
A presentation to the
Local Loop Unbundling Hearing

prepared by

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What's Wrong?

“...both a seller of gas and owner of the transportation system which its competitors have no alternative but to use. In our view, *this dual role gives rise to an inherent conflict of interest which makes it impossible to provide the necessary conditions for self-sustaining competition.*”

***1993 UK Monopolies and Mergers Commission Report
into British Gas***

Access Layer Competition...

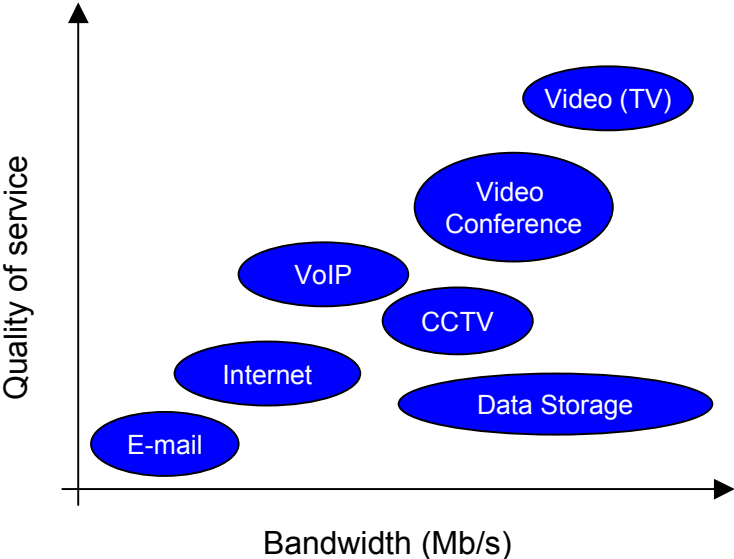
- ◆ Competition has to a large extent failed ...
 - ❖ *Mercury Communications*
 - ❖ *Cable Franchises*
 - ❖ *Wireless Local Loop (WLL) Licenses (BFWA)*

- ◆ ... and Regulation has delivered re-sale, but ...
 - ❖ *Unbundling (LLU)*
 - ❖ *CPS*
 - ❖ *Leased Line Regulations*
 - ❖ *Access Line Wholesale*

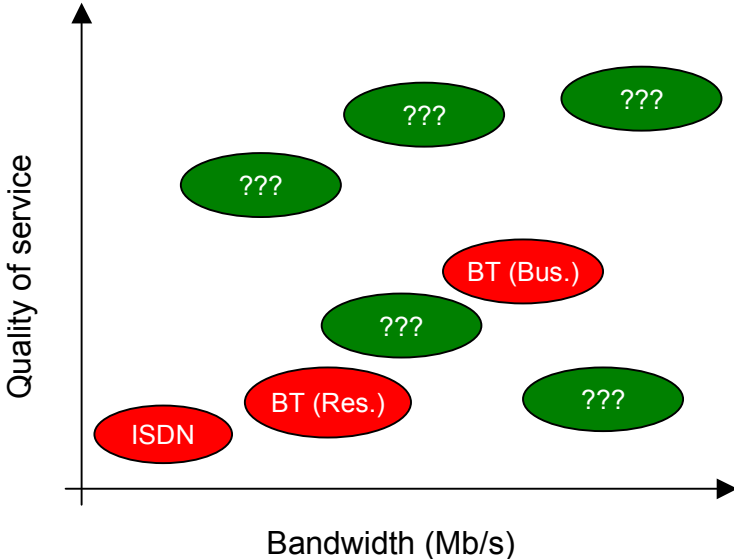
- ◆ ... there is no competition in the access layer, and there is little or no incentive or motivation to innovate.

