

OFCOM'S REGULATORY FINANCIAL REPORTING: A REVIEW

Cable & Wireless
Worldwide

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1 INTRODUCTION

- 1.1 In the last two decades we have seen competition flourish within many markets in our industry with retail competition in particular thriving, giving consumers a choice of suppliers and enabling them to experience first-hand how competition can deliver. Much of that retail competition is underpinned in one way or another by the availability of regulated wholesale products that are required in order to overcome some of the enduring access bottlenecks that BT retains. As we approach the 30th anniversary of BT's privatisation in November 2014 it is clear that these access bottlenecks will remain a feature of our industry for the foreseeable future and we continue to rely on a regulatory framework that is focused on helping competitors overcoming these enduring bottlenecks to replicate as far as possible a competitive market outcome, thus delivering wider economic benefit.
- 1.2 We wholeheartedly support Ofcom's fundamental review of BT's regulatory reporting obligations. Regulatory reporting is a much maligned and often overlooked area of the regulatory regime that is long overdue an overhaul to meet the changing needs of our industry, ensuring it is fit for purpose and can adapt to the challenges ahead. Not only are BT's regulatory reporting obligations important in their own right, they also underpin the effectiveness of other remedies that are needed to keep BT's market power in check.
- 1.3 BT's regulatory reporting is designed to act as a dashboard for Ofcom and other stakeholders, giving an indication of costs, delivering assurance around regulatory compliance, providing a guide of where more regulatory focus may be required as well as being the practical starting point for other regulatory projects such as charge controls. It also provides benefit to BT, being a vital part of their compliance framework. Regulatory reporting remains a key part of Ofcom's tool kit, helping to safeguard the consumer interest, even although it is largely invisible to the very consumers it is designed to protect.
- 1.4 BT's business is a complicated one with a wide range of products utilising a shared asset base and driving a large amount of common costs that are utilised by both regulated and unregulated products. That makes the formulation of the regulatory accounts a complex and highly specialised task which require a great number of attribution and methodological decisions to be made. This necessary complexity and freedom around the preparation of the accounts affords

BT the opportunity to obscure facts that may be harmful to its business and take decisions around the preparation of the accounts that are primarily motivated to protect BT's market position and margins, rather than as a result of a desire to provide a fair and impartial view of costs.

- 1.5 Since 2008 we have seen rapid erosion in confidence amongst stakeholders in both BT's regulatory accounting output itself and the audit assurance that accompanies it. This follows BT's decision to restate numbers within its regulatory financial statements and make material changes to valuation assumptions, all of which were detrimental to BT's competitors and helpful to BT Group interests in the context of disputes and the setting of charge controls. Stakeholders have also raised concerns around Ofcom's failure to both proactively identify matters of concern and pursue compliance concerns; this is despite Ofcom's access to more detailed information relating to BT's costs and BT's auditor also having a duty of care to Ofcom. Industry has taken a very active role in challenging BT's information and its compliance. Now it appears to us that whenever Ofcom uses BT's regulatory accounts as a starting point Ofcom needs to make extensive adjustments of its own.
- 1.6 The status quo cannot continue, with the current approach broken in parts and not delivering what the industry and ultimately consumers need. It is apparent that Ofcom's ability to both enforce a fair and transparent regime and make productive use of the accounts is compromised and we share Ofcom's desire to move away from current approach, learning from the mistakes of the past and building a new regulatory accounting framework which is fairer, less partisan and where both BT and for that matter Ofcom have more accountability for their actions. Where stakeholder insight is properly harnessed and in SMP markets there is proper visibility of costs to ensure appropriate pricing outcomes. This must be coupled with a new found fairness in approach between BT lines of business and the rest of industry, delivered through a more rigorous and impartial view of attribution.
- 1.7 We recognise achieving this is no easy task and there are trade-offs to be made and many competing objectives. However the only way to restore trust is to improve transparency, create genuine accountability and detach as far as possible attribution decisions from motives of commercial gain. The end result has to be a set of accounts that are reliable, fair and understandable to stakeholders and Ofcom, covering the range of regulated products consumed where pricing is based on costs. Ofcom have to keep at the forefront of their mind the wider objective of protecting consumers and promoting competition and recognise the important role that BT's regulatory accounts play in achieving this objective. The consequences of producing output that is unreliable with insufficient detail would be to allow BT to exploit its position of significant market power and act against the wider consumer interest. It would be a backward step for our industry and it would eventually filter through and lead to poorer consumer outcomes and a less competitive communication industry in the United Kingdom. Ofcom should seize the opportunity that this review represents and look to set a new standard in regulatory reporting, creating a regime that is founded on reliability, accountability and transparency.

2 EXECUTIVE SUMMARY

- 2.1 Accessibility of relevant and appropriate financial data in support of achieving wider regulatory objectives, enabling regulatory decision making and enabling assessment of compliance must be the ultimate aim of this review.
- 2.2 Stakeholder confidence has been severely dented in recent years following BT's restatements and changes to significant valuation assumptions. Ofcom needs to focus on re-established confidence in the regulatory reporting regime.
- 2.3 Ofcom must deliver a regime which will produce information fit for the future. Providing more detail in the product areas that are growing or expected to grow in the future like Ethernet and NGN.
- 2.4 We agree that a proper review of what is published and why is required. This review should not start with the objective of aiming to publish more or aiming to publish less, instead it should review the importance of the information itself, its wider purpose and its relevance in an evolving regulatory landscape and communications market
- 2.5 Ofcom's needs to provide clarification on the issue of cost orientation. We are unable to comment adequately absent such clarification.
- 2.6 We believe the proposals put forward in this consultation are largely positive and Ofcom has a good grasp of the issue and views of BT and other stakeholders. The notable exception is the lack of resolve to address the matter of the audit and it is clear that more must be done to enhance the assurance wrap around the accounts.
- 2.7 We are pleased Ofcom are pushing back on BT's continued claims of confidentiality. These are massively overstated and we challenge BT to elaborate on just how the information published on SMP markets could compromise the parts of their business that do operate within competitive markets.
- 2.8 While we welcome an enhanced role for Ofcom, this should not be at the expense of transparency. Ofcom should get more involved in the decision making process, they should also take a far more active role with the auditor. This all needs to be backed up with more resources.
- 2.9 With most of the assets used to provide SMP products held by Openreach it seems sensible to focus the new structure around the entire Openreach business, capturing common costs that are shared by SMP and non-SMP products but only publishing material when a SMP remedy requires it. This is the only way to ensure consistency and provide quality output.

