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Ofcom

19 November 2013

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Dear Mark

Base year financial data for the proposed LLU/WLR and WBA charge controls

I am writing to you in the context of the work we are undertaking for the Fixed Access Market Reviews on proposed charge controls for Local Loop Unbundling / Wholesale Line Rental ("LLU/WLR") and Wholesale Broadband Access ("WBA"). In particular, I am writing further to my email to you and Sean Williams of 14 June 2013 and Ed Dolling's letter of 16 October 2013 to David Brown to set out our current view as regards the use of BT's 2013 Current Cost Financial Statements ("RFS") in those charge controls.

By way of summary:

- we do not consider that it would be appropriate to use the 2013 RFS, as presented, as the basis for the LLU/WLR and WBA charge controls;
- this is because of the effect of the material methodological changes undertaken by BT in the 2013 RFS;
- we propose to proceed by seeking to update the cost models used in the charge controls with the cost data available in the 2013 RFS (where this is appropriate) but to retain the allocation methodologies presented in the 2012 RFS.

The remainder of this letter explains our reasons for proposing to proceed with this approach. We will set out our intention to proceed in this way in our forthcoming consultation and you will have an opportunity to provide your views in response.

The use of the 2013 RFS for the LLU/WLR and WBA charge controls

In July of this year we consulted on proposals for new LLU/WLR and WBA charge controls. The cost models underpinning the proposed charge controls were based on information for the financial year 2011/12 taken from BT's 2012 RFS, as this was the most up to date data available at the time. In the LLU/WLR consultation we said the following:

> *"6.21 BT plans to publish its RFS for 2013 later this summer. We will therefore be able to take this information into account, alongside other information, in our cost estimates and it may be appropriate to use 2012/13 as the base year in our cost model. To the extent that changes in the 2012/13 RFS reflect changes in accounting methodologies (such as cost allocation rules) rather than changes in the underlying costs, we will need to consider if and how it is appropriate to reflect these changes in our base year costs and whether they justify a move away from the methodologies in this Consultation."*

Our normal starting position in charge control reviews, is to seek to use the best available information to forecast BT's relevant costs over the charge control period. In practice, over the course of several different market reviews, we have often used BT's most recent RFS, appropriately scrutinised and adjusted where necessary, as the basis for our assessment of BT's relevant costs. A key reason for starting with the most up to date RFS has been that the RFS has typically formed a sensible check point for the consistent allocation of costs across different markets and services subject to *ex ante* regulatory review as well as to unregulated services.

However, the RFS is only a starting point. In the specific context of each charge control review, Ofcom is required to exercise its judgement, based on its experience and expertise, to adopt an appropriate, proportionate and timely means to model BT's relevant costs in light of the specific circumstances applying at the time so as to address the competition concerns identified. Our duties require us to achieve an outcome which both furthers the interests of citizens in relation to communications matters and those of consumers in relevant markets, where appropriate by promoting competition. Any charge control remedy must be one that promotes efficiency, sustainable competition and be in the best interests of citizens and consumers as the end-users of those services.

Having regard to this and having reviewed the 2013 RFS alongside the report subsequently published by BT on 3 October 2013[1] and the Deloitte Report provided on 15 October 2013, we have given careful consideration to whether it would be appropriate to use the information contained in the 2013 RFS to update the cost models used for the LLU/WLR and WBA

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[1] Report requested by Ofcom describing certain changes to the Accounting Documents for the year ended 31 March 2013 and illustrating the resulting differences to the Current Cost Financial Statements had those changes not applied

charge controls. In other words, we have considered whether the 2013 RFS is the best source of information on which to base our forecast of BT's relevant costs in these markets and for these services.

Having done so, and by way of exception to what has normally been our starting position, our judgement is that in this case it would not be appropriate to use the 2013 RFS as presented by BT for the purpose of the proposed LLU/WLR and WBA charge controls. This is because of the effect of the material changes in allocation methodology that have been applied in the 2013 RFS, when compared to the 2012 RFS and the basis upon which we consulted in July. Our analysis of the effect of the methodological changes, as presented in the October 2013 Report, indicates that using the 2013 RFS as presented would result in the significant over-recovery of costs for BT. This is because costs that have been included in other recently set charge controls (e.g. leased lines) are now being allocated to services within the scope of the proposed LLU/WLR and WBA charge controls.

