

**Vodafone's response to Ofcom's consultation**

**Regulatory Financial Reporting – A Review**

**February 2014**

## VODAFONE

Headquartered in the UK, Vodafone is a global business investing and innovating in all the markets we serve to deliver for our customers. Our home market is no exception and Vodafone in the UK has now successfully integrated the former fixed line business of Cable & Wireless Worldwide resulting in the creation of a genuinely unique converged communications provider. With £2.5M being invested each day in our UK network, we remain committed to delivering the very best for our customers.

## INTRODUCTION

- 1.1 In an industry that has to navigate around significant enduring access bottlenecks which are the cause of market failure, the regulatory accounts are a crucial part of the process of creating a regulatory environment that as far as is possible emulates competitive market outcomes. Ofcom has developed an approach of encouraging retail competition reliant upon a range of regulated wholesale products. This gives consumers a choice of suppliers, enabling them to experience first-hand the benefits that competition can deliver. However, the extent that retail competition can deliver for consumers is predicated on regulated wholesale products being priced at an efficient level, one as close as possible to that which would be achieved in a competitive environment.
- 1.2 Access bottlenecks will be a feature of our industry for the foreseeable future and we need confidence in the regulatory accounts if we are to deliver an economic efficient outcome for consumers. Accurate regulatory accounting output helps communication providers make efficient investment decisions and ensures that BT isn't able to generate super normal profits in SMP markets under the shield of biased regulatory accounting output that presents a false picture of where costs and indeed profitability lies.
- 1.3 The current approach is broken and not delivering what the industry and ultimately consumers need. Ofcom's ability to both enforce a fair and transparent regime and make productive use of the accounts has been compromised.
- 1.4 We cannot stress enough the industry dissatisfaction with BT's current regulatory accounting practices, and indeed BT's 2012/13 RFS output represents the blatant attempt yet to produce accounts that seek to forward BT's own commercial ends, rather than the unbiased reporting output that the accounts should be. The 2012/13 Current Cost Financial Statements clearly demonstrated the scope for opportunistic attribution that the current regime allows, with BT moving costs from markets where the charge controls have been locked down for the next three years, to markets which are still subject to ongoing price control consultations, with a view to BT recovering some common cost twice with earlier charge controls anchored to a different attribution approach than more recent controls. This together with the decision to add in additional costs such as health & safety compensation claims and payments to staff in BT's Career Transition Centre (the holding pen for staff left without a role, a policy considered unaffordable by BT's competitors) helps cement the view amongst stakeholders that BT ability to flex the accounts is having a very detrimental impact on the entire approach to regulating markets.
- 1.5 We don't blame BT for such conduct as they have a strong financial incentive to behave in this way, even if their approach flouts the spirit of what the accounts were designed to achieve. Their actions are not against the rules, underlined by the fact that their changes from year to year satisfy the audit. The 2012/13 RFS output was a stark reminder, if one were ever needed, that the regime as it stands isn't functioning as it was intended, nor is it delivering for

competition or consumers. Change is no longer merely desirable, it is essential if we are to move on from a flawed system that leaves the incumbent with so much latitude to game the system that it undermines the very integrity of the regulatory regime across a range of markets.

- 1.6 Regulatory Accounting is never going to be a subject matter that excites policy makers or consumers; it is however a fundamental building block of a regulatory regime that remedies the impact that market failure can inflict on consumers and the economy. For as long as there is both the flexibility and the financial incentive, BT's current behaviour will persist. Ofcom are right to propose a more hands on approach over the key levers that determine what numbers are actually produced. We must get away from a situation where the numbers within the RFS are adjusted so much that they bear no relation to those used within regulatory decision making. This process of layering adjustment upon adjustment on the numbers within the accounts to eventually arrived at numbers that are fit for regulatory decision making, not only harms transparency but hampers informed scrutiny and contributes to an increased likelihood of mistakes being made.
- 1.7 Ofcom's proposals within this consultation represent a significant improvement. A regime designed to be fairer, less partisan and where both BT and for that matter Ofcom have more accountability to ensure proper visibility of costs that help deliver appropriate pricing outcomes. We need to see BT's regulated profitability at a macro level, as well as within individual markets. While the market review approach has merit, giving individual attention to specific markets, it can result in the loss of the bigger picture. With so many common costs involved, it is essential we see regulated profitability presented on an annual basis within the accounts.
- 1.8 We welcome Ofcom's plans to get more hands on, but that ambition must be matched by an increase in specialist resources and relevant expertise if the task is to be completed with rigor. Ofcom must also continue to encourage the critical eye of stakeholders who have been vital thus far in holding BT to account on the numbers produced and in questioning the merit of changes that appear motivated largely by BT's own commercial objectives and contrary to the interest of consumers.

