

Stakeholder queries on Ofcom's consultation of 31 March 2011 on charge control review for LLU and WLR services

Theme: NGA

Stakeholder	Condoc page no.	Condoc para. ref.	Stakeholder query	Ofcom response
Frontier Economics	25	3.3	<p>Could Ofcom provide details of the treatment of NGA activities within the model including a description of what NGA related costs and revenues are included in the model and:</p> <ul style="list-style-type: none"> • how access duct costs have been allocated between NGA products and existing products; • how the allocation of any fixed and common costs have been allocated between NGA and existing products; • how labour costs and other operational costs related to NGA activities have been projected and allocated to services, given the limited operational experience of operating and maintaining these products. 	See "NGA allocations"
Frontier Economics			<p>In the category 'Other inc. NGA' in the 'Product_Metrics' sheet could Ofcom provide some further explanation of the movements for these services?</p>	<p>Our modelling approach excludes NGA specific costs, but includes common labour costs and revenues (as this is a potential allocation basis) therefore the Return figures calculated will not be reflective of actual costs. In terms of pay costs in particular, these reflect an assessment of 'Common labour' spent on NGA products, excluding</p>

				specific NGA labour. As you are no doubt aware this aggregated product class includes other products in addition to NGA which makes NGA profitability conclusions on the data provided difficult to assess.
Frontier Economics			Why does the proportion of operating costs allocated to "Other (inc NGA)" remain stable over the period 2011/12 – 2013/14, in spite of an increase in revenues (at constant prices) of 139% over the same period? See the sheet "Supporting data".	These costs exclude NGA specific costs.
Frontier Economics			Why is the ROCE on "Other (inc NGA)" so high relative to the core rental services and why does it increase so much over the period? See the sheet "Supporting data".	The ROCE does not include NGA specific assets.
Sky	A83	§A9.26 & fig A9.8	Why do fault cost reductions as a result in NGA in 2012/13 not continue into 1013/14 (or are these effects outweighed by something else?)?	In 2012/13 there is a large peak in the activity 'FTTC Jumpering, Provisioning and Repairs'. Whilst this peak is likely to be caused by provisioning activity we have used a static allocation to allocate KMH to connections and repairs.
Sky	A93	Fig A10.4	Why do CRS Asset base costs for Duct remain steady over the period when one would assume continued NGA roll out and adoption would make further contribution to duct costs?	At present there has been no clearly agreed basis allocation of ducts costs to NGA over the charge control period. However, given that we have already made cost adjustment related to NGA which leave costs for the charge controlled services below the upper bound set by our anchor pricing approach we did not consider that it was necessary or appropriate to establish such an allocation basis for this control. We welcome the views of stakeholders.
Talk Talk			Can Ofcom explain how costs are allocated to NGA e.g. duct, overhead, product management, cabinet space etc?	See "NGA allocations"