In our view where there have been significant methodological changes, the recovery of the same costs in multiple concurrent charge controls (double-recovery) would be acceptable only if it was clear that the revised methodology was superior and that the process of its introduction was clearly even-handed (i.e. as likely to result in under- as over-recovery). To be clear about our position, I should say that we are not satisfied that this is the case.

This situation presents Ofcom with a very significant dilemma in the context of charge controls for LLU/WLR and WBA services that are set to expire on 31 March 2014. Given our position on the 2013 RFS as presented, we need to determine a suitable basis for forecasting BT's relevant costs for these charge controls. Two potential approaches are: to use the 2013 RFS data but adjusted to remove the new allocation methodoligies or to use the 2012 RFS data as we did in the July consultation.

BT has suggested that in the event of the 2013 RFS (as presented) not being used as the starting point for the charge controls, Ofcom should make amendments only to correct for individual errors or to disapply specific methodological changes not considered to be 'superior' to those previously in use. However, the 2013 RFS data incorporates material re-allocations of costs between the markets covered by the proposed charge controls (e.g. between LLU and WLR services) and between these markets and un-regulated markets (in addition to the material reallocation of common costs from other regulated markets where charge controls are already in place).

Given the potential interdependence of the effects of the various methodological changes and the broader question of whether the changes represent a balanced approach to the review of allocations, we would not be confident that proceeding as BT suggests would produce a sufficiently accurate or suitable assessment of BT's relevant costs even after undertaking significant further work.

Contrary to the suggestion in Ed Dolling's letter, and notwithstanding the production of the October Report and the Deloitte Report, Ofcom is not in a position to resolve these issues. Whilst I note the regular engagement that our respective teams have had on regulatory accounting issues it is not correct to suggest, as that letter seeks to do, that Ofcom has been in a position to scrutinise the market level effects of the methodological changes applied in the 2013 RFS prior to the publication of the October Report. Moreover, we have no information on the impact of each methodological change at a product level; an analysis of which would be fundamental to any assessment for the purposes of the charge controls.

Given this, we do not consider that our duties (including those set out above) are best achieved in the context of the current proposed LLU/WLR and WBA controls by undertaking a detailed evaluation of these allocations. To do so would in our view lead to a material delay in the implementation of the revised controls, without necessarily producing a better outcome in terms of cost allocation.

We therefore propose to proceed by seeking to update the charge control models with the most recent cost data available from the 2013 RFS but to retain the allocation methodologies presented in the 2012 RFS (which were the subject of consultation in July 2013). In our judgement, this approach would be most consistent with our statutory duties. Should this approach turn out to be unworkable for some as yet unanticipated reason, we would then need to consider reverting to using the 2012 RFS as the base year for the cost models. We will set out our intention to proceed in this way in our forthcoming consultation (which is due to be published shortly).

As you are aware, our forthcoming consultation will include our proposals on Quality of Service and faults, as well as a few other outstanding issues. In light of the timing of that consultation, we plan to use data from the 2012 RFS in that document. We plan to make any neceassay update to the base year cost data subsequently. Because our proposed regulatory remedies explicitly link Quality of Service and costs, it is essential that we have a consistent Quality of Service and associated cost data in the base year. If we conclude that it is not appropriate for us to use the 2012/13 Quality of Service data in the base year, which is a real possibility, then when we update the base year costs we will have to continue to use 2011/12 costs for those components associated with delivering Quality of Service.

In order to undertake this task and proceed to finalised charge controls in 2014, we will require the support of your regulatory team, particularly in gathering the necessary data to respond to statutory information requests on tight timeframes to support this modelling approach.

I should also add that, as a general matter, we accept that it may be appropriate to change the allocation bases underlying the RFS from time to time. The position we propose to take in respect of the 2013 RFS should not be taken to mean that the allocation methodologies should be 'frozen' and fixed over time. Where those changes are material, however, and have significant implications for several charge controls, and competition across both regulated and unregulated services, they need to be considered carefully to ensure that they are objectively justified and balanced (e.g. not chosen selectively in a manner that benefits BT relative to other stakeholders). This is consistent with our proposals for Regulatory Financial Reporting on which we will be consulting shortly. We would be pleased to engage further on the regulatory accounts following the publication of that document.