STRUCTURE OF THIS RESPONSE

- 2.10 In the next section we turn our attention briefly to the issue of cost orientation, outlining why we believe this remedy should be retained and why it continues to make sense to consider the

issue of cost orientation alongside regulatory reporting. In section three we highlight what standard should be set for Regulatory reporting, looking at specific issues that impact on the quality of what is produced. Section four looks at the composition of the published accounts, discussing the detail of what is actually published, what works, what doesn't and what additional information would be useful. In the final section we address the specific question Ofcom pose within the consultation document.

3 THE NEED FOR COST ORIENTATION

- 3.1 Ofcom has taken the decision to decouple the issue of cost orientation from its review of regulatory accounting. Clearly regulatory accounting has a far wider scope than measuring compliance with cost orientation. We see regulatory accounting necessary for evaluating compliance with EoI and no undue discrimination (both in terms of product availability /use by CPs and BT and price), for the setting of charge controls and measuring the impact of charge controls upon internal and external sales, for the evaluation of charges that are fair and reasonable and of course for the evaluation of charges against the obligation of cost orientation. However we do regard ourselves impeded in our response to this consultation while we remain uncertain of the longer term application of cost orientation. While we consider cost accounting to be far broader than compliance with cost orientation Ofcom clearly have considered a direct correlation between the two¹.
- 3.2 We are disappointed that Ofcom has taken the decision to decouple the issue of cost orientation from its review of regulatory accounting. We believe this is the wrong way to proceed and the logic Ofcom set out in the Call for Inputs for dealing with the two issues in tandem was entirely sound. While we recognise that there would come a point in the future where it would be sensible to decouple the two issues, that point has not been reached and there is little sense in setting out a case for dealing with the topics together within the Call for Inputs, gaining stakeholder approval for such an approach, then, with no explanation, decoupling the two issue at the very next stage in the process.
- 3.3 From a practical stakeholder engagement point of view the decision to remove the issue of Cost Orientation from the review is unhelpful and has had the effect of limiting the scope of this consultation on matters relating to regulatory accounting. It has hampered stakeholders' ability to respond in a comprehensive way as there remains considerable uncertainty around the future of cost orientation. It would be unfortunate if considerable effort were expended now on formulating the correct reporting requirements only to see large swathes of useful data (DSAC, DLRIC & FAC) removed from the accounts for SMP products at the next business as usual regulatory accounting review consultation.

¹ BCMR proposal to remove regulatory accounting where cost orientation is removed

- 3.4 We note Ofcom's provisional conclusion on cost orientation within the BCMR and LLCC consultation, believing Ofcom has jumped the gun on the issue having failed to wait to reach a final conclusion on its overarching policy review before nailing its colours to the mast within an individual market review. We don't think this makes for good regulatory practice and represents a clear U-turn on Ofcom's part.
- 3.5 While we acknowledge that the individual decision on remedies must be sanctioned within each market review, it is both good practice and consistent with Ofcom's past approach (and indeed Ofcom's original intension) to provide overarching policy advice based on a standalone review of cost orientation. This has not happened and Ofcom have provided little in the way of an explanation for why there has been an apparent change or heart. In every market review conducted since 2003 where a Cost Orientation remedy has been imposed Ofcom has set out comprehensive justification for why the remedy is necessary and where a charge control is also present, why a charge control is insufficient on its own to remedy BT's SMP. Given market conditions have not changed materially Ofcom have much work to do to present an evidence base that justifies overturning their previous approach in order to reach a robust and sound conclusion to remove Cost Orientation.
- 3.6 There are very important reasons why the issue of cost orientation needs to be looked again. It is many years since the last review of the issue (which was conducted by Oftel). Recent litigation resulting from Ofcom's approach to resolving overcharging disputes needs to be examined to see if any lessons can be learned. The changing technology environment also needs to be considered, with transition to Next Generation Networks picking up pace. NGNs are characterised by a far greater concentration of common costs and clarity is needed over the treatment of these costs.
- 3.7 There now appears to be a great deal of uncertainty over what the final output from the Cost Orientation work stream will look like, or if indeed there will be any output at all. We note the Regulatory Reporting consultation suggests that a formal consultation will be carried out into Cost Orientation at some point in the future, however we now understand there is some doubt if this will ever take place or if it will become a more informal discussion paper rather than an official consultation. Indeed there should there be a consultation (in whatever form) there is no certainty that it will conclude with a final clear policy statement. We consider this to be an entirely unsatisfactory state of affairs and Ofcom have a duty to answer to stakeholders and not duck its responsibilities and provide all stakeholders with clear policy direction on Cost Orientation.
- 3.8 In our August 2012 response to the BCMR and LLCC we set out at length our views on why we consider the retention of a Cost Orientation remedy as vital in key SMP markets and no amount of charge control micro-management would act as a substitute. We will not repeat those arguments in this response but merely direct Ofcom back to them and state that our views are unaltered. We believe the loss of Cost Orientation would be a significant blow to consumers, taking away a vital mechanism that ensures that Ofcom has the ability to, as far as is possible, to recreate competitive market pricing outcomes where there is market failure. In doing this it

will be meeting its broad regulatory objective to ensure that wherever there is market failure, each individual price should still broadly aligned with cost.

4 SETTING THE STANDARD FOR REGULATORY ACCOUNTING

INTRODUCTION

- 4.1 This review provides Ofcom with the opportunity to create a new standard in regulatory reporting, learning from the mistakes of the past and building on the parts of the current framework that work. This will help to restore trust in the regulatory reporting framework so the industry can move on from the current regime which has been tarnished in part by BT's ability to restate and revalue where there is a commercial motive to do so. Ofcom need to take firm control of the reporting regime, having a more hands on role and using all the tools at their disposal to ensure the regime has integrity. In the past Ofcom has deferred far too many issues to BT and not made its voice heard when it counts, failing to make full use of the auditor's duty of care to the regulator or to take a more robust and challenging approach with regards to some of the decisions BT has taken.
- 4.2 Regulatory reporting is a highly complex area of regulation with the devil very much in the detail. The past approach of leaving much of that detail to BT has not worked. While we recognise the benefits of BT and Ofcom co-operation in the context of moving to the new regime, we believe the benefits of co-operation should not be over-emphasised. In the recent past BT has provided Ofcom with enhanced costing access on a voluntary basis, which at the time was hailed as major step forward and watershed moment in co-operation, however the benefits of this access have not materialised, with Ofcom not having the necessary resources to capitalise on the new information at its disposal. Ultimately this arrangement did nothing to prevent or mitigate restatement and the subsequent erosion of confidence in the regime.
- 4.3 We want to move on from the past and look forward to the future and we commend Ofcom for proposing a more hands-on role for itself in the regulatory reporting process. While co-operation between BT and Ofcom is helpful, Ofcom need to ensure they have robust enforcement powers in the new regime. Ofcom's enhanced role needs to be backed up with more resources and it should in no way be considered a substitute for stakeholder transparency. In the rest of this section we look at some of the key issues in the debate and set out what quality attributes a new regime should aim to embody.

