

LLCC PPC Points of Handover pricing review – second consultation

Verizon Business' response

Introduction

Verizon Business (“Verizon”) welcomes the opportunity to comment on Ofcom’s revised proposals for PPC Point of Handover charges. It is apparent from this consultation that Ofcom has considered Verizon’s submissions made to the original consultation. Verizon supports Ofcom’s new proposals generally and has answered Ofcom’s consultation questions below.

Consultation questions

Q1: Do you agree with our revised proposals for the capital costs, in particular the annual rental charges for charges for duct and fibre? If not, please explain why and provide alternative data.

Verizon is generally supportive of Ofcom’s revised proposals in relation to the capital costs. The impact of each of the proposed changes to capital costs is not fully transparent to Verizon from the consultation document and accompanying model. However, on the face of it, the changes to the model proposed by Ofcom appear balanced and proportionate.

Q2: Do you agree with our revised approach and estimates for the operational costs, in particular the network management costs associated with POHs? If not please explain why and provide alternative data.

Verizon agrees with Ofcom’s revised approach to network management costs, which results in a more realistic figure in our view.

Q3: Do you agree with our revised estimate for the support costs associated with POHs? If not please explain why.

From our experience of the PPC product team in BT Wholesale, Ofcom’s attribution of one full time employee for the support costs of POH is a reasonable figure. Verizon agrees with Ofcom’s lowered estimate for the support costs associated with POHs, any greater allocation for employees would be unrealistic.

Q4: Do you have any additional comments on our cost estimates and modelling approach? In particular do any of our proposed changes to the modelling alter any previous response you provided to the January Consultation on any issues not raised directly in this consultation?

Verizon agrees with Ofcom that given the changes proposed in relation to the WACC (paragraph 2.85), our previous points made regarding double counting are now not likely to be material. On this basis, we support Ofcom's proposals in regards to using the real WACC and consequently also the LRIC/Price ratio.

Q5: Do you agree with our proposal to remove the phasing for Type II POH charges and to introduce both charges concurrently from 1st October 2011? If not, please explain why.

In this particular case, Verizon does not object to Ofcom's proposal. However, Verizon is of the general view that one-off price increases for prices subject to a charge control should be considered warily by Ofcom, on a case by case basis, to ensure CPs have sufficient time to manage their networks efficiently in order to operate competitively.

Q6: Do you agree that BT should not be allowed to exceed the Type I and Type II POH charge levels proposed by Ofcom during the period between 1st October 2011 and 30th September 2012?

Verizon agrees with Ofcom that BT should not be allowed to exceed the cap during the final year of the charge control period.

Verizon Business

20 July 2011