Services and Products

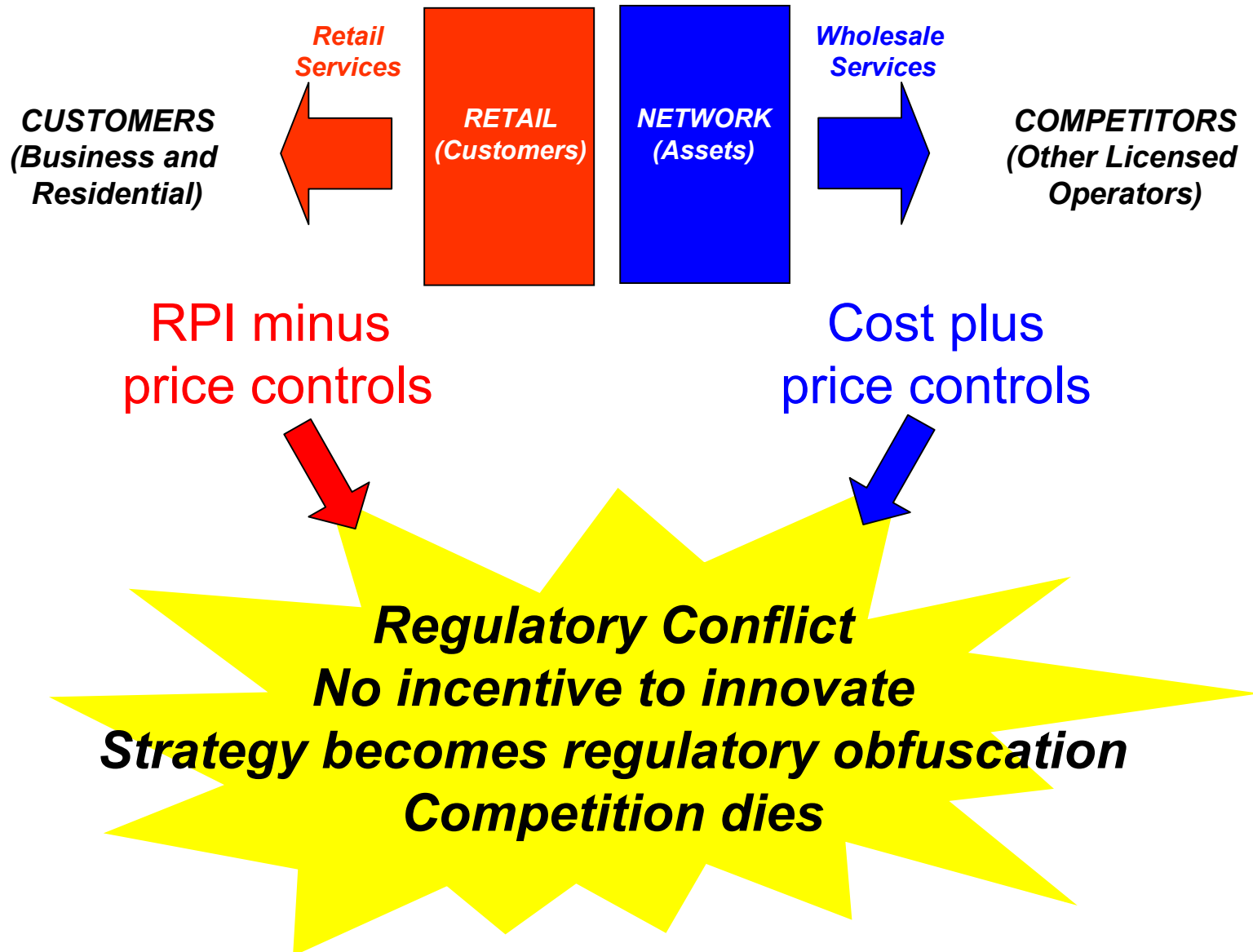
Services



Products



Regulatory Conflict Stifling Innovation

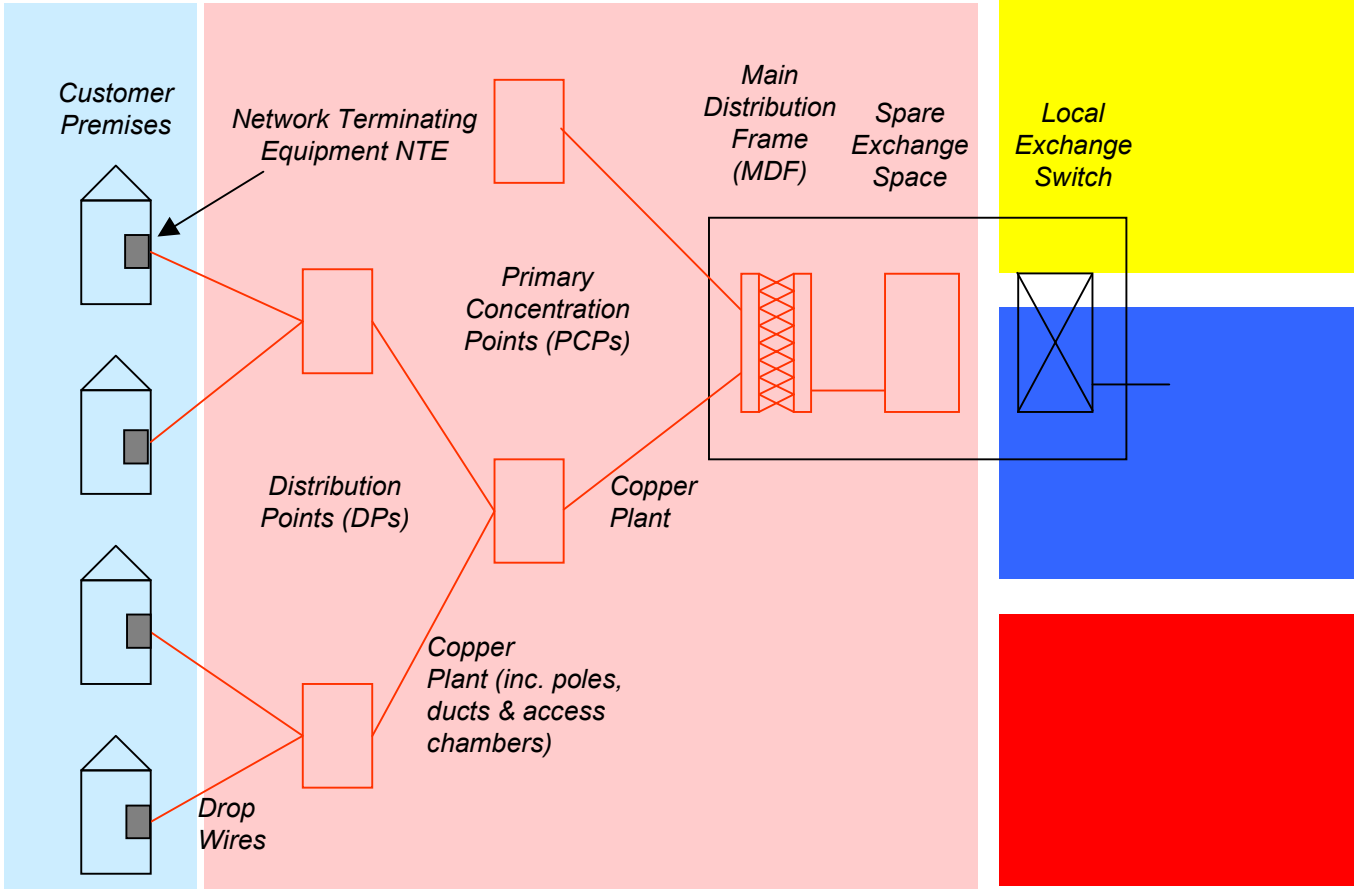


Separated Local Loop

CUSTOMERS

ACCESS

OPERATORS



LoopCo is better all round

◆ ***Better for Competition....***

- ❖ promotes competition
- ❖ promotes service innovation

◆ ***Simplifies Regulation....***

- ❖ shifts the regulatory burden to LoopCo
- ❖ make transparent the cost of access to all
- ❖ reduce overall regulation

