

James King  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London  
SE1 9HA

*Online Submission*

24<sup>th</sup> February 2017

Dear Mr King,

## **Narrowband Market Review 2017**

We welcome the opportunity to comment on the latest NMR with key areas of interest to us being Wholesale Call Termination and Interconnect.

We generally agree with the approach to the proposed charge control for the period 1<sup>st</sup> October 2017 to 30 September 2020 and welcome the clarity a charge control applied to all call terminators in this market will bring.

However, Magrathea would like to re-iterate the matters raised in previous responses to the NMR (dated 2010 and 2013) whereby we highlighted an asymmetry in termination rates as a result of inefficient connectivity requirements. For example, Ofcom requires all terminating CPs to offer the FTR set in the Narrowband Review however a considerable number of CPs, out of necessity to maintain an efficient network structure, hand calls to BT at the tandem layer and therefore pay Single Tandem rates at best.

In the absence of a regulated IP interconnect product at a reasonable number of points of interconnect within the BT network, to allow CPs to pay the regulated FTR rate, we believe that Ofcom should apply the same cost model to the LTC element of the call or mandate that CPs are able to obtain the regulated FTR at fewer points of interconnect than the current 650 DLEs. The difference in rates between FTR (currently 0.0439 daytime) and ST (currently 0.1676 day plus 0.075 per call daytime) provides a large incentive to CPs to consider building out to the tandem layer which is ludicrous at a stage where we are working towards full IP networks and the efficiencies they bring.

BT has no commercial reason to change this scenario and their current strategy appears to be to use their market dominance to migrate smaller CPs to their unregulated commercial product, IP Exchange.

Magrathea have considerable concerns relating to BT IP Exchange as we believe it is distorting the interconnect and transit markets and should be subject to similar reviews and remedies as other services provided by the incumbent. We summarise some of our concerns below.

- BT has recently published confirmation that the IP Exchange product is to be treated as a transit layer within their network. The result being a higher charge for all originating CPs not connected to IP Exchange, when delivering calls to any number hosted on the IP Exchange platform. So where Magrathea has previously paid the ST rate, we will now have our costs increased to the DTS rate which will of course be passed on to our customer and ultimately increase the cost of call to the consumer.

Ofcom have clarified in the NMR consultation that, if the regulated FTR is available at another POI (e.g. direct connection to a DLE or to another CP network) then this is a commercial transit service that is outside of the regulated area. However, as mentioned above this does again encourage inefficient network structure and considering the industry is well on the way to deconstruction of the TDM network it is simply unrealistic to think this is a fair and reasonable solution for anyone.

In addition, BT IP Exchange is fast becoming a largely utilised number hosting platform for smaller CPs, which means there is an ever increasing number of other CPs ranges to which there is no regulated option to obtain the FTR rate. This makes it unreasonable for BT to apply an additional unregulated transit element to the call.

- It is our understanding, based on industry feedback as well as our direct experience with BT, that there is a strong push to move existing interconnect CPs to the IP Exchange platform therefore effectively migrating service from a regulated to an unregulated service which will ultimately result in the benefits of a dominant market position without the checks and controls afforded previously.

In summary we believe it is imperative for the transit market to be reviewed as part of the narrowband review and for Ofcom to address the points we have mentioned as a matter of priority to prevent further distortion and lack of competition. Having noted that at least one other major network has raised similar concerns we would welcome the chance to discuss this in more detail with Ofcom, with particular attention to discovering if there is any abuse of dominant market position or anti-competitive behaviour, already or impending based on forecast growth of this service.

Yours sincerely,



Tracey Wright  
Magrathea