



**Internet Telephony Services Providers' Association**

**ITSPA response to Ofcom's Call for Inputs on the Fixed Narrowband Market Review and Network Charge Control**

**About ITSPA**

The Internet Telephony Services Providers' Association (ITSPA) is the UK VoIP industry's trade body, representing over 60 UK businesses involved with the supply of VoIP and Unified Communication services to industry and residential customers within the UK. ITSPA pays close attention to the development of VoIP and IP regulatory frameworks on a worldwide basis in order to ensure that the UK internet telephony industry is as competitive as it can be within international markets.

**Please note that certain aspects of the ITSPA response may not necessarily be supported by all ITSPA members. Individual members may respond separately to this consultation where a position differs.**

A full list of ITSPA members can be found at <http://www.itspa.org.uk/>

We are sure that Ofcom will appreciate it is difficult for a trade association with such a broad membership to respond to each individual question Ofcom poses in forensic detail so we have responded in general terms on the issues that affect our membership. We are more than happy to discuss specific points with Ofcom at a mutually convenient time.

**Summary of ITSPA's Position**

ITSPA has long campaigned for a better regulatory framework around Next Generation Networks ("NGNs"). All ITSPA members operate an NGN core network of some description and find themselves continually frustrated by a regulatory regime that promotes the deferral of investment in new core network technologies by incumbent and large TDM operators; the upward glide-path in the last Network Charge Control is a prime example of how NGN investment has been disincentivised by the regulatory regime.



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We cannot begin to understate how important this review is for the future of our industry – it is the only opportunity this side of 2016 for Ofcom to lay out a specific roadmap for the expedient migration from legacy, decades-old technology, to new, more efficient and ultimately beneficial technologies.

It is incredibly complex task to debate the finer points of whether or not Long-Run Incremental Cost ("LRIC") is the right model, where common costs should be recovered or whether or not the 2009 EC Recommendation is fully fit for purpose. However, we would point out that we have been supportive of the use of LRIC in the mobile termination rates charge control and note that there is a substantial body of jurisprudence for its adoption in the UK and building up across Europe. We would also stress that the 2009 EC Recommendation's focus on NGN correlates with the roadmaps in other Western countries and that it would appear to be a firm foundation overall to base the review.

There is no such thing as a "model" NGN network. Most of our members operate their NGN cores in a different configuration to each other members'; unlike TDM networks which had a limited number of variables in their deployment and therefore a definable optimum, it is harder to articulate this with an NGN.

For example, resilience in a TDM network comes about in a very different way to an NGN. An NGN core network gets its resilience by using load-balanced pairs of equipment, or having switches in an N+1 configuration, whereas TDM networks often have to work all their switches into a fully meshed configuration with multiple parent nodes, for example. Some networks will separate out their edges from their core, others will be configured for certain codecs (for example, business versus residential may have different bandwidth requirements based on their need for certain thresholds of call quality) all of which are variables which drive differing cost stacks.

There will be an optimum number of points of interconnect though. So far, we note that the numbers postulated have been fairly arbitrary based on many variables, ranging from 27+2 to 106. We note that there is a theoretical optimum based on the assumption that there will be a need to potentially service the final mile with copper for some time (and by extension, TDM signalling) which has a cost. There is therefore a "sweet spot" based on the costs of deploying NGN technology closer and closer to the end user premises versus aggregating more traffic further away given the sunk cost copper infrastructure in existence. Many of our members are at Ofcom's disposal to discuss these deployment issues with Ofcom in detail.



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This leads on to the overall point that the UK telecommunications industry cannot be considered as a cohesive whole. Ofcom will already be aware of our members' views on the problems of lumping together domestic services with Small to Medium Sized Enterprises ("SMEs") of 10 or fewer employees. These are different markets that have different cost orientations for what is ostensibly a commensurate service.

This incongruity isn't just limited to the vertical market serviced though, it also works geographically. It is not as simple as to say BT has SMP in wholesale call origination or not. Just like broadband access has a concept of Market 1 and Market 2, so do narrowband services. We note that Ofcom now has responsibility for Post and a similar effect has been seen in the competition in postal services; companies cherry pick the easy to serve metropolitan areas and leave the Royal Mail with the universal obligation to serve Penzance etc. We also see this with the well established rural not-spots for broadband and mobile.

It may well be the case that some areas are competitive with a good balance of LLU and CPS and other origination mechanisms, but with BT only servicing certain geographically remote exchanges; the decision on SMP isn't as binary as it may appear as vertical market and geographic variables apply.

In a similar matter, the market for transit is not as binary as it may appear either; the market for transit to EverythingEverywhere will be competitive as the major competitors to BT have their own direct interconnects, whereas BT may be the only operator with an interconnect to a smaller operator and therefore by extension have SMP in transit to them.

We should stress that every operator being in a fully meshed configuration with every other operator is not an efficient configuration, nor is it an incentive for new entrants – as the number of interconnects grows, efficiency, conversely, can reduce. Therefore, there will always be a role for the former incumbent to provide transit services and by extension, there will always be a finding of SMP as our members have a pseudo end-to-end connectivity obligation in General Condition 20 and BT has the only interconnect that can service it.

Therefore, it is very important that Ofcom consider the impact of any changes to SMP remedies (pricing or non-pricing) currently in force on different vertical markets and geographies that the SMP products are inputs into.



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ITSPA members are also highly supportive of the industry initiative to address the imbalance in notice periods in the Standard Interconnect Agreement and in regulation and believe that reciprocal 56 days notice (with 14 days for turnaround of transit by BT) is the best way to proceed.