its Notification under section 48 (1) of the Act dated 2 December 2008 in relation to the "Business Connectivity Market Review" ("the December 2008 BCMR Notification") Ofcom identified, among others, the following market for the purpose carrying out a market analysis:-

(a) the provision of alternative interface symmetric broadband origination with a bandwidth capacity above one gigabit per second within the Hull Area;

but in accordance with section 79 (5) (a) of the Act did not make a market power determination for this market in the December 2008 BCMR Notification.

(K) Ofcom in accordance with section 79 of the Act is now proposing to determine that no undertaking, individually or jointly with others, has significant market power in relation to the market referred to in paragraph 3 above, thereby modifying its proposal set out in paragraph 3 of the January 2008 Notification.

(L) As a result, Ofcom is further proposing not to set any SMP services conditions in reference to a market power determination, thereby withdrawing its proposals set out in paragraph 4 on page 476 and Part 1 and 2 on pages 548 – 553 of the January 2008 Notification.

(M) The effect of, and Ofcom's reasons for making the proposals not to determine that any undertaking, individually or jointly with others, has significant market power in relation to the market set out in paragraph 3 above as set out in paragraph 4 above are contained in the explanatory statement accompanying this Notification.

(N) In analysing the market referred to in paragraph 3 above, and in considering whether to make the proposals set out in this Notification, Ofcom has taken due account of all applicable guidelines and recommendations which have been issued or made by the European Commission in pursuance of a Community instrument, and relate to market identification and analysis, as required by section 79 of the Act.

(O) In making the proposals referred to in this Notification Ofcom has considered and acted in accordance with the six Community requirements in section 4 of the Act.

(P) Representations may be made to Ofcom about the proposals set out in this Notification and the accompanying explanatory statement by 13 January 2009.

(Q) Copies of this Notification and the accompanying explanatory statement have been sent to the Secretary of State in accordance with sections 50(1)(a) and 81(1), the European Commission and to the regulatory authorities of every other Member State in accordance with sections 50(3) and 81(3) of the Act.

(R) Save for the purposes of paragraph 3 of this Notification and except as otherwise defined in this Notification, words or expressions used shall have the same meaning as in the Act.

(S) In this Notification:

(a) **"Hull area"** means the area defined as the 'Licensed Area' in the licence granted on 30 November 1987 by the Secretary of State under section 7 of the Telecommunications Act 1984 to Kingston upon Hull City Council and KCOM Group plc;

(b) **"KCOM"** means KCOM Group plc, whose registered company number is 2150618, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 736 of the Companies Act 1985, as amended by the Companies Act 1989; and

(c) **"United Kingdom"** has the meaning given to it in the Interpretation Act 1978 (1978 c 30).

Gareth Davies

Gareth Davies
Competition Policy Director, Ofcom

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

8 December 2008

Annex 11

Glossary

Alternative interface symmetric broadband origination (AISBO)
A form of symmetric broadband origination service providing symmetric capacity between two sites, generally using an Ethernet IEEE 802.3 interface

Asymmetric Digital Subscriber Line (ADSL)
A technology that allows the use of a copper line to send a high data rate in one direction and a lower data rate in the other

Asynchronous Transfer Mode (ATM)
A technology that enables data transfer asynchronously relative to its input into the communications system. The data is put into cells and transmitted through the network to be re-constructed at the output

Backhaul Extension Service (BES)
A wholesale Ethernet product that can be used to link one of BT's exchanges with a CP node in a communications network

Bandwidth
The physical characteristic of a telecommunications system that indicates the speed at which information can be transferred. In analogue systems, it is measured in cycles per second (Hertz) and in digital systems in bits per second (Bit/s)

Base-station Controller (BSC)
An element of a Mobile Telephone Network that controls a number of radio base-stations

Coarse Wave Division Multiplex (CWDM)
A transmission technology that enables up to 18 wavelengths of light to share the same fibre optic pair

Current Cost Accounting (CCA)
An accounting convention, where assets are valued and depreciated according to their current replacement cost whilst maintaining the operating or financial capital of the business entity.

Customer Sited Handover (CSH)
Interconnection occurs at a communications provider's premises.

Customer Premises Equipment (CPE)
Sometimes referred to as customer apparatus or consumer equipment, being equipment on consumers' premises which is not part of the public telecommunications network and which is directly or indirectly attached to it.

Dense Wave Division Multiplex (DWDM)
A transmission technology that enables up to 80 wavelengths of light to share the same fibre optic pair

Digital Local Exchange (DLE)
The telephone exchange to which customers are connected, usually via a concentrator

Digital Main Switching Unit (DMSU)
The main type of tandem switch, primarily used for conveying long distance calls. DMSUs form the backbone of the trunk network

Digital Subscriber Line (DSL)
A technology for bringing high-bandwidth information to homes and small businesses over ordinary copper telephone lines

Electronic Communications Network (ECN)
A network that enables intercommunication between users of that network

Excess Construction Charge (ECC)
A charge levied where additional construction of duct and fibre or copper is required to provide service to a customer premise

Frame Relay
A packet switched data service providing for the interconnection of Local Area Networks and access to host computers at up to 2Mbit/s

