

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

Theme: Group Costs

Stakeholder	Condoc page no.	Condoc para. ref.	Stakeholder query	Ofcom response
Analysys Mason	A60	§A8.53	Has Ofcom confirmed whether the IT spend estimate is reasonable? Is there further information from BT?	Whilst we are considering the Transfer Charge into Openreach for computing to be reasonable, we are investigating the Regulatory adjustment which up lifts the cost considerably.
Analysys Mason	A55	§A8.24	On Accommodation charges, it is not clear how direct cost allocation based on usage and occupation of exchange equipment space are being used in conjunction.	There are two allocation methodologies within the charge, one that relates to office space (direct usage) accounting for c20% of the charge and Occupation of exchanges which amount to 80% of the charge.
Analysys Mason	A61	§A8.62	What is Ofcom's rationale for not allocating transfer charges to BT overseas subsidiaries? What about shared management resources?	Not Ofcom rationale, is RFS the treatment.
Analysys Mason	A67	§A8.94,A8.101	It is not clear why 'Group HQ' costs are allocated using 'Dynamic direct pay' methodology while 'Current Pay: Direct' costs are allocated using 'Operations Volume Pay' methodology and 'Current Pay: Direct (non volume)' uses 'Dynamic operations base' methodology. What is the difference and what is the rationale for the methodology allocation?	See Ofcom answer to AM15 in 'Group Costs' section - Direct pay covers a wider KMH, includes SMC, Direct pay only relates to Ops see Activity_KMH tab of CA model
Sky	A52	Fig A8.2	Why is 43% of corporate overhead	The figure of 43% was calculated based on a

			allocated to Openreach when allocation is supposed to be done on a blend of FTE (30% of BT staff), estate occupation and spend?	cost transfer figure stated prior to an adjustment made by BT. After this adjustment is taken into account, the actual cost transferred to Openreach in the cost calculations was reduced to £141m in 09/10 (see Figure 8.3). As a percentage of the total BT Group cost, this amount is similar to the proportion of Openreach staff to total BT Group staff.
Talk Talk	A58	Fig 8.7	What % of the total Group cost (for each of the four items) is allocated to Openreach and what is the rough size of the amount allocated to Openreach?	The average is around 43%. We do not have the disaggregated % but will speak to BT about what further information we can provide.
Talk Talk	A59	§A8.47	What is the basis / reasons for BT Fleet costs to fall by 30%?	Fleets costs are driven by labour hours which are subject to efficiency. The cost per FTE has also been subject to additional efficiency. Stakeholders views on this are sought.
Talk Talk	A59		How is OSS/BSS, desktop used for overseas subsidiaries provided?	IT services are provided by BT Group. We do not know how Group allocated to overseas subsidiaries.
Talk Talk	A59	§A8.49	Does this IT spend include both business systems (e.g. BSS, OSS) as well as desktop? How does this cost relate to 'Computing' at §A9.48?	OSS and BSS are included in Net Development (BAU) and Application Systems and Maintenance. Desktop is included in Computing.
Talk Talk			What does the model implicitly assume about the change in % allocation of Group costs to Openreach over time?	No assumption on share, VCTs are forecast by applying Ofcom efficiency and inflation on the 10/11 figure.
Talk Talk	A53	Fig 8.3	What are the main items that are unquantified in Fig 8.3 and roughly how much are they?	This information was redacted on the grounds of commercial confidentiality. However, Fleet is the biggest, between £50m and £100m. All others below £50m
Talk Talk	A53	Fig 8.3	What explains the large fall in accommodation cost in 2010/11?	These are based on actual (09/10) and flexed budget figure (10/11). We are investigating further the reasons for the fall.
Talk Talk	A54	§A8.16	Ofcom has reviewed the Top 5 cost types.	In terms of forecasting, we have supplied

			Can Ofcom provide some brief explanation on how these were forecast?	our assumptions on efficiency and inflation on transfer charges. This are applied to the 2010/11 base year costs
Talk Talk	A58	§A8.41	Is the FTE used for allocation of Group HQ and Group CTO, UK FTE only?	This is correct