



Verizon Enterprise Solutions
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Verizon Enterprise Solutions response to Ofcom consultation: “Changes to BT and KCOM's regulatory and financial reporting, 2012/13 update”

1. Verizon Enterprise Solutions (“Verizon”) is the global IT solutions partner to business and government. As part of Verizon Communications – a company with nearly \$108 billion in annual revenue – Verizon serves 98 percent of the Fortune 500. Verizon caters to large and medium business and government agencies and is connecting systems, machines, ideas and people around the world for altogether better outcomes.
2. Verizon welcomes the opportunity to respond to Ofcom’s ‘Changes to BT and KCOM’s regulatory and financial reporting 2012/13 update’ consultation (the ‘Consultation’). Relevant reliable and timely financial information is very important in shaping the decisions made in the communications industry, and it is essential that the information and associated reporting is fit for purpose. Verizon therefore maintains a very close interest in any proposed changes of this nature, even where Ofcom considers them to be relatively minor.

Summary

3. Reliable and transparent accounting / financial reporting is essential for a robust and accountable regulatory regime. External customers of BT should have the ability to review the costs of services that they buy to an appropriate level of granularity, whether or not BT is subject to a cost orientation remedy. Further, it would be an unsatisfactory outcome if BT, having created the relevant information, were not then obliged to publish it – and indeed only provide it to Ofcom “on demand”.
4. As a general principle, we consider that Ofcom should have a natural preference for increased granularity in the regulatory financial statements (‘RFS’), not less – even where volumes of the relevant services are decreasing. This will maintain stakeholder confidence and certainty that BT is not pricing excessively, and it helps to foster a regime of openness and transparency. Having said that, we recognise that there is ultimately a balance to be struck, and greater emphasis should be placed on those services which are most in demand.

Question 1: Do you agree with Ofcom's proposed amalgamation of certain low revenue disclosed services in the AISBO, WBA, Call Origination, Call Termination and Point of Handover markets?

5. We do not have any significant concerns with Ofcom’s proposals in this regard, if it serves to ensure that BT increases the transparency and detail of its reporting for other services which are growing and which generate greater revenues.



Question 2: Do you agree with Ofcom's proposal for separate disclosure of EAD Local Access and Wholesale Broadband Connect services?

6. We fully support the proposals to require separate EAD reporting of Local Access connections and rentals across bandwidths in order to aid transparency. We also support the proposal for BT to increase the level of granularity of reporting in relation to Wholesale Broadband Connect services. These measures, while relatively minor in nature, will provide a boost to perceived transparency and BT's accountability for the costs of these growing services.

Question 3: Do you agree with the proposed changes to the presentation of the RFS?

7. We support the proposal to require BT to publish the RFS online, and in an Excel format. However we do not agree with the proposal to remove the average price / FAC column from market summaries. Regardless of whether an Excel format will make calculations easier, such information is useful and Ofcom has not clearly explained why it should be removed. It cannot cause BT a material amount of extra effort to provide this information, and therefore it would save very little by no longer having to publish it. The fact that it is currently presented is a useful cross-check for stakeholders, who would otherwise have to ensure that they were calculating it correctly – adding an unnecessary element of uncertainty. We therefore consider that Ofcom should not allow the removal of this information.

Question 4: Do you think we have fairly reflected the decisions of the relevant market review in the scope, form and content of the RFS?

8. We do not agree with the proposal to remove the requirement on BT to publish DSAC and DLRIC information for the services identified. Ofcom appears to consider that this is acceptable simply because it has removed the charge control remedy following the LLU/WLR charge control review. However such a proposal would be a backwards step in Ofcom's stated intention to work towards relevant and reliable regulatory reporting. It would also herald a shift to less open and transparent reporting, which is in no-one's interests except perhaps BT's.
9. As Ofcom points out at paragraph 4.9 of the Consultation, there may be several reasons why it is necessary and proportionate for BT to produce this information beyond simply verifying compliance with cost orientation obligations. Ofcom rightly considers that this information should continue to be produced.
10. It is therefore not clear why the information should not continue to be published to interested stakeholders – and indeed only be provided to Ofcom on request. This provides further unacceptable leeway to BT, especially as Ofcom has a poor history of scrutinising BT regulatory information and has previously relied on industry to highlight discrepancies. Indeed Ofcom itself points out at paragraph 4.11 that CPs are often in a better position than the regulator to assess product information as they are involved in the business of buying and using the products / services concerned. It seems, therefore, incomprehensible for Ofcom to even consider removing the publication obligation from BT.
11. If Ofcom considers that this loosening of reporting requirements would apply wherever cost orientation obligations are removed, it sets a very worrying precedent for the future of openness and transparency in regulatory reporting. It would also have a chilling effect on stakeholder confidence and certainty, which Ofcom should surely be keen to avoid.

Verizon Enterprise Solutions
March 2013