

Verizon Business
Reading International Business Park
Basingstoke Road
Reading
Berkshire
RG2 6DA
United Kingdom

Verizon Business response to Ofcom consultation:

Ofcom's Draft Annual Plan 2012/13

Introduction

Verizon Business ("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.

Verizon welcomes the opportunity to respond to the consultation on Ofcom's Draft Annual Plan 2012/13. Given the difficult economic climate and the reduction in Ofcom's budget, it is vital that Ofcom plans effectively to ensure it utilises its resources to maximum effect. It is also important that Ofcom recognises that its stakeholders are also operating under similar constraints.

However, there is little attention given to planning and co-ordination across functions in the draft plan, which is a significant concern. As Ofcom is now operating under even greater budgetary constraint and with a broader remit given the additional Postal Regulation responsibility, it is even more important that Ofcom improves its planning and co-ordination activities. Throughout 2011 there was clear evidence of a lack of internal co-ordination across the policy and enforcement teams, with information requests and consultations being released for the same basic service in isolation. Such a lack of co-ordination causes massive difficulties for Communication Providers (CPs) in trying to balance resources between their prime responsibility and duty, which is to serve the needs of customers, with obligations to respond to demands from Ofcom. Despite representations, it appears that Ofcom does not recognise the problem. It is to be hoped that 2012 will see a significant improvement in both the internal co-ordination within Ofcom and its communication with its stakeholders. Judging by the draft plan, this appears to be a forlorn hope but Verizon urges Ofcom to recognise and address this issue, which may not make many headlines but which, if not addressed, will impact negatively on Ofcom's effectiveness in the future as the quality of inputs it receives from stakeholders diminishes.

As a practical suggestion, Verizon would urge Ofcom to consider the use of a "grid" system to ensure that outputs are appropriately staggered. This may help to ensure that CPs or groups of CPs are not overwhelmed with demands, as was the case during 2011.

Ofcom's Proposed Priorities for 2012/13

Business Markets

The draft plan, underpinned by Ofcom's five strategic purposes, purports to strike a reasonable balance of focus across the whole communications sector and to recognise that competition is central to providing consumers with choice and value. Verizon supports the

general premise that competition delivers benefits to consumers and strongly agrees with Ofcom that one of their key objectives is to foster the correct environment to further competition. This is essential if the Communications sector is to continue to play a “vital economic and cultural role in the UK.”

To this end, Verizon welcomes Ofcom’s continued recognition that business markets remain essential to the industry and fully supports the focus Ofcom has afforded the Business Connectivity Market Review (BCMR) in the draft plan. This work stream is of prime importance to B2B providers such as Verizon, as the continued availability of wholesale access products, at competitive prices, remains critical to our business model. It is also central to Ofcom’s duty to promote competition so as to drive better outcomes for consumers. However, it is alarming that the BCMR consultation has been subject to significant delays and is now not anticipated to be issued until late March and with a shortened consultation period. This appears to be reflective of the lack of planning and resource management that unfortunately seems to be consistently displayed by Ofcom.

Full consultation is required to maintain the quality of the information Ofcom receives from CPs and, in turn, to maintain the quality of Ofcom’s final output. The recent approach of issuing a ‘Call for inputs’ followed by a shortened consultation period will not, in our view, result in clear, decisive and effective regulation. Although the model may well have merit, it is dependent on targeted and reasoned direction being provided by Ofcom in its publications. So far in both the BCMR and Cost orientation ‘Call for inputs’, such direction has been lacking. Both documents lacked any strategic direction and were simply an invitation for CPs to provide ideas. Indeed the Cost orientation project was at such an embryonic stage that the Call for Inputs even sought views on the reason that BT should provide regulatory accounts. Whilst such submissions may well be of value, they in no way support Ofcom’s contentions that as a result of this approach, reduced consultation response periods are justified.

Furthermore, better planning by Ofcom is required to spread the work load placed on CPs more evenly across the year to ensure that CPs are able to respond consistently with quality information at the right level of detail. Delays in conducting market reviews have knock-on effects. For example, five very significant consultations, in addition to the Draft Annual Plan are currently expected in the February/March period (BCMR, LLCC, Non geographic numbers, text relay, Cost orientation & Regulatory Accounting). Such an overload places great strain on CPs and will inevitably impact the quality of the inputs Ofcom receives.

In particular, the Cost Orientation & Regulatory Accounting consultation should be given greater prominence in Ofcom’s Annual Plan. The consultation addresses a key policy area, as Regulatory Accounting and Cost Orientation underpin the entire UK regulatory regime. Such a review is well over due as it is ten years since Ofcom issued its Cost Orientation guidelines and fresh guidance is urgently needed to take into account changing markets and determinations from the CAT following recent disputes where the matter of cost orientation has been a prominent feature of proceedings. This is too important an issue to be rushed and compressed.

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