INVESTMENT IN BT'S REGULATORY ACCOUNTING SYSTEMS

- 4.4 We recognise the need for BT to invest in its systems in order to produce quality regulatory accounting output. This much needed investment will hopefully go some way to make up for the many years of underinvestment in this vital area of regulatory compliance. BT's current systems and processes are creaking and have proved themselves to be difficult to maintain, update and overhaul, which goes someway to explain why BT are frequently late in producing their published output. It is clear that comprehensive and accurate regulatory accounts provide massive benefits to the entire regulatory regime and ultimately the end consumer, helping inform Ofcom and stakeholders and proving accurate pricing output where BT has a position of Significant Market Power. We also believe investment in the systems that support the production of the regulatory accounts represents good value for money for BT itself, providing benefits to BT's own business, including helping it to understand its costs better, generate efficiencies and achieve competition compliance.
- 4.5 We share Ofcom's desire to take the time to get the new system design right and we wish to avoid an outcome where a new system is designed in a way which limits flexibility and makes future adaptation difficult. We also accept that BT want to undertake this investment in an efficient way, avoiding duplication and the need to repeatedly tweak the design once it had been drafted. We would therefore like to see as much transparency as possible in the design process itself to ensure that the new system is fit for purpose and remains so; this would also help BT make efficient investment decisions and hopefully limit the number of changes needed. The best way to achieve this would be through independent oversight within the design process itself, with the interests of stakeholders represented by a competent third party with the necessary experience to ensure the eventual system design meets the objectives of the regime from a stakeholder perspective and is, as far as is possible future proofed to run from a reliable platform. BT should not be able to argue in the future that it system can't accommodate a particular requirement, if it did not take all reasonably steps in the design phase to future proof the introduction of new products/services.
- 4.6 Without this degree of transparency in the design phase, decisions could be taken early in the process that lead towards a predetermined outcome that doesn't result in the end output meeting stakeholders needs, resulting in a lost opportunity. We accept that the obligation rests with BT to comply and it is ultimately BT's responsibility to create a system that can do the job, but we believe involving stakeholders at key points along the way has benefits for BT and we look to Ofcom to set out how it sees stakeholders engaging in the process to create a new accounting system.

CULTURE OF PREPARATION

- 4.7 We note that Ofcom's proposals are silent on the issues around the culture of preparation, this was a concern highlighted by stakeholders at the Call for Inputs stage. While we accept the importance Ofcom places on BT's ultimate 'ownership' of the accounts and like Ofcom see little value in forcing BT to produce accounts that it does not endorse and from which it can ultimately distance itself from. However, there is a conflict that remains unresolved, where

disclosure of information results in adverse commercial consequences for BT then BT staff may be motivated to suppress/limit publication or discussion on matters they consider harmful to BT Group interests. It is telling that all the errors found by BT to date and subsequently disclosed by them are all in BT's net-favour. This is no coincidence and any new regime should consider very carefully BT's obligation to disclose what may be considered harmful to its business. Ofcom should consider what options are available to it to encourage disclosure, taking lessons from its own approach to using its information gathering powers where there is both an individual and a corporate responsibility for disclosing all information, regardless of the commercial consequences. This would mean the individuals responsible for preparing the reporting information within BT would be duty bound to disclose material regardless of the consequences for their employer. This formal obligation may go some way to ensure more balance in what is disclosed.

OFCOM'S ROLE IN ATTRIBUTION

- 4.8 We believe Ofcom's proposals to get involved in key attribution decision is a significant step forward and is very much welcome. However a significant amount of resource and expertise is needed to do the job properly and we don't think this is achievable within Ofcom's current resourcing and we would seek assurances from Ofcom that additional expert resourcing will be deployed to perform this task competently and impartially. We would also like to see all significant attribution decisions reviewed in an orderly fashion at the outset to eradicate bias and we would welcome a timetable from Ofcom on how this will be undertaken. We also believe there is a role for stakeholders in this process and would like to see Ofcom engaging with stakeholders on some of the material attribution decisions, providing visibility of its work and giving Ofcom a sound frame of reference in order to formulate informed views on attribution. Currently only BT's voice will be heard on major attribution decisions and it is important that stakeholder input is also sought where it is deemed appropriate and it is proportionate to do so.

NEED TO TAKE ACCOUNT OF PAST REGULATORY DECISION MAKING

- 4.9 We welcome the proposal for the accounts to take account of past regulatory decisions. The current arrangement where BT can and does ignore past regulatory decisions requiring Ofcom to make a series of adjustments to the accounts to reflect those decisions is totally unsatisfactory. It complicates the regulatory process and defies common sense, while undermining the usefulness of the accounts. BT should be required to factor in regulatory decisions within their accounting output and we accept they should also be afforded the freedom to express decent from a particular position if they feel compelled to do so, however we hope any such decent will be confined to material issues and be a rare occurrence, possibly confined to matters that are subject to on-going litigation as BT seeks to overturn a regulatory decision it strongly disagrees with.

OFCOM'S ROLE TO INVESTIGATE

- 4.10 Ofcom has always had the power to investigate issues in depth and hold BT to account where necessary on matters of concern arising from the regulatory accounts. In reality these powers

are little used as Ofcom doesn't have the resources to pursue matters that may be of concern to Communication Providers. Communication Providers themselves have put significant resources into investigating and pursuing areas of concern arising from the accounts. We are unconvinced that Ofcom will have in the future the necessary motivation or the resources to embark on a more significant investigatory role than it has conducted in the past. While we would welcome Ofcom taking on a more active approach to investigating matters of concern, believing it to be a perfectly legitimate objective for the regulator. It can only come about if Ofcom provides more resource and prioritises future regulatory accounting investigations. An enhanced investigatory role should also never be considered a substitute for stakeholder transparency.

