



**MOTOROLA SOLUTIONS**

**Mobile Radio Network Services Market Investigation**

*Motorola's Supplementary Submission on [X] Cost Accounting Standards*

1 April 2022

- (1) In its list of questions to be addressed by Motorola in relation to remedies dated 18 February 2022, the CMA made reference to the provision of services to the [X] that are subject to certain Cost Accounting Standards, asking how Motorola would see the difference between this approach and the agreement with the Home Office.
- (2) In answering this question, Motorola noted that *“a model like the [X] contracting model might in principle be an appropriate solution for any future contract, recognising, however, that the required cost accounting imposes an additional burden on suppliers. As the [X] website notes, there have been concerns from [X] and others that the burden imposed on suppliers may deter companies from competing for [X] contracts and that, to work efficiently, such a contractual arrangement must prevent continuous discussions about whether specific cost components are justified and whether costs are correctly measured.”*<sup>1</sup>
- (3) While Motorola’s response answered the question posed by the CMA, Motorola would like to clarify that the provision of services to the [X] that is subject to these additional Cost Accounting Standards accounts for a negligible proportion of Motorola’s overall business, generating annual revenues of around USD [X], i.e., accounting for only around [X]% of Motorola’s global sales. Indeed, Motorola’s contracts with the [X] are typically fixed price contracts without any additional cost accounting or information ‘transparency’ requirements.
- (4) Motorola therefore respectfully invites the CMA Group to ensure that it does not draw incorrect conclusions from the reference to [X] Cost Accounting Standards in [X]. Those references appear purely for [X] capital markets disclosure reasons. It is not the case that Cost Accounting Standards are widely, or even frequently, deployed in contracts with the [X].
- (5) Motorola estimates that the use of Cost Accounting Standards imposes avoidable transaction costs, and so has a negative impact on the ability and incentives to compete. In Motorola’s experience, the additional requirements imposed by the use of Cost Accounting Standards meaningfully increase the cost of doing business, as standard systems used by the business must be extended and augmented and external consultancy support is required.

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<sup>1</sup> See paragraph (24) of Motorola’s Response to the CMA’s Questions on Remedies dated 4 March 2022.