Yours sincerely

Stuart McIntosh

cc. Ed Dolling, BT; David Clarkson, David Brown, Ofcom

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26 November 2013

Dear Stuart

Base year financial data for the proposed LLU/WLR and WBA charge controls

Thank you for your letter of 19 November 2013 which sets out Ofcom's current position on the use of 2012/13 RFS data in the LLU/WLR and WBA charge controls (the controls).

Your letter sets out Ofcom's intention to finalise the controls using base year data taken from the 2012/13 RFS, but with all methodology changes unadjusted from those applied in 2011/12. You also explain that, amongst other things, this position would be reflected in the further consultation on the controls expected in the next few weeks, although – somewhat confusingly in our view – modelling in those consultations will still use base year data reflecting the published 2011/12 RFS.

As set out in more detail below, we have significant concerns with Ofcom's proposed approach and do not consider it to have been sufficiently justified. Given these, BT would request an urgent meeting with Ofcom to discuss in more detail.

Summary of BT's position

1) We remain of the view that the most appropriate starting point for the LLU/WLR and WBA charge controls is the published 2012/13 RFS: this is the most up to date and relevant data and its use is consistent with Ofcom's standard practice.

2) Each of the 2012/13 methodology changes was introduced following rigorous internal review by BT. Ofcom has been provided with an independent report produced by BT setting out the merits of each change and the 2012/13 RFS received an unqualified audit approval by PWC. However, Ofcom's blanket dismissal of all 2012/13 methodology changes fails to give proper and appropriate consideration to the merits of each individual change and the detailed information supplied by BT. As such, Ofcom's approach is arbitrary, inconsistent with Ofcom's standard approach to the principles of cost recovery and contrary to Ofcom's duties.

3) Ofcom cites as an issue the potential double recovery of costs included within recently set charge controls, such as leased lines, but then fails to adequately consider how such concerns could be simply and readily addressed - e.g. by using data Ofcom already has about the impact of each change on specific regulated markets or by requesting further information from BT.

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4) BT submits that if, as Ofcom states, its intention is to use 2012/13 RFS data but based on 2011/12 methodologies, such data should be used as the basis for the forthcoming Quality of Service and further LLU/WLR (and possible WBA) charge control consultations. To not do so, risks further delay in the resetting of these controls as stakeholders will have had inadequate time to properly consider and respond to the impact of the use of this revised data.

Substantive comments on the points raised in Ofcom's letter

Ofcom is proposing to ignore all methodology changes in the 2012/13 RFS. It is extremely concerning that this decision has been reached without any detailed reference to the specific, individual methodology improvements introduced in the 2012/13 RFS. These changes have each been discussed with Ofcom's regulatory finance team in a series of meetings since the beginning of the year and were also explained and analysed in the detailed reports BT has provided over the last month[1]. Ofcom has not expressed a view on whether it considers the new methodologies to be superior to the previous methodologies; further, your letter sets out that you see no value in conducting such an evaluation ahead of setting the controls.

Such an approach, rejecting each of the methodology changes without setting out a full rationale for doing so, is arbitrary, opaque and inconsistent with Ofcom's duties – in short it is unsound.

It appears to be common ground between us that **the appropriate and normal starting position for setting charge controls should be to use the best and latest available information** as the basis to forecast BT's relevant costs over the charge control period. Indeed, your letter further states that this is normally the latest published RFS data. You note that such data would always be "*appropriately scrutinised and adjusted where necessary*". Again, that is common ground: BT accepts that any data used in regulatory decisions should be scrutinised and that Ofcom can decide to make adjustments to reported numbers – but this must only be where it has been found to be appropriate to do so, following due process . As Ed Dolling emphasised in his letter to David Brown of 16 October 2013, any decision to make adjustments to the published numbers must be "*specific, deliberate and considered*", i.e. based on a sound justification. To be clear, BT would expect Ofcom to only depart from the use of published data where scrutiny of the financial information raised clearly identified concerns with regulatory accounting principles, economic efficiency considerations and/or with other specific aspects relating to Ofcom's duties and responsibilities.