In the remainder of this response we consider the following key topic in detail:

- Transparency on SMP profitability;
- Impact of the 2012/13 RFS output;
- The need for a formal Feedback Loop;
- Unfounded Confidentiality Concerns;
- Defining Materiality; and
- Getting the Audit right.

In the final section we answer the specific questions posed by Ofcom.

## **2 PROVIDING TRANSPARENCY ON SMP PROFITABILITY**

- 2.1 As well as having a view of profitability within individual regulated markets, we believe it is also important to provide clear information on the overall level of BT profitability across the range of regulated markets. With such a large value of common assets in use, whose costs are attributed across different regulated products it is vital to see the overall picture of BT profitability. In the cycle of market reviews and charge controls the time to consider what is occurring in other markets isn't available, so having access to a general appraisal of how BT is performing as a regulated entity to ensure that the market review process is better informed and remedies are set appropriately is invaluable.
- 2.2 While it may be possible to gather this information together today, it is obscured by having to make a series of adjustments to reflect regulatory decision making and derive the aggregate profitability information, which is no substitute for having an official overview included within the accounts themselves. This simple output would help scrutinise the overall level of profitability achieved across SMP markets, putting into context any attempt to shift costs between markets. Although the regulatory accounts provide much of the underlying data, it is not currently presented in an understandable way, with calculations and adjustments required before BT's true level of profitability on regulated services is apparent.
- 2.3 As Ofcom are aware Frontier Economics undertook a review of BT's past financial performance of regulated service markets where price regulation existed<sup>1</sup>. This review looks back at a seven year period 2006 to 2013, concluding that BT has earned revenues of £4.9bn more than if its returns on capital were consistent with its WACC. We consider that this information is squarely in the public interest and should be produced routinely and made accessible to all stakeholders, with the regulatory accounts representing the ideal place to publish it.
- 2.4 As the accounts will now seek to reflect past regulatory decisions, the gap over what BT produces and what Ofcom considers legitimate will not be as stark and there is real value in producing this aggregate information.
- 2.5 We are in no doubt that Ofcom is able to impose such additional regulatory obligations pursuant to the provisions of section 87 of the Communications Act governing SMP operators. These provisions confer expansive powers upon Ofcom to stipulate the conditions governing accounting methods in circumstances where accounting separation has been mandated, categories of cost and significantly the rules to be applied for the purposes of a cost accounting system. If Ofcom so wished the information could be produced as an Additional Financial Information (AFI) document and not as a section in the Current Cost Financial Statements.
- 2.6 Such a modification would attain Ofcom's obligations to promote transparency and principles of best regulatory practice as envisaged by section 3 of the Communications Act. Equally

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<sup>1</sup>[http://www.frontier-economics.com/\\_library/publications/frontier%20report%20-%20bt%20regulated%20profitability.pdf](http://www.frontier-economics.com/_library/publications/frontier%20report%20-%20bt%20regulated%20profitability.pdf)

importantly, Ofcom's obligations to realise the objectives mandated by the harmonised EU regulatory framework would be attained through the modification that Vodafone proposes. The modified obligation would relate to the regulatory framework governing BT across a wide range of product markets where BT controls access to inputs critical to the intensity of competition in downstream markets. A revised RFS obligation requiring enhanced levels of transparency and potentially resulting in more effective regulation at an upstream level would thus clearly operate to improve competition and ultimately consumers in potentially a wide range of retail markets.