Fully allocated cost (FAC)
An accounting approach under which all the costs of the company are distributed between its various products and services. The fully allocated cost of a product or service may therefore include some common costs that are not directly attributable to the service

Global Positioning System (GPS)
A system of providing accurate geographic position of a user

In Span Handover (ISH)
Interconnection occurring at a point between BT's premises and a communications provider's premises

kbit/s
kilobits per second. A measure of speed of transfer of digital information

LAN Extension Service (LES)
A communications service that enables the connection of two Local Area Networks together

Leased line
A permanently connected communications link between two premises dedicated to the customers' exclusive use

Local Area Network (LAN)
A network typically linking a number of computers together within a business premise enabling intercommunication between users and access to email, Internet and Intranet applications

Local Loop Unbundling (LLU) backhaul circuit
A circuit provided by BT that enables the connection of a communications provider's DSLAM to a communications provider's point of connection with BT's SDH network

Long Run Incremental Cost (LRIC)
The cost caused by the provision of a defined increment of output given that costs can, if necessary, be varied and that some level of output is already produced

Mobile switching Centre (MSC)

A component of a Mobile Telephone Network that switches voice calls between mobile users

Multi Protocol Label Switching (MPLS)
A technology that enables efficient routing of IP traffic over different systems

Multiple service Access Node (MSAN)
A device typically installed in a telephone exchange (although sometimes in a roadside cabinet) which connects customers' telephone lines to the core network, to provide telephony, ISDN and broadband all from a single platform

Mbit/s
Megabits per second, a measure of speed of transfer of digital information

Next Generation Network (NGN)
A Network utilising new technology such as Ethernet and IP to provide an array of services to end-users

Partial Private Circuit (PPC)
A generic term used to describe a category of private circuits that terminate at a point of connection between two communications providers' networks. It is therefore the provision of transparent transmission capacity between a customer's premises and a point of connection between the two communications providers' networks. It may also be termed a part leased line.

Passive Optical Network (PON)
A particular configuration of fibre-optic network that brings optical fibre cabling and signals all or most of the way to the end user

Plesiochronous Digital Hierarchy (PDH)
An older method of digital transmission used before SDH which requires each stream to be multiplexed or demultiplexed at each network layer and does not allow for the addition or removal of individual streams from larger assemblies.

Points of Connection (POC)
A point where one communications provider interconnects with another communications provider for the purposes of connecting their networks to 3rd party customers in order to provide services to those end customers

Public Switched Telephone Network (PSTN)
A telecommunications network providing voice telephony for the general public

Radio Base Station (RBS) backhaul circuit
A circuit provided by BT that connects a mobile communications provider's base-station to the mobile communications provider's mobile switching centre.

Service Level Agreement (SLA)
A contract between a network service provider and a customer that specifies, usually in measurable terms, what services the network service provider will furnish

Service Level Guarantee (SLG)
A statement of measurable aspects of a service connected with the Service Level Agreement

SSNIP
Small but Significant Non-transitory Increase in Price, usually considered to be 5 to 10 per cent, that is part of the hypothetical monopolist test used in market definition analysis

Stand Alone Cost (SAC)
An accounting approach under which the total cost incurred in providing a product is allocated to that product

Storage Area Network (SAN)
A high-speed special-purpose network that connects different kinds of data storage devices with associated data servers on behalf of a larger network of users

Synchronous Digital Hierarchy (SDH)
A method of digital transmission where transmission streams are packed in such a way to allow simple multiplexing and de-multiplexing and the addition or removal of individual streams from larger assemblies

Symmetric broadband origination (SBO)
A symmetric broadband origination service provides symmetric capacity from a customer's premises to an appropriate point of aggregation, generally referred to as a node, in the network hierarchy. In this context, a "customer" refers to any public electronic communications network provider or end user

Symmetric Digital Subscriber Line (SDSL)
A technology that allows the use of a copper line to send an equal quantity of data (e.g. a television picture) in both directions

Tier 1
A tier in BT's SDH network that denotes a network of nodes covering areas of high population. These nodes are connected by very high capacity line systems and denote the BT trunk network

Time Division Multiplex (TDM)
A method of putting multiple data streams in a single signal by separating the signal into many segments, each having a very short duration. Each individual data stream is reassembled at the receiving end based on the timing

TI symmetric broadband origination (TISBO)
A form of symmetric broadband origination service providing symmetric capacity from a customer's premises to an appropriate point of aggregation in the network hierarchy, using a CCITT G703 interface

Ultra Dense Wave Division Multiplex (UDWDM)
A transmission technology that enables up to 320 or more wavelengths of light to share the same fibre optic pair

Voice over IP (VoIP)
A generic term used to describe telephony services provided over IP networks

Virtual Private Network (VPN)
A network that uses a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organisation's network

Wave Division Multiplex (WDM)
A transmission technology that enables multiple wavelengths of light to share the same fibre optic pair

Wholesale Extension Service (WES)
A wholesale Ethernet product that can be used to link a customer premise to a node in a communications network

Wide Area Network (WAN)
A geographically dispersed telecommunications network