

TO: Shaun Tey
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By email only to: icandtermination@ofcom.org.uk

Telefonica UK response on the Consultation on the Future of interconnection and call termination.

Dear Shaun,

Telefonica UK Limited ("**TUK**") welcomes the opportunity to respond to Ofcom's consultation on the Future of interconnection and call termination ("**Consultation Paper**"). TUK notes that the consultation questions are divided into four broad areas namely:

1. Regulation during migration to IP
2. Approach to E2E connectivity
3. Technical Standards for IP interconnection
4. Future regulation of call termination

We have brief comments on the first, second and final issues.

Regulation during migration to IP

TUK supports the retention of interconnect/TDM regulation to apply to IP in the interests of technology neutrality. TUK would want the same regulation that has existed in relation to circuit prices to continue, whether cost orientated or similar, to mitigate the risk of BT raising charges given its position as having significant market power as a UK transit operator.

Approach to E2E connectivity

We do not agree with Ofcom's initial view that the case for the E2E Condition appears weaker on the basis that BT's role is less central to end-to-end connectivity and telecoms providers have a choice of transit providers with whom they can interconnect. TUK supports the retention of the current regulatory regime.

Future Regulation of call termination

TUK notes Ofcom's factors that have been highlighted in the consultation as having a bearing on the setting of termination rates, namely: the convergence between mobile and fixed; voice pricing is now less important in competition for customers; risks of different or high termination rates; and the change in use of voice services.

Nonetheless, on the basis that the cost difference in terminating calls on fixed and mobile networks is likely to remain, we see merit in the continuation of separate and distinct regulatory regimes (as between fixed and mobile wholesale call termination).

In the consultation document, Ofcom considers the merits of three approaches to future regulation: charge controls based on the LRIC and LRIC+ cost standards; and a mandated reciprocity. We would not support a change to mandated reciprocity. In our view, that would create the possibility of higher rates and arbitrage, both of which are

ultimately damaging for consumers. The industry has had experience of these undesirable practices in the past and it was the application of firm and consistent ex post regulation that addressed them. TUK would not want to see that approach sacrificed. Of the two cost standards, TUK favours LRIC+ on the basis that it is reasonable that the calling party makes a contribution towards fixed and common costs.

Yours sincerely,

Sophie Andreou
Consumer Regulatory Manager
Telefonica UK Limited