Instead and exceptionally, Ofcom appears to be proposing to dismiss all the accounting improvements introduced in the 2012/13 RFS by sole reference to the overall effect of the changes. Ofcom's view is that using the 2012/13 RFS data as presented would result in "*significant over-recovery of costs for BT*" because your analysis of the reports shows that some costs that were included within recently set

[1] (1) BT Report "Report requested by Ofcom describing certain changes to the Accounting Documents for the year ended 31 March 2013 and illustrating the resulting differences to the Current Cost Financial Statements had those changes not applied" published 3 October 2013 (the "**BT RFS Report**"); (2) Deloitte Report "BT RFS Attribution Methodology Changes", 15 October 2013 (the "**Deloitte's Report**")

charge controls, such as the leased lines control set in March 2013, would now be allocated to products within the scope of the LLU, WLR and/or WBA controls. We make a number of points in response to this:

- First, "over-recovery" and "under-recovery" of specific costs across different charge controls is an inevitable consequence of setting charge controls based on RFS-based models at different points in time. As noted, controls are generally set based on models that will use the latest actual and forecast cost and volume information available. That information will change from period to period for a variety of reasons. For instance, under a constant volume-driven cost allocation methodology, changes in relative volumes of any products will shift common cost allocations between products between periods in ways that will not be captured in controls. A charge control set for product X based on the relative volumes in year A may therefore be inconsistent with a charge control set for product Y based on the relative volumes in year A+1. New information may also become available on many key forecast parameters – future volumes, potential for efficiency improvements, changes in the cost of capital, etc. – in the periods between the setting of different controls. But that simply brings us back to the importance of following the key principle: Ofcom should set controls at any point in time based on the best and most timely information available to it. In this case that it is the audited 2012/13 RFS, appropriately scrutinised and adjusted, not the 2012/13 RFS adjusted to use methodologies that – with the passage of time, new evidence, or improvements in accounting practice – are now viewed as inferior.

- Second, you accept that the risk of "double recovery" across controls <u>would</u> be acceptable if: (i) the revised methodologies were superior; and (ii) the process of introducing the methodology changes was "*clearly even-handed*". You state that you are "*not satisfied*" that this is the case. But no assessment of either of these factors appears to have been conducted at this stage. Our position on these matters is clear: the RFS report requested by Ofcom set out our view that each of the changes implemented is superior, in certain cases correcting known errors, and the process followed in identifying the need for these changes was part of our usual review of methodologies in producing the audited RFS each year.

- Third, you do not appear to have considered that setting glide path charge controls will, at least to some extent, mitigate against any risk of "double recovery" concerns. Nor do you appear to have assessed ways in which glide paths for this and future controls could be specifically set to further mitigate, and potentially remove altogether, any such legitimately identified and quantified cost recovery concerns. Specifically, the effects of the methodology changes shown in the RFS Report show the single year impact of the change against the counterfactual of retaining the previous methodologies. However, while the methodology changes would generate a higher final year projected cost in the LLU, WLR and WBA controls compared to the counterfactual, today's prices will reflect previous charge controls – which may themselves have been set by reference to models which incorporated previous methodologies. The glide from where prices start to where costs are forecast to end the period will therefore reduce the impact of any "double recovery" in the initial years of the control. Indeed, as some prices may well start control periods beneath costs, it may be inappropriate to consider that any "double recovery" (which is in any event perhaps more accurately described in this context as "double allocation" between charge controls) inevitably results in "over-recovery" of costs over the charge control period, in anything other than a very narrow sense, when measured against a specific counterfactual. Furthermore, Ofcom could change the trajectory of any glide path to address any "double recovery" concerns identified; noting in particular that Ofcom will likely re-set the leased lines charge control before the end of the WLR/LLU charge control period.

- Fourth, linked to the above and despite your reference to the need for the process of implementing changes to be "even-handed", the implication of Ofcom's rationale for dismissing the changes in setting these controls is that any changes – even if considered superior – would be more acceptable if they result in BT under-recovering costs. For example, if the same changes had been implemented in the 2011/12 RFS and moved costs away from leased lines markets, the implication is that you would have been more comfortable setting those controls on the lower base year costs even if the previous LLU/WLR controls had been set by reference to the previous methodology which implicitly assumed those costs were allocated to, and recoverable from, leased lines. Indeed, as no view is expressed on the reasonableness of each of the changes themselves, it is unclear whether you would in fact reflect the methodology changes made to the 2012/13 RFS in setting the next round of charge controls (i.e. beyond 2014) on the basis that leased lines would "go first" and BT would see (relatively) lower prices in this area before getting any (relatively) higher prices at the next LLU/WLR control.