- 2.7 The modification would be very limited in terms of the additional burden that it imposes upon BT and is thus entirely consistent with the principle of proportionality. We would therefore like a clear statement from Ofcom over their intentions to require overall profitability information to be published when the FY 13/14 numbers made available. We believe this information is squarely in the public interest and if Ofcom fails to satisfy this legitimate level of disclosure it will result in industry stakeholders once again having to produce the information using a trusted third party like Frontier.

### **3 IMPACT OF 2012/13 RFS**

- 3.1 Annexed to this submission is a summary report prepared by Berkeley Research Group (BRG) on behalf of a number of Communication Providers. The report focuses on the appropriateness of the changes made by BT in the Regulatory Financial Statements for 2012/13. We are aware that Ofcom itself has expressed a number of serious reservations about the changes BT has made for 12/13 and requested that BT produce an explanatory document to aid understanding of the impact of the changes on the cost base for regulated products. BRG have reviewed both the RFS output and the explanatory material and have highlighted a number of serious concerns. Under the circumstance we fully support Ofcom's decision to disregard BT's unmodified 2012/13 RFS output in the FAMR charge control and fall back instead on data that is more consistent with the treatment of costs in prior years.
- 3.2 The 2012/13 accounts represents a very stark reminder of the flaws within the current regulatory accounting regime, with BRG questioning the degree of discretion afforded to BT that enables them to produce output that doesn't fulfil its intended purpose. BRGs findings are noteworthy for a number of reasons:
- I. Despite a significant amount of expertise at their disposal, including reliance on regulatory accounting professionals with first-hand experience of BT's RFS production and output, BRG still highlighted the complex nature of the analysis required and the fact that some areas still remained unclear to them, with further information needed before the accounts could be fully understood, with BRG stating categorically that the accounts failed to give stakeholders sufficient insight into how cost have been allocated.
  - II. Of the 22 methodological changes put forward for the first time by BT for the 12/13 Regulatory Accounts, a number of changes appear to fail to satisfy the principle of cost causality, including Provisions for Health & Safety claims, internal reorganisations costs for setting up the TSO division, funding for the Careers Transition Centre (CTC) and the allocation of costs associated with vacant space.

- III. In addition, a number of other changes appear to lack justification and without further insight into costs and decision options available, it remains questionable if those changes should ever be considered justifiable. These include the treatment of DSLAM costs, 21CN charges, WBA changes, Openreach overheads, Ethernet 'switch' costs and 'other' changes.
- 3.3 BRG concludes that changes BT have made in 2012/13 result in a significant redistribution of costs between regulated markets. Many of the changes appear to lack justification and have only been possible due the discretion afforded to BT when preparing the accounts, with the end result being that the *'accounts do not provide a sufficiently clear and documented cost base for Ofcom to make decisions on cost-orientated charges and charge controls for access to BT's regulated services'*.
- 3.4 With the accounts seemingly moving further and further off course every year all the while remaining compliant with the existing regime the need for change is ever more pressing. If the current RFS output cannot support price control decisions then how can it be expected to support any active compliance activity?
- 3.5 Ofcom's Statement accompanying the 2013 RFS did not sufficiently emphasise the concerns that existed around the attribution base used by BT and a formal restatement should have been demanded. Without formal restatement, comparisons over time become even more complicated as Ofcom introduces even more adjustments to accommodate BT's unpalatable changes. We must avoid an outcome that BT's changes become accepted overtime as the debate moves on following the introduction of the new regime.

## **4 FEEDBACK LOOP**

- 4.1 We believe Ofcom needs to put some thought into engaging with stakeholders on a real time basis so that a feedback loop is created that enable stakeholders to raise issue and receive answers to questions that arise from the accounts. It is not unreasonable for stakeholders to ask questions of either Ofcom or BT and we believe that a facility should exist to do this, with answers logged and questions answered within an acceptable time. Currently there is no such arrangement and past questions to BT have often gone unanswered. Active litigation effectively ended any direct BT and stakeholder engagement and we think Ofcom needs to invest time in setting up a forum to enable questions to get answered. It would be unacceptable if the new regime continued to allow BT to ignore difficult questions that it finds it commercially uncomfortable to answer.

