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Virgin Media's Response to Ofcom Consultation: Wholesale Voice Markets Review 2021–26

17 October 2020

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Introduction

We are pleased to respond to Ofcom's review of wholesale voice markets, an evolving area for industry as voice services transition from TDM to IP based technology. We note that the five year forward look for this market review will include the proposed WLR withdrawal date set by Openreach for relevant wholesale voice products. We recognise that one of the consequences of the technology shift to IP Voice means that there will be fewer wholesale voice products to regulate, but it does not mean that Ofcom will not continue to play a crucial role in this area. Although there will be a reducing reliance on wholesale voice products provided by Openreach, it will still leave CPs consuming vital wholesale voice services to deliver essential service to end users through to the end of the transition period. The provision of those services still need to be on a basis that ensures that effective competition, either naturally or via appropriate regulation, is enabled in these sectors.

We set out below our comments on each of the key areas discussed in this consultation.

Wholesale Call Origination

We broadly agree with the move to deregulate given the migration to IP Voice services in 2025. We consider that it remains important for BT to commit to providing services in the interim, in lieu of formal regulation and Ofcom needs to ensure that the commitment from BT is sufficient to protect the rest of industry, including in respect of pricing, as a "fair and reasonable" commitment leaves considerable room for interpretation.

Wholesale Call Termination

We consider that the proposal to use the 2017 model remains appropriate given the low level of regulated termination rates, and agree that not updating the model is a pragmatic approach in this market.

Mobile Call Termination

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Ofcom proposes to regulate the termination rate for inbound international calls in a way that recognises some international networks may impose higher termination rates on inbound traffic flowing in the opposite direction. To require UK operators to set termination rates at cost would create a commercial imbalance for this traffic. VM deals with many different international providers and agrees that the underlying rationale to regulate international inbound termination rates on a variable basis as proposed appears sensible in theory. However, we remain concerned that this is not a theory that could be easily translated into practice; if it is not possible to accommodate variable termination rate pricing in systems then the advantages identified by Ofcom will be unable to be realised, and could lead to distortions across the market. Ofcom has not considered this as an issue when making the current proposal, and it is vital that this should be taken account of before any final decision on regulation is made.

Interconnection

We broadly agree with the proposal to regulate both TDM and IP interconnect as the industry moves towards all-IP services. We also agree that Ofcom's proposed approach of not mandating technical



standards but noting that this will be governed under the Fair and Reasonable condition, and that NICC IP standards will be “presumptively fair” is appropriate in this market.

We note however that BT still operates certain low volume essential services (such as Text Relay), where interconnection is required. We remain concerned that BT has the ability to price excessively in the absence of competition, and agree with UKCTA’s response that Ofcom needs to further review this issue.

070 termination

We do not have any substantive comment on 070 termination proposals although we remain broadly supportive of this regulation in order to deter rogue terminators who have previously gamed the system by regularly moving number ranges to maintain higher priced charge bands.

Regulation of voice only services

We note that this is an area that is to be reviewed following expiry of BT’s commitments (which expire in 2021). However, we consider that retail level regulation is not appropriate where those retail markets are broadly competitive. We remain of the broad view that Ofcom should be very cautious when considering whether retail market “niches” should be defined as separate markets, leading to the potential imposition of retail level regulation in a broadly competitive sector.

Conclusion

We recognise that wholesale voice services are undergoing a period of transition as the industry moves from TDM to IP Voice provision through this next market review period. We consider that Ofcom’s proposals, which are largely evolutionary, are an appropriate way to move to the new technology, and it is important to recognise that TDM voice will still be a significant element for the vast majority of the review period through to 2026. Ofcom does still need to review the market carefully, especially when considering how to deregulate, as the effect of a change of regulation can have consequences beyond the primary market itself (for example BTs sole provision of essential services).

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