◆ ***Promotes Innovation.....***

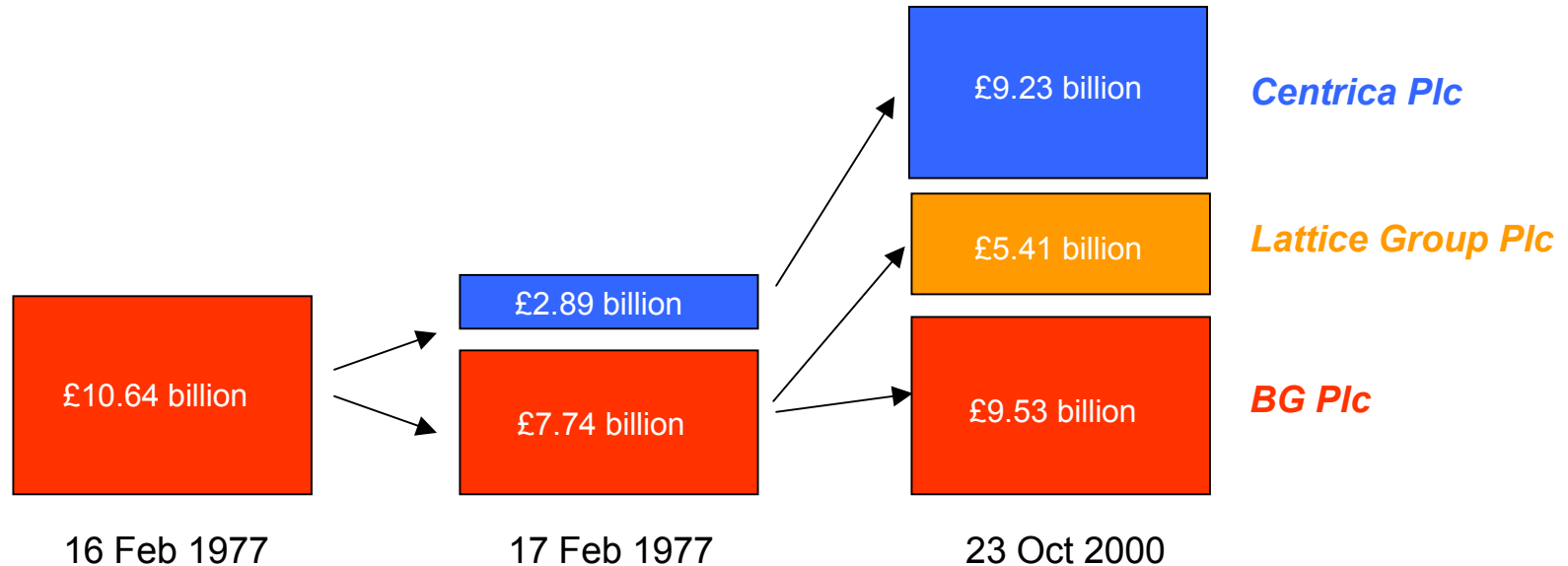
- ❖ SDSL, VDSL, xDSL and 802.11 now
- ❖ Video and new services now
- ❖ exploit and extend a valuable asset

◆ ***Good for Incumbent....***

- ❖ promotes and incentivises innovation and customer service
- ❖ encourages new services without regulatory overload

PS: and it has worked before !

- ◆ Following regulatory intervention, the UK Gas Industry was broken up into three separate businesses, production, distribution and retail - a process which created clear shareholder value



- ◆ It also created clear value for customers - the National Audit Office stated in May 1999 that customers had saved 20% on average
- ◆ And provided the impetus for management and organisational change - “In short we have harnessed the dynamic force of competition to change every aspect of our business - the culture, the organisation and above all the commercial direction” - Roy Gardner, CEO Centrica