## **5. CONFIDENTIALITY CONCERNS**

- 5.1 We are pleased that Ofcom has recognised that BT's claims that harm can be caused through disclosure of cost information within SMP markets are unfounded. Thus far BT has 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 for its intended purpose, to ensure the prices we pay for regulated products are based on the costs of production and where we

compete with BT, we are not being discriminated against as a result of BT lines of business consuming a different product set.

- 5.2 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.
- 5.3 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. Indeed BT has prepared detailed regulatory accounts for almost 20 years and we have not seen or BT produced any evidence of commercial harm. 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.
- 5.3 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. In the final statement we would urge Ofcom to explain the criteria that would use to identify commercially sensitive information so that all stakeholders have this insight upfront.

## **6. MATERIALITY**

- 6.1 Materiality is an important guiding concept that is used in the audit world to determine how 'accurate' accounts can be and still qualify for clean audit opinions. It is also a concept that can be applied in the production and reporting of accounts to determine levels of disclosure. Essentially it is a concept used to determine if an amount, transaction or error is important/significant to the user of the information. The proper use of this concept in regulatory accounts by recognising the legitimate interest of users of the regulatory financial statements is very important.

- 6.2 Ofcom's proposed definition of materiality could potentially be exploited by BT in avoiding or limiting the disclosure of regulatory accounting information important to industry participants. Ofcom proposed a definition of materiality in the Regulatory accounting principles (RAP) as follows;

*The Regulatory Accounting Principles set out below must be applied to all material items of revenue, costs, assets and liabilities in the Regulatory Financial Statements, or material changes in those items. A material item of revenue, costs, assets or liabilities, or a material change in those items, is one which is reasonably expected by virtue of its magnitude or nature, to affect the views of any competent user of the Regulatory Financial Statements.*

We would urge Ofcom to go further than to restrict materiality to one that merely 'affect the views of any competent user'. This is a weak definition that is open to a lot of interpretation; it also departs from the wording often seen in accounting guidance. We would propose that definition be clarified and strengthened to the following:

*A material item of revenue, costs, assets or liabilities, or a material change in those items, is one which could reasonably expected by virtue of its magnitude or nature, to affect the views or influence the economic decisions of any competent user of the Regulatory Financial Statements.*

## **7. AUDIT**

- 7.1 We have a number of questions around the re-scoping of the audit and while we acknowledge that the audit approach to the regulatory accounts needs to be reformed and be cognisant of the fact that Ofcom will take a much more hands-on role in attribution decisions, we wish to avoid a situation where the current proposals result in the Auditor reluctant to signing off the accounts to the FPIA level (Fairly presents in accordance with) if regulatory decisions (cost exclusions/RAV etc.) are included and would wish to understand what supplementary information the auditor would need to present an acceptable FPIA audit opinion.
- 7.2 In the 2013 accounts the auditor signed off some markets to the PPIA level (properly prepared in accordance with). If the 2013 accounts had been prepared under the proposed basis including taking account of regulatory decisions then additional material would be needed for the auditor to sign off the accounts at the higher standard of FPIA level?
- 7.3 We would like to gain a better understanding of what options are available to ensure that a robust and realistic audit approach can be taken. We would like to see the following information disclosed to help inform the debate:
- an indicative matrix of the audit opinions anticipated (FPIA & PPIA) against the RFR statements following implementation of the proposed changes; and
  - Confirmation that the current auditor can audit to the proposed level (a statement from PwC would be helpful) following the changes in regulatory reporting proposed by Ofcom.