- 4.11 Stakeholders have kept the regime afloat until now and Ofcom need to recognise this and harness stakeholder scrutiny in the new regime as the eyes of many motivated stakeholders are likely to be far more adept at identifying and pursing issues than Ofcom, even if Ofcom has more information immediately at its disposal. In truth we would like to see both routes open and it is only then that the regime will have the necessary rigour to rebuild the trust that has been lost over the past five years.

THE NEED FOR A FEEDBACK LOOP

- 4.12 A significant gap in the current regime is the presence of a functioning feedback loop that provides answers to questions that arise from the accounts. It is not unreasonable for stakeholders to ask questions and we believe that a facility should exist to do this, with answers logged and questions answered within an acceptable time. Where an answer given is unjustly short on the necessary detail then an escalation route should be available with a response deadline set. Currently there is no such arrangement and past questions have often gone unanswered. Active litigation effectively ended any direct BT and stakeholder engagement and we think Ofcom need to sanction a formal feedback loop and act as the escalation point for it, facilitating the Q&A that naturally arises from the regulatory accounts (Ofcom could also take a view should a disagreement arise over what material is confidential in the context of providing an informed BT answer). It would be unacceptable if the new regime continued to allow BT to ignore difficult questions that it finds it commercially uncomfortable to answer.

OFCOM'S POWERS TO SANCTION BT

- 4.13 Another significant concern that was highlighted at the Call for Inputs stage which hasn't featured in the consultation is the lack of sanctions available to Ofcom should BT fail to comply, misrepresent matters, fail to take due care over the preparation of the numbers or take action that compromises the integrity of the accounts. In moving to the new regime this matter must be addressed. BT has twice restated numbers with impunity and in doing so has been very selective in its approach. BT's actions prompted little response from Ofcom and it would be a massive failing if a new regime was to carry over this undesirable outcome. Ofcom must be able to respond appropriately to any gaming or incompetence on BT's part. It is only then that BT will have the correct incentives to take its obligations in this area seriously, ensuring the production of the accounts have PLC board level scrutiny as quality failings in their production will result in

regulatory consequences. We urge Ofcom to come forward with concrete proposal to fill this glaring gap in its enforcement powers.

HARM FROM DISCLOSURE

- 4.14 We are unsurprised by BT's continued allegations that harm is caused through disclosure of cost information within SMP markets. We note BT does not articulate in any detail the nature of the harm it alleges or how this harm manifests itself. For our part we are unaware of how we would make use of this cost information to cause direct, unjust harm to BT's business. Instead we rely upon it to for its intended purpose, that is to ensure the prices we pay for regulated products are based on the costs of production and for where we compete with BT, that we are not being discriminated against as a result of BT lines of business consuming a different product set.
- 4.15 In a functioning market competitor pricing is typically readily available (for all but the largest contract orders) and competitors set their pricing with this insight. Market participants also have an understanding of their own cost base and that of their competitors (as the business models of competitive providers are typically more aligned within a well-functioning market). In many case companies also have a far greater understanding of their supplier costs, and it is not uncommon for supplier costs to be divulged in some contracts. In the SMP markets where regulatory accounting obligations are imposed, BT's cost information is used to ensure pricing is compliant with the cost orientation obligation or to set the charge control obligation. While we acknowledge that information provides confidence to us over what we buy in terms of regulatory products in order to compete with BT at a retail level and in doing so delivering choice to consumers in the retail market, it can in no way be considered as unjustly harmful, certainly not any more than the availability of competitor pricing information in a well-functioning market.
- 4.16 BT's allegations of harm are entirely unfounded and Ofcom is right to push back on BT, pressing them to support claims of commercial confidentiality in SMP markets with specific evidence. Cost and volume disclosure merely acts as a remedy preventing BT from charging higher prices. Yes, BT might not like it and it 'harms' their profit margins through enhanced competition, ideally bringing them towards a competitive market outcome and being squarely in the consumer interest. There is no evidence of any unjustified harm occurring from disclosure. Disclosure that promotes competition and investment by CPs and which reduces BT market power is most welcome. The harm caused to consumers through not disclosing this vital information is a far more compelling consideration.
- 4.17 Ofcom's starting position should always be that all cost information relating to SMP products must be open to scrutiny, unless there is sound justification for it remaining confidential. For example in a retail market or prospectively competitive wholesale market it might be appropriate to disclose less information. With the list of unregulated products growing there is already a link between what is contained within the RFS and other data that BT claim is confidential. This currently hampers our ability to investigate and discuss issues and matters would be made considerably worse if Ofcom were to accept BT's wider claims of confidentiality.

PROPOSED CHARGE CONTROL COMPLIANCE STATEMENT

- 4.18 We welcome Ofcom's proposals to introduce a charge control compliance statement. This would not be onerous to produce and its availability to stakeholders is a key part in building confidence and improving accountability. It should not be considered a substitute for Cost Orientation and Ofcom should view our comments in this light. There may be an issue over alignment of the charge control compliance statement into the regulatory reporting cycling. Charge controls running from April – March each year would fit in without issue, however difficulties would be encountered with any October – September charge controls.

CHANGING THE AUDIT TO RESTORE CONFIDENCE

- 4.19 We acknowledge that given the breadth and scope of the accounts, options for audit reform are limited and while we welcome efforts to improve stakeholder understanding around the scope of the audit we don't think this addresses the matter at the heart of stakeholder concerns. It cannot be satisfactory for the auditor to repeatedly sign off accounts only to have them restated a year later, again signed off by the auditor and for this to recur. We would like to see a much wider debate on what could be done to improve the assurance wrap around the accounts. While we have no fundamental objection to the current auditor, we do not believe the statutory accounting and regulatory auditor has to be one in the same. Indeed we see value in giving the regulatory audit to another firm, possibly a respected second tier firm who exhibit a hunger to provide a comprehensive and thorough audit, ideally without much difference in the overall cost. The auditor should be at the very least conducting reconciliation between the product accounts produced by BT lines of business and the output produced in the regulatory accounts for the same services. For example by checking that Openreach's wholesale Ethernet revenues match up with the detail in the Regulatory Accounts and investigating any discrepancies. Ofcom should also be far more opinionated about who conducts the audit and how it is conducted; making full use of the duty of care the auditor has to the regulator.
- 4.20 To this end we find Ofcom audit proposals lacking and ask for further thought to be given to the issue, with Ofcom seeking expert accounting advice on what is both possible and realistic. Currently Ofcom's proposals ignore the problems of the past and while we accept mistakes can sometime occur, nothing has been suggested on how past restatements could have been prevented or at least how lessons might be learned. It may be the case the while that auditor can't look at everything in minute detail, they are able to do a deep dive into a specific area each year, with far more rigorous checking into one market on an annual basis. This is only one suggestion and there may well others which together can bolster the assurance provided with the accounts.
- 4.21 While the auditor has no duty of care to stakeholders, it would be helpful if Ofcom were able to facilitate limited auditor and stakeholder engagement (on an annual basis a short time after the accounts have been published). This would be beneficial to stakeholders and also provide the audit team with an insight into the concerns of stakeholders when reviewing the numbers.