- Fifth, in dismissing all the methodology changes, you do not appear to have assessed and considered the scale of the impact of any "double recovery" or of overall cost recovery from different products. Based on the in-year assessment of impacts on the 2012/13 RFS data, the changes result in £170m of additional costs being allocated to the fixed access markets and £10m of additional costs being allocated to the Wholesale Broadband Access markets. £79m of costs has moved away from leased lines markets and £20m from the call termination and call origination markets. Not all of these costs are relevant in setting charge controls – call termination and call origination charges have been set by reference to a hypothetical bottom-up LRIC model, not to the RFS; and not all products in the other markets are charge controlled. However, even this single-year, market-level analysis shows that approximately £100m of the £180m of additional costs allocated to the fixed access and WBA markets cannot be relevant to any consideration of "double-recovery" from the other recently set and relevant charge controls (i.e. leased lines). Your dismissal of all the methodology changes by reference to the "double recovery" resulting in over-recovery is therefore arbitrary and wrong.

The rationale for reaching the decision set out in your letter is therefore flawed. The general concern with "double recovery" is: (i) insufficient to justify the dismissal of all changes; (ii) made with no specific analysis of the scale and nature of the impacts and whether they are justified; and (iii) made with no consideration of how impacts could be mitigated. Ofcom's conclusion that its duties will not be achieved through "*undertaking a detailed evaluation of* [these] *allocations*" is clearly misguided or at the very least made prematurely. Contrary to Ofcom's position, it cannot set charge controls that are consistent with its duties on the basis of base year numbers that arbitrarily exclude audited methodology changes without first conducting a proper analytical exercise. Ofcom can only reach reasonable conclusions on "double recovery" once it has taken a view on whether each of the changes is itself justified by reference to whether it is superior to the previous methodology. To put it another way, if a previous charge control was set on the basis of information which has now been bettered, Ofcom would be wrong to further entrench that decision by failing to take account of that better information in new controls, especially when, as BT has explained above, there are alternatives available that may well militate or mitigate the perceived risks to competition and consumers of multiple cost recovery.

We would also note that you do not appear to have considered (or at least not given weight to) those specific changes which are driving your "double recovery" concern or to identifying changes that are relatively simple to explain and consider (e.g. changes that address clear errors). The information to do this is all set out in the BT RFS Report and the Deloitte's Report. For instance, the changes to Openreach computing alone moves £32m of cost from leased line markets to fixed access markets. A focus of resource in understanding that change would help put the more general concerns raised in some context. Any exercise that narrowed down the areas of concern and ensured there was focus on the key changes would seem sensible given the concerns raised with resourcing and timing. An 'all in' or 'all out' approach is unnecessarily and inappropriately rigid.

Timing and provision of additional information

We note that your view on the need to conduct a detailed evaluation is also linked to concerns about potential timing impacts on the charge control. We have no desire to unduly delay implementation of these controls. In fact, given that we believe that key LLU and WLR rental prices need to increase, it would be perverse for us to seek an extended delay. However, the risk of delay is no justification for the approach you are proposing to take. It is also frustrating that concerns with timing appear to be influencing your proposed approach here when the individual methodologies in issue have been discussed at some length with your team. For instance, all of the changes impacting the WBA charge control were discussed with the Ofcom team in August as well as covered in the reports and we find it hard to believe that Ofcom has not reached a conclusion on those changes, at least.

We also believe you have overstated the additional work involved in conducting a detailed evaluation of changes and appear to have reached a view on such matters without actually requesting any additional data. Further cuts of data can be produced which may help assess the potential interdependencies of different methodology changes and consideration of whether Ofcom could adopt some, but not all, of the changes. To assist Ofcom's understanding, we will provide a further breakdown of the data in the BT RFS Report – which shows impacts by market – to show methodology impacts by product for the key products in the controls. We could also provide input templates (we understand this to be 7) to update Ofcom's charge control model, that could show the impact of removing any of the methodology changes in the 2012/13 regulatory accounts, within 3 weeks of being asked.

The further consultation and conclusion

We are also disappointed that, despite signalling the intention to use adjusted 2012/13 RFS as the base year, the next set of consultations, now expected to be published in mid-December, will actually still use 2011/12 RFS data. We see no reason why this should be the case given the information supplied to Ofcom. We submitted 2012/13 RFS data on the 2011/12 basis to Ofcom on 4th October 2013, which we believe gave Ofcom ample time to model this data. Continuing to use 2011/12 data is likely to mislead stakeholders and create erroneous expectations if Ofcom's true intention is to use 2012/13 data for the final charge control decision, particularly as it is unclear from your letter what process Ofcom will follow to "*make any necessary update to the base year cost data subsequently*", including whether this will be the subject of any stakeholder consultation.

