

James King
Ofcom
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BY EMAIL

7th August 2017

Dear Mr King,

Narrowband Market Review 2017

We are pleased that Ofcom have attempted to address the concerns we raised in our response to the previous Narrowband Market Review and appreciate the opportunity to respond once again on these points in this additional consultation.

We continue to be very concerned that our initial points have not been adequately addressed and that Ofcom may not be exploring the current status and is instead focussed on what is theoretically available to industry.

In response to your Question 3.1: Do you agree with the remedy we propose in relation to interconnection, so far as they may relate to IP interconnection?

We do not agree that your proposal is sufficient to address our real concerns relating to the requirement to interconnect using IP. To highlight our key points:

- **To interconnect at each DLE via TDM has become inefficient and potentially impossible to do, thus very few networks have access to the WCO and WCT service at regulated rates.**
- **The only realistic alternative available is to use BT Transit, which is unregulated and as a result excessively highly priced.**
- **There is no IP interconnect alternative available therefore forcing networks to either sign up to BTs commercial product (IP Exchange) to interconnect with their network or continue with a transit arrangement and risk ever increasing transit costs.**

In this consultation at 3.5, Ofcom states "...we consider that TDM remains an efficient technology choice for BT.." and that "...BT should provide access to the services we proposed to regulate - WCO and WCT - at its DLEs"

This statement and the surrounding paragraph implies that it is still considered efficient and reasonable for other operators to interconnect to DLEs to gain access the regulated

services. It is our opinion, one that is commonly shared, that this is not the case. For a new or expanding network to finance this kind of TDM infrastructure at a time when BT are actively closing DLEs and the rest of industry are migrating rapidly to IP networks cannot be considered efficient.

If Ofcom wish to support the growth and maintenance of a TDM network in this way then the only reasonable way forward is reduce the number of interconnects required to obtain the regulated rates – as suggested in our response to the Narrowband Review of 2013. Between six and twenty were considered a more viable and efficient number at the time.

Whilst we accept the point that there is no regulation preventing BT from allowing interconnect at the DLE by a more cost effective method (i.e. IP), this product does not currently exist to our knowledge, with the only option being to sign up for the commercial product IP exchange and be subject to the associated limitations of that product. Therefore it is our opinion that this leaves industry, in reality, with no true wholesale solution that enables us to compete in a fair environment.

Additionally, at 3.12 you acknowledge that there may be concerns regarding pricing in the future should more networks migrate to IP and the TDM interconnect option is no longer strong enough to hold rates at a reasonable level. We strongly agree that Ofcom's concerns are valid but we don't agree that this is something to only worry about in the future. We can already see from the sharp increases in transit costs that any unregulated method of getting traffic to or from the DLE is likely to be at a high financial cost.

In summary we believe the following outcomes are necessary after this consultation and that, with BT currently benefiting from its dominant position to build its commercial IP Exchange product, these outcomes should be addressed with a sense of urgency:

1. BT should be required to show a clear defined path to migrate from TDM to IP interconnect to access regulated services in the future, thus enabling their wholesale clients to plan and forecast their own networks;
2. Ofcom should consider that transit may not be functioning as expected since deregulation and reconsider the option to regulate once again;
3. Ofcom should revisit the option of reducing the quantity of points of interconnect that make up an efficient network thus making regulated pricing viable for more than the just the largest networks.

Yours sincerely,



Tracey Wright
Magrathea