PRE-PUBLICATION REVIEW & EXPLANATION

- 4.22 We welcome the greater emphasis on transparency around the rules of preparation and changes from year to year. With BT having to properly document the reasons underlying any significant changes, including holding gains and losses, which can undermine year to year comparisons. However it doesn't go far enough and plenty of opportunity for BT to obscure the detail remain. A formal feedback loop and direct stakeholder engagement with the auditor may help to flush out areas of concern, identify problems or allay fears.

5 FUTURE COMPOSITION OF THE ACCOUNTS

DETAIL OF WHAT IS PUBLISHED

- 5.1 We agree that a proper review of what is published and why is required. This review should not start with the objective of aiming to publish more or aiming to publish less, instead it should review the importance of the information itself, its wider purpose and its relevance in an evolving regulatory landscape and communications market. On the question of transparency we would always err towards more disclosure rather than less and this improves rigour and creates integrity. In our view BT is the only beneficiary of reduced transparency as it creates the opportunity to lessen accountability and hide material that may prove useful in the context of SMP price setting. While Ofcom itself may gain some benefits from less disclosure in the short term, for one it may delay stakeholders from investigating matters of concern and reduce the number of disputes before Ofcom for a short time, this can't be considered healthy. Ofcom need to maintain strong regulatory control of BT in the supply of SMP products and stakeholder review is an important means of achieving that. Without access to the material published in the accounts a great number of disputes would never have been brought before Ofcom and overcharging would go on unchallenged.
- 5.2 It is inevitable that some information in the accounts will be reviewed and consulted more often than others, and sometimes it may only be looked at infrequently but that does doesn't mean that it isn't needed. There is a real danger that if material is dropped from annual publication, but a subsequent need arises (for example when setting a new charge control) then BT will seek to resist future disclosure, causing delays or even devaluing the level of future stakeholder participation.
- 5.3 Certainly there is a strong need to continue publication of BT data at a detailed level in order to allow CPs to help Ofcom improve the reliability of the regulatory financial statements and year to year comparisons are an important way of achieving that. While Ofcom have highlighted that BT has willingly given them more access to information in the past (e.g. the flat file), with much promised from this enhanced access, in reality from a stakeholder perspective little has been achieved from it and we remain to be convinced that it has lived up to Ofcom's initial expectations.

5.4 In general terms we'd like to see the accounts themselves made more accessible, with greater use of spread sheet format files. This would improve stakeholders' ability to digest the information and it may also help stakeholders see the information in a new light and with new understanding, with schedules previously underused becoming more useful. We don't want to see the accounts dumbed down and aimed at the less informed reader, as to do so would likely obscure data. We accept that they are complex documents and provided there is explanatory material that is comprehensible to a reasonably expert review then this provides the correct balance between accessibility, information disclosure and proportionality over the effort needed to produce the accounts.

WHAT ADDITIONAL INFORMATION IS REQUIRED

- 5.5 Enhanced Ethernet reporting is needed to keep pace with the growing importance of this market. In the past we have seen some attempt to consolidated reporting and there may be cases with legacy services where this is appropriate. However there are examples now where there is insufficient transparency. For example we require far greater visibility of connection volume information on the EBD product. This is an example of where Ofcom must act pragmatically in order to preserve the public interest. EBD is a strategic product that is expected to grow extensively in the years ahead, meeting demand for both new supply and also as a direct replacement for legacy services. It is therefore important for revenue and cost information to be available, even if volumes at this stage are not particularly significant. In the initial stages it would be acceptable to consolidate the information across all bandwidths, separating them by bandwidth only when volumes grew to justify it. Ofcom needs to ensure that BT provides adequate detail on all the relevant backhaul products as it appears communications providers have diverging requirements for backhaul. BT uses EBD, while other Communication Providers have historically used BES. Communication Providers are now considering using OSA rather than EBD and unless adequate detail is provided across the product range then there a risk of discrimination and game playing.
- 5.6 To deny stakeholders this level detail will undermine transparency in the market, making it easier for BT to potentially discriminate against external supply and avoid detection. A key aspect of the current regime is the ability of stakeholders to raise concerns they may have based on the information available. Indeed the recent PPC Cost Orientation dispute serves to highlight the important role that stakeholders have in helping to police compliance, helped by access to accurate and sufficiently detailed regulatory accounting information. BT's internal consumption is an important and potentially significant section of the market and as such is an integral part of the reporting framework.
- 5.7 We also look to this review to set out proper transparency criteria for costs and volumes for future services. NGA services and VULA and likely to be in significant demand in the years ahead and while it is up to future market reviews to specify what remedies are needed, we would look to this project to set out a default standard for regulatory reporting on new SMP products, where a reporting remedy is imposed. Indeed it may be desirable to understand how NGA contributes to common costs and how this could change as Traditional Interface

services decline and NGA takes off. This is the right point to remove uncertainty over what default reporting requirements are required.

- 5.8 In the next section we review at a high-level the various Regulatory Accounting documents produced by BT and provide an assessment of their usability and usefulness from our perspective. Unsurprisingly we spend most time on the Current Cost Financial Statements as we view this document as the key publication in the data set produced by BT each year.

