

Catherine Galvin  
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By Email & Post

23<sup>rd</sup> March 2011

Dear Catherine,

**Consultation Response: NTS Retail Uplift and PRS Bad Debt Surcharge**

Oxygen8 is pleased to have the opportunity to respond constructively to this consultation on the NTS Retail Uplift and PRS Bad Debt Surcharge.

Responses to Questions

*Q1: Do you agree with the proposed approach to the form and structure of the NTS Retail Uplift Charge Control, including the use of an RPI-X price cap for the period to September 2013, a single basket, a sub-cap on charges for freephone calls and a glidepath approach to price adjustments?*

Yes, we agree.

*Q2: Do you agree that there is no longer any basis for excluding 20% of BT's sales and marketing costs?*

Yes, we agree.

*Q3: Do you agree with the proposal to reattribute generic sales and marketing costs using net revenues and to treat support costs as an uplift on causally attributed costs?*

Yes, we agree

*Q4: Do you agree with our approach to determining base year costs and volumes?*

Yes, we agree

*Q5: Do you agree that we should use a forecast of change in BT's overall retail service activity to project BT's costs?*

Yes, we agree

*Q6: Do you agree with our approach to forecasting the change in BT's overall retail activity and the proposed range of forecast decline of 3.5% to 7.5% per year? If possible, please provide evidence to support your view.*

Yes, we agree

*Q7: Do you agree with our preferred efficiency improvement assumption of 2.5%?*

Yes, we agree

*Q8: Do you agree that our proposal for the value X with no one off adjustment to prices at the outset of the control has no impact on any previous aspect of our proposals?*

Yes, we agree

*Q9: Do you agree with our assessment of the potential options regarding the structure of the recovery for bad debt on PRS calls?*

Yes, we agree

*Q10: Do you agree that BT's attribution methodology for bad debt is an appropriate starting point to use in assessing the incidence of bad debt on PRS calls?*

Yes, though we would wish to see BT moving towards a future approach where Bad Debt is based upon pure, rather than empirical data.

*Q11: Do you agree with our view that no adjustment should be made to the PRS Bad Debt Surcharge for inefficiency? If no, please provide analysis and evidence to support your arguments.*

Yes, however, we believe that BT should continue to look for efficiency savings, in particular through tightening credit management of high risk customers.

*Q12: Do you agree that in the current circumstances it is appropriate for the PRS Bad Debt Surcharge charge control to have effect on the first of the month following our final statement? If not, please supply reasons why this would be the case.*

Yes, we agree

*Q13: Do you agree with our proposals for monitoring BT's compliance with the NTS Retail Uplift charge controls?*

Yes, we agree.

Yours sincerely,

**BRYAN FLANAGAN**  
Chief Technical Officer