## 8. Q&A

**Question 3.1** *Do you agree that we have identified the purpose of both wider Regulatory Financial Reporting and the Published Regulatory Financial Statements in particular?*

In large part yes, however where information disclosure is not subject to a formal publication timetable it becomes easier to ignore and may hinder the ability of stakeholders from bring forward concerns that don't fit with the stated regulatory priorities of the day. A bias should be set in favour of information disclosed on a set timetable to give the regime rigor and prevent information that is in the wider consumer interest information from being disclose only at point where it suits Ofcom's work programme.

**Question 3.2** *Are there any other questions or issues that either wider Regulatory Financial Reporting or Published Regulatory Financial Statements should seek to address?*

While we do not view build or buy decision making as a primary purpose of the accounts, we do believe that it is legitimate for Communication Providers to make use of the accounts to help make informed build or buy decisions and Ofcom should do nothing to hinder Communication Providers from making informed investment decisions. In a competitive market participants gain insight and knowledge from their own businesses on the cost of production as well as gleaning market price information from their own sales activity. In a regulated market where BT has SMP that insight is lost or significantly dulled as BT is often the only source of production and the pricing is dictated by regulatory intervention. This means that if a Communication Provider is to appraise an investment opportunity which potentially reduces reliance on SMP products, this could often only be conducted from information contained within the regulatory accounts. Such efficient investment appraisal should be actively encouraged by Ofcom to promote competition and not side-lined. We would ask Ofcom to value the importance of informed build or buy decision making as a key secondary purpose of the accounts.

We would like to gain a clearer understanding of what Ofcom see as the delineation that separate Communication Providers from being able to witness BT categorically demonstrating compliance first hand from the accounts and from only being able to 'provide CPs with reasonable confidence about compliance'<sup>2</sup>from the accounts. We would like to see clear marker set out on what compliance confidence should be achieved and what that looks like. We are understandably nervous about providing latitude around demonstrating compliance would like to see the compliance expectation from the accounts set out unambiguously.

We note that the consultation says very little about the importance of robust and accurate recording of internal and external volumes. We believe it is important that Ofcom is explicit in ensuring the reporting of volumes follows rules and processes that give all parties' confidence in their accuracy.

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<sup>2</sup> Page 17 – Para 3.39

**Question 4.1** *Do you agree with our assessment about how well current reporting meets the objectives that we set out in Section 3?*

Yes, Ofcom highlights a number of shortcomings of the current regime which prevent it from being effective, including the need to:

- Improve access to information to assist regulatory decision making;
- Improve certainty around charge control compliance;
- Improve certainty around cost orientation & non-discrimination compliance;
- Better demonstrate Eol compliance;
- Enhance consistency from one year to the next & between other financial output;
- Aligning regulatory accounting output with past regulatory decision making;
- improved reliability of the accounts to minimise errors and the need for restatement;
- and most importantly, significantly reduce the amount of discretion BT has over attribution and methodological changes to prevent it from creating bias within the published information;

**Question 4.2** *Where you disagree or consider that there are gaps that we have not identified please set these out together with evidence.*

In the main section of this response we highlighted the need for a formal feedback loop to ensure that stakeholders had an opportunity to raise issues concerning the accounts as part of a formal process. We have also highlighted concerns around defining materiality.

**Question 5.1** *Taking each of our proposals in turn do you consider that they are proportionate and well balanced? Please provide evidence to justify your views.*

We welcome the changes proposed by Ofcom, believing them to represent a significant improvement on the current approach to regulatory accounting and help remove the disconnect between the numbers used to set regulatory charges and those published within the accounts. The proposals are both proportionate and balanced and seek to address the urgent need to reform the regime to restore confidence and minimise the addition burden that results from BT's RFS numbers being largely unusable in raw form.

We would draw Ofcom's attention to the comments made in the main section of this response around the need for Ofcom to devote sufficient resources to the work it plans to undertake. We are aware that this review has been ongoing for a number of years and that more specialist resources are needed if Ofcom is to deliver the additional scrutiny needed to restore trust and balance in the accounts.

**Question 5.2** *Are there any additional proposals for change that you believe should be taken forward by us? Please provide evidence to justify any additional proposals.*

We would highlight the need for the accounts to provide an overall picture of BT's regulated profitability in a simple and understandable format. This would greatly assist stakeholders in assessing how well BT is regulated and the overall impact on consumers.