REVIEW OF BT'S REGULATORY ACCOUNTING DOCUMENTATION

- 5.9 We set out below our views on each document and reporting statement. However, overriding these comments is the need to have a coherent and auditable package of regulatory accounting information. For example it should be straightforward for an informed reader to understand what costs are included in any particular regulated service. Also, as we have stressed above, the package needs to be capable of being covered by a strong assurance wrap.
- 5.10 **Primary Accounting Documents:** It is sensible to retain a high-level principles guide as it is important to set out the context and the basis of preparation. We don't believe this is an onerous document to maintain (as it changes little from year to year). We also believe it is beneficial to both BT and Ofcom. It is referred to infrequently by other stakeholders, but is none the less an import part of the documentation and a key part of ensuring quality output.
- 5.11 **Detail Attribution Methodology (DAM):** In its current form we view this as an internal BT document, providing a reference point for attribution decisions. Its format does not lend itself to be useful to stakeholders, although we understand why it is necessarily complex. Our ideal outcome would be something more descriptive and user friendly. In its current format we are indifferent to its publication, again providing there is transparency should material matters of concern arise concerning what it contains in the future.
- 5.12 **Wholesale Catalogue:** this is primarily a reference document mapping specific BT products to regulated markets, with Published Order, Service Number and Market Number references. It also contains price list entry details. We believe this document is little used by stakeholders themselves, although we regard it as an important reference point for both Ofcom and BT to ensure the correct range of products are published. We are indifferent to its publication, providing disclosure would be provided should any matters of concern emerge in the future.
- 5.13 **Detailed Valuation Methodology:** We view this document in a similar light to the DAM. The accompanying text is more user-friendly; however we have little day to day use for this publication. We are indifferent to its publication, providing disclosure would be provided should any matters of concern emerge in the future.
- 5.14 **LRIC Model:** While the LRIC model is complex and it is certainly not used day to day we view it as important publication and reference point for stakeholders for periodic review. It remains an important model in the context of price setting (in relations to prices subject to cost orientation) and as such we believe its continued publication is essential.

5.15 Current Cost Financial Statements:

5.15.1 **Ofcom Statement:** We see great value in Ofcom's opening statement; indeed we would like Ofcom to make more use of this section to highlight its own activities in relation to BT's regulatory financial reporting as well as using it to any voice concerns or make any material observations in relation to the accounts. We understand Ofcom has little time in which to review the accounts before they are published and this in part explains the brevity of past Ofcom RFS statements. If Ofcom takes a more hands on role in attribution decision then this may change.

5.15.2 **Section1 - Introduction to the Current Cost Financial Statements:** We believe this section is not onerous to produce and provides some context to the reader on the scope and purpose of the accounts.

5.15.3 **Section 2 – Statement of Responsibility:** This is an important section and enforces accountability. We believe BT's PLC board has direct responsibility for its regulatory accounting obligations and as such we would like to see the BT Group CFO sign off the accounts. This would underline the importance of BT's accountability and give the regulatory accounts a much higher prominence within BT, something which we believe is needed to ensure quality.

5.15.4 **Section 3- Audit Report:** We continue to see value in an audit report and formal audit sign off within the accounts. We would like to see far more detail within the audit report. We would like to see changes to the way the audit is conducted but will not repeat our comments concerning the audit in section four of this response.

5.15.5 **Section 4 – Basis of Preparation:** We believe this remains a useful section giving a picture of what BT does in its preparation of the accounts. It is neither lengthy nor onerous to maintain, however it probably only lightly used by informed readers.

5.15.6 **Section 5 – Summary of Financial Performance:** We do not believe this detail is necessary and are indifferent to its publication.

5.15.7 **Section 6 – Attribution of Current Wholesale Costs and Mean Capital Employed:** We regard this section as useful, helping to provide an overall picture across a range of regulated markets. We regard the information contained within 6.3 (attribution of current wholesale costs) as particularly useful.

5.15.8 **Section 7 - Review of Access Markets:** As a general comment we consider the information provided as very useful, although the degree to which information is needed for each product varies from stakeholder to stakeholder and is based on past and future purchasing activity. To a large extent the usefulness for each product will depend on future product plans (for example TIBSO would cease to relevant when demand falls away and BT withdraws the products). We would like to see even greater detail on some Markets, particularly those growing such as Ethernet.

5.15.9 **Section 8 – Review of other Wholesale Markets:** We view this section in a similar light to section 7 above; believing it is very useful and contains crucial information, however there may come a time when the specific product information is no longer required. For example if bottom up modelling replaces actual costs for call termination and call origination in the Narrowband market then we can see the need for current cost information falling away for these products. For the moment all the information provided is useful and actively used by stakeholders, but given the timescale for this review then the current product make of this section may need to be overhauled. There is likely to be a continued need for Interconnect Specific and PoH information, as these services are only purchased by external CPs. The summary level detail provided in section 7 & 8 is typically pulled from elsewhere in the accounts and if this detail were provided in spread sheet form it would not be necessary to provide summary information as the user could produce this detail themselves.

5.15.10 **Section 9 – Reconciliation statements:** We see less need for this detail to be published now than in the past. Given the concentration of Regulated products within Openreach there would be considerably more value in producing a reconciliation statement that linked back to Openreach specifically, rather than BT's statutory accounts. When you consider BT's business overall, the regulated part of the business is roughly a third of total, so it would serve the interests of stakeholders if the focus was on that third (which is largely concentrated in Openreach). There would be considerable value if Ofcom focused the whole regime on Openreach, with BT's regulatory accounting platform having a full view of Openreach cost base including common costs, however disclosure would be confined to SMP markets.

5.15.11 **Section 10 – Openreach Information:** this section is growing in importance and we view it as essential and it is frequently referred to by stakeholders.

5.15.12 **Appendix 1- Network Activity statement:** Contrary to Ofcom's view, we think this section is vital. Indeed a respected independent consultant who has completed work for us in the past in relation to regulatory costs contacted us (without being solicited to do so) to air his view that this section is crucial. He stressed that without it he would have been hampered in assisting with responding to key charge control consultations. We share his view and believe the information given in this section is not available elsewhere and must be retained. We don't believe the information provided gives rise to any confidentiality concerns. It is very important that we understand what is driving individual service costs. Again, if a spread sheets were made available we could do without the summary reconciliation detail provided in 1.3.

5.15.13 **Appendix 2 – Price Control statements:** In light of Ofcom's proposals for BT to produce compliance statements, we don't believe this information is required. The details of the controls themselves are available elsewhere.

CONCLUSION

- 5.16 We believe the debate on what to include within the scope of a future set of regulatory accounts is a dynamic one, which must take full account of future market and regulatory changes. We don't want the end results of this review to culminate in a few tweaks to the current output, with the focus becoming a trade-off between reducing stakeholder transparency while increasing Ofcom's involvement. If BT is complying then it should not fear publication. We look forward to a more comprehensive second consultation that will set out in more detail the changes to the accounts that will help rebuild trust, improve transparency and deliver benefit to end consumers who rely on these SMP products. Stakeholders have a key role to play and Ofcom must ensure that stakeholders play a central role in scrutinising compliance.