I would reiterate BT's strongly-held view, set out and evidenced in our first set of consultation responses, that 2012/13 was not an atypical year regarding Quality of Service. This is supported by our fault data for 2013/14 which evidences a trend from the previous year. We are therefore concerned by the suggestion that Ofcom might somehow seek to adjust the 2012/13 cost data to reflect a lower level of faults; if Ofcom is considering such an adjustment we would expect full transparency of Ofcom's proposed methodology and data.

Finally, as suggested, I believe it would aid both BT and Ofcom if our respective teams were to meet urgently and discuss our respective positions and concerns in more detail. Given the shortness of time before publication of the further consultation, I'm sure you would agree that the sooner this important meeting can take place the better.

Yours sincerely

Mark Shurmer

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cc. Ed Dolling, James Tickel, BT; David Clarkson, David Brown, Ofcom

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6 December 2013

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Dear Mark

Base year financial data for the proposed LLU/WLR and WBA charge controls

I refer to your letter of 26 November 2013 regarding our proposals on the use of BT's 2013 RFS in the context of our review of the Local Loop Unbundling (LLU) / Wholesale Line Rental (WLR) and Wholesale Broadband Access (WBA) charge controls, which replied to my letter of 19 November 2013.

I am writing to confirm that the proposed approach on which we will consult later in December (in the case of the LLU/WLR charge controls) remains as set out in my letter. That is, we propose to proceed by seeking to update the costs models we are using to set the relevant charge controls with the cost data available in the 2013 RFS (where this is appropriate) but to retain the allocation methodologies presented in the 2012 RFS.

As I explained in my letter, when setting charge controls, Ofcom must do so in a way that fulfils our statutory duties. That is, our aim is to achieve an outcome that is appropriate for the purposes of promoting efficiency, sustainable competition and is in the interests of citizens and consumers. When pursing this objective we also seek to allow BT the opportunity to recover its efficiently incurred relevant costs for the services in question. To do this we need a dataset that allows us to model BT's relevant costs in a sufficiently robust manner. It is a matter for our regulatory judgement to determine the best source of that dataset at the time the charge control is set.

In practice Ofcom has, when appropriate, used BT's latest RFS as a starting point. As I explained in my letter, however, in this instance our judgement is that it would not be appropriate to use the 2013 RFS (as presented) as the basis for the cost model in the charge controls. This is not only because of the potential for material over-recovery from other regulated markets; although this is at the core of our concerns. It is also because of the other material reallocations between the WLA and WFAEL markets and to those markets from unregulated services.

My previous letter explained two concerns: first, concerns regarding the potential interdependence of the effects of the methodological changes and, secondly, the broader question of whether the changes represent a balanced approach to the review of allocations. Your letter does not seek to address these issues. Given our concerns, we would not be confident that applying and disapplying methodological changes on an item-by-item basis would produce a sufficiently accurate or suitable assessment of BT's relevant costs that could properly be used as the basis for the charge controls. In any event, such an analysis would not simply be a case of BT providing and Ofcom analysing then using new data. Such material changes would necessite a potentially iterative process of wider stakeholder engagement. The process suggested in your letter would not therefore avoid the possibility of material delays in setting the new charge controls.

As I said in my previous letter, our forthcoming consultation on the LLU/WLR charge controls will set out our proposals in this regard and will invite responses from all stakeholders. As part of that consultation we plan to publish copies of this correspondence (this letter together with my letter of 19 November 2013 and your letter of 26 November 2013) and a copy of the report prepared by Deloitte dated 15 October 2013. We consider that it is necessary to disclose this information as part of our consultation to ensure that stakeholders are appropriately informed and able to respond intelligently to our proposals. The project team will be in touch shortly in relation to any confidentiality issues.

As this is a matter for consultation, you will be invited to provide a response to our proposals and any such data as you consider appropriate. We will take all such information into account, together with responses received from other stakeholders in reaching our final decision on this issue.

In relation to your request for a meeting, I note that we are due to meet on 11 December 2013 and I would be happy to discuss this issue with you then.

Yours sincerely

Stuart McIntosh

cc. Ed Dolling,James Tickel BT; David Brown, David Clarkson Ofcom