**Question 6.1.** *Taking each of our proposals in turn do you consider that they are proportionate and well balanced? Please provide evidence to justify your views.*

We welcome Ofcom's proposals in large part. Please refer to the section of this response for recommendations on where enhancements could be made.

**Question 6.2** *Are there any additional proposals for change that you believe should be taken forward by Ofcom? Please provide evidence to justify any additional proposals.*

In respect to the discussion around what information will be supplied in relation to the EoI status of products, we remain unclear of the significance of the statement that EOI reporting itself is not seen as a core objective of the accounts. We continue to 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.

Relaxing the audit on the secondary accounting documents is a significant concession to BT and relieves their auditors of a significant amount of work. This proposal must be balanced with more rigor elsewhere in the audit process. Please refer to our earlier comments on the audit.

**Question 6.3** *Do you agree that BT should produce a more accessible easier to understand Detailed Attribution Methodology Document? Do you agree that it should no longer include the internal description of sector allocations contained in the embedded pages of spreadsheets but instead should provide easier to follow explanations of how input costs are allocated to products and services? What type of information do you think is essential to be included in the new Detailed Attribution Methodology Document?*

We accept that the DAM is not user friendly and largely unhelpful to stakeholders and while that current DAM format seeks to satisfy audit criteria, it contributes to stakeholder confusion. We therefore welcome the proposal to seek to simplify things by producing a more accessible document. Inevitably that means some detail will be lost. To counter this impact the introduction of a formal feedback loop would provide real benefits to stakeholders, enabling them to ask questions and receive answers within a formal context.

**Question 7.1** Taking each of our proposals in turn do you consider that they are proportionate and well balanced? Please provide evidence to justify your views.

We warmly welcome the proposal to require director level sign off of the accounts. 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.

We support the retention of the Network Activity statement which we consider vital. Its removal would hamper stakeholders in responding to key charge control consultations. The information given in this section is not available elsewhere. Likewise we welcome the retention of the Attribution of Current Wholesale Costs and Mean Capital Employed statement, regarding it as useful in helping to provide an overall picture across a range of regulated markets.

**Question 7.2** *Are there any additional proposals for change that you believe should be taken forward by Ofcom? Please provide evidence to justify any additional proposals.*

Please refer to the earlier section of this response for further comments.

**Question 8.1** Taking each of our proposals in turn do you consider that they are proportionate and well balanced? Please provide evidence to justify your views.

**Question 8.2** Are there any additional proposals for change that you believe should be taken forward by Ofcom? Please provide evidence to justify any additional proposals.

We welcome the proposed safeguards that will cover the transition to the new accounting system. Other than Ofcom consultations on the subject we have no insight into the new system or the transitional arrangements. Stakeholders have a vested interest in the smooth transition to the new platform and we would request early details over any potential concerns relating to either the quantum of the numbers or the timetable and Ofcom must ensure that any significant factors that a potential impact on stakeholders are brought to their attention without delay.

**Question 9.1** Do you agree that our proposed timeline provides a suitable basis for the implementation of changes?

**Question 9.2** If you don't consider our proposed approach and timeline is appropriate please provide reasons why and proposals for a different approach?

We welcome the new proposed timeline and believe that the sooner the new regime is implemented the better. We would ask that Ofcom takes proactive steps to influence BT's conduct when producing the 13/14 numbers later this year. This could represent a further opportunity for BT to take its RFS numbers further 'off-course' and we believe Ofcom should do all it can to ensure that we don't see a repeat performance of BT's conduct when it produced the 12/13 numbers. If Ofcom does not accept in part or full the changes BT made to the cost attributions in 12/13 (as

Ofcom deem this data unacceptable for charge control calculations) then we wish to understand how these Statements will be restated on a basis acceptable to Ofcom.

**Vodafone Limited**

**February 2014**

Enc. Berkeley Research Group: <i>BT's Regulatory Financial Statements 2012/13</i> December 2013
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