6 ANSWERS TO OFCOM'S QUESTIONS

Question 3.1 – Do you agree with the four attributes we have identified for BT's regulatory financial reporting: relevance, reliability, transparency, and proportionality? Are there any further attributes you would consider?

We endorse the four attributes Ofcom have identified, however Ofcom have wide discretion over the interpretation, emphasis and application of these attributes. In the main body of this response we have highlighted what we believe are the important points that Ofcom should focus on.

Question 3.2 – Have we identified the right questions which BT's published financial statements should answer? What further questions do these statements need to answer?

In the main we believe Ofcom have captured the primary purpose of the accounts, however with the future of Ofcom's approach to cost orientation uncertain we believe this consultation has missed out a number of important questions and we hope Ofcom will make up for this in the next consultation when the future of cost orientation will be more certain.

We would like to see a future regulatory reporting platform spanning all Openreach costs (and other BT Group businesses where appropriate) with disclosure then determined by individual market reviews. This approach would assist in the delivery of quality, more consistent output with a common stance to common costs.

Question 3.3 - Have we identified the right factors to consider, in terms of what the regulatory audit should seek to achieve? If not, please provide your comments and suggestions and support them.

We considered the current proposal around the audit falls short of what is required. We believe the audit should be more comprehensive, with basic product level reconciliation carried out. It would be unacceptable if Ofcom were to carry forward the current flaws in the audit process into the new regime, bearing in mind that the current approach failed to provide any warning of two significant restatements. A more detailed discussion of these issued is contained within Section 4 of this response.

Question 3.4. – With reference to specific examples, how do you consider we should balance the needs for adequate disclosure with BT's concerns around confidentiality? Where BT has stated that disclosure of information is commercially sensitive, please explain whether you consider this to be a valid concern. Please provide evidence to support your view.

BT's claims around confidentiality are overstated and unless detailed and comprehensive information is made available on SMP products then the accounts will fail to achieve their primary objectives. A consistency from year to year and between products is important. There are considerable benefits to adopting an approach that take a holistic view of Openreach's costs (and where necessary other BT lines of business), with disclosure then determined by the SMP remedies set. Please refer to the main body of the response for a more detailed discussion of this issue.

Question 4.1 – Do you consider that we have correctly identified and described the main issues in relation to BT's data? If you consider that there are additional issues, please provide evidence of them where possible.

Past RFS output has proved to be unreliable with two significant restatements and a major revaluation and this has had the impact of undermining stakeholder confidence in the accounts. Concerns remain over the reliability and what BT might try and do next. Ofcom have a good understanding of these concerns but we would also like to see more focus on the gaps in the framework itself, including the lack of stakeholder engagement with the auditor or the lack of a formal feedback loop.

Question 4.2 – Do you consider that we have correctly identified and described the main issues in relation to BT's systems? Please provide evidence where possible.

Ofcom set out the scale of the task; however we think there is a role for stakeholders to ensure BT can't design out functionality in a future system. Please refer to the main body of the consultation for a more in-depth discussion of this issue.

Question 4.3 – Do you consider that we have correctly identified and described the main issues in relation to BT's reports? Please provide evidence where possible.

In the main, however we believe the benefits of the data extraction tool have been overstated and while it may have potential it has to the best of our knowledge not been heavily utilised in recent years. The current systems are creaking and struggle to deal with any changes to reporting requirements and are in need of replacement.

Question 4.4 – Do you agree with our analysis, as summarised in Figure 3, concluding that, in terms of scope, the published financial statements broadly answer the right questions?

We believe Ofcom's table is broadly correct, although we think Ofcom is overstating the assurance level provided by the current audit, in particular the true extent of any verification. Data errors in particular are not readily picked up.

Question 4.5 – Do you consider that we have correctly identified and described the main issues in relation to controls around the data and systems? Please provide evidence where possible.

We would like to have had a more forensic look at the issues surround recent restatement, why the audit did not pick up on these issues and more focus on how any specific failings could be addressed. Ofcom's enhanced role in attribution will go some way to addressing the specific concerns of stakeholders; however more needs to be done to ensure an adequate level of control around data and systems.

Question 5.1 - Do you consider our proposals relating to Ofcom's role in setting basis of preparation to be effective and proportionate? Please provide explanations and evidence to support your views.

While we see some advantages in BT remaining primarily responsible for ensuring that what is produced is consistent with the regulatory accounting principles, we hope Ofcom will take a more hands on secondary role in this area. Ofcom should be alert to any significant changes in the basis of

preparation and must make it views known before publication. The current arrangement allows BT to publish and Ofcom is immediately on the back foot should controversial issues arise.

Question 5.2 - Do you have any comments on the status and detail of the Regulatory Accounting Principles and their role in determining the appropriate basis of preparation for the RFS?

We welcome the proposals to strengthen and clarify some of the key accounting principles, although without a proper enforcement regime it is difficult to see how Ofcom can ensure compliance from anything other than BT's goodwill. The principles proposed are sound, for example the principle that states that attribution should not favour BT, any CP or any product is very important but in practice we think its application would be open to a considerable amount of interpretation. We think Ofcom should assume a strong secondary role in the application of these principles to prevent BT retaining the benefit of the doubt on matters of interpretation.

Question 5.3 - Do you consider our proposals to align the RFS more closely to regulatory decisions to be appropriate, effective and proportionate? Please provide explanations and evidence to support your views.

Yes, this is long overdue and makes considerable sense. The current approach defies common sense and leads to uncertainty, complicating the regulatory process.

Question 5.4 - Do you agree that the basis for valuing BT's assets should be determined by BT? If not, how would you propose that the assets be valued?

BT should not have sole responsibility for determining the basis on which its assets are valued. It would aid credibility if asset valuations were subject to some degree of independent oversight. At the very least it is important that material changes are subject to independent scrutiny, with Ofcom alerted early to any plans on BT's part to materially revalue any asset. Without an added level of scrutiny on BT it would be too easy for BT to game the accounts due to the considerable number of valuation approaches available.

Question 5.5 – Do you consider our above proposals to improve transparency to be effective and proportionate? Please provide explanations and evidence to support your views.

Yes, all moves to increase transparency are to be welcomed and we believe they are both necessary and proportionate. The detail must be made available and it is not sufficient to hide behind summary

level explanatory material that can obscure the facts. We look forward to Ofcom bringing forward more detailed proposals on this point.

Question 5.6 – Do you believe that, in relation to transparency, there is a tension between the objectives of stakeholders and the need for detailed rules to allow auditors to reach an opinion, as discussed above? If applicable, do you have suggestions for resolving this tension?

The auditors have full access to all the information that is available; therefore they should be able to reach an opinion on the end statements without it compromising the transparency given to stakeholders. Ofcom do not say if the auditors have raised concerns over this point, but we don't necessarily think the objectives are in conflict when the auditors have access to all material. The needs of stakeholders can be served by parts of the published material with the needs of auditors served by others (this is currently the case). The auditors themselves must feel able to consult with Ofcom over any such matters as the auditor has a duty of care to Ofcom and Ofcom must make full use of this facility. Where matters of doubt arise Ofcom should be consulted.

Question 5.7 – Do you consider our above proposals to ensure that the RFS provide relevant information to be effective and proportionate? Please provide explanations and evidence to support your views.

We welcome Ofcom's proposals, however until there is clarity on the issue of cost orientation we will only have an incomplete view of Ofcom's proposals in this area. Improvements to charge control compliance reporting are very welcome; however Ofcom should give thought to timing of charge controls and how they fit with the regulatory reporting cycle. We also think that focus for published reconciliation should be the Openreach business (while clearly the auditors should also focus on the reconciliation to BT Group).

Question 5.8 – To inform our assessment of the appropriate response to delays in the publication of the published financial statements, please explain if and how your organisation has been affected by such delays in the past.

Delays created uncertainty and should not have been allowed to become the norm. We wish to avoid any delays to the publication of the accounts and improve on BT's poor track record in this area. We believe the bulk of past delays have been caused by failure on BT's part to adequately resource the production of the accounts.

In common with most other stakeholders we would rather the accounts were accurate than rushed and inaccurate, but with a set timetable agreed BT should be able to meet the publication deadline (we would assume with a new system in place BT should have no problem meeting the current timetable). BT should also not be able to hold back publication to re-cut number to suit its own commercial ends. Again we would like to gain a better understanding of what enforcement action is open to Ofcom in relation to missed publication deadlines.

Question 5.9 – Do you consider that there is scope to change the focus of the published financial statements? Please explain the impact this would have on the current approach to the published financial statements, including for example what information would need to be added and what requirements might no longer be necessary as a result. Please explain why you consider your proposals would allow stakeholders to monitor BT's compliance with its regulatory obligations

Given all that has occurred since 2008 in regulatory reporting we do not consider BT's 2006 'Blue Sky' publication proposals to be at all relevant. BT may have a desire to move away from detailed publication to a tick box compliance assurance approach but this would not be in the consumer interest. Stakeholder scrutiny is a fundamental feature of the regime and to do away with it would provide BT with a massive opportunity to obscure true costs and make returns way in excess of competitive market outcomes. We need detailed cost, volume and revenue information for individual SMP products covering internal and external supply. We can't envisage a time while SMP products remain where this level of detail will not be needed. It is a key part of a just and consumer driven regulatory regime and BT should not be allowed to remove this detail from stakeholder view. Please refer to the main body of this response for further discussion on this point.

Question 5.10 – Do you consider that our proposals regarding the level of detail to be published are effective and proportionate? Please provide explanations and evidence to support your views.

We look forward to more detailed Ofcom proposals on this matter and wish to understand the impact that Ofcom's future stance on Cost Orientation will have on the proposed level of detail. We welcome Ofcom's intent to push back on BT's claims of confidentiality and the assurance that Ofcom will require disclosure of internal and external volumes. We believe sensible rules on proportionately should be followed on the issue of aggregation as BT have benefited previously from too much aggregation. Rules should also be set on the introduction of new SMP products to the accounts, including the default level of data that should be presented.

Question 5.11 – How do you consider we should take account of the findings set out in the Deloitte report in determining the appropriate reporting requirements for BT? Please be as specific as possible.

This report was prepared by Deloitte for BT and forms part of BT's submission to Ofcom on the review of Regulatory Reporting. While the report is informative about the approach taken by different member states to regulatory reporting we don't believe anything turns on the material presented. National Regulatory authorities need to take their own approach within the bounds of the common regulatory framework, addressing the particular issues relating to their own national market. While the experience of other NRA may be a useful part of the frame of reference for Ofcom, it needs to be considered in context. Ofcom's own knowledge of the UK market and its dynamics is a far more important consideration.

Question 5.12 - Do you consider our proposals to improve the presentation of RFS to be effective and proportionate? Please provide explanations and evidence to support your views.

We welcome all Ofcom's proposals in this area, believing they would genuinely improve the usability of the accounts.

Question 5.13 - Do you consider our above proposals regarding the review of the RFS to be effective and proportionate? Please provide explanations and evidence to support your views.

Ofcom must take steps to enhance the audit, the current proposals for the audit fall well short of stakeholder expectations and more assurance is required to avoid repeating the mistakes that led to restatement. Please refer to the main body of this response for further details.

Question 5.14 - Do you have any further comments or evidence to inform our assessment of other issues identified in connection with the review of the RFS including a) the arguments for and against a requirement for a BT Director to sign the RFS and b) the cause and/or effect of errors in the RFS?

The BT Group CFO should sign off the accounts. BT needs to take its obligations to produce quality regulatory reporting information far more seriously than it currently does.

Question 5.15 - Do you agree with Ofcom's proposed approach regarding potential improvements to BT's regulatory reporting systems?

Please refer to the main body of our response.

Question 5.16 – Do you have any comments on the suggested timing and implications of a transition to a new system?

We would like to see Ofcom conduct a risk assessment around the introduction of a new system. It is inevitable that some numbers will change and a parallel run of 2 years would be needed to provide a stable period of transition. Where costs do change as a result of the introduction of the new system how will this be handled without creating further uncertainty for stakeholders?

Question 5.17 – Do you agree that there may be scope to reduce the level of published information if BT's regulatory reporting systems are improved in the way described above?

No. We see no linkage in the two issues. System improvement is about ensuring better quality and more reliable data. Policy determines what is ultimately published.

Question 5.18 – Are there any specific changes which you would propose to KCOM's regulatory reporting requirements?

We await Ofcom's future proposals for Kcom's regulatory reporting in a subsequent consultation.