

Narrowband Market Review

Introduction

The Federation of Communication Services represents companies which provide professional communications solutions to professional users. Our members deliver telecommunications services via mobile and fixed line telephony networks, broadband, satellite, wi-fi and business radio. Our members' customers range from SMEs, home-workers and micro-businesses up to the very largest national and international private enterprises and public sector users. FCS is the largest trade organisation in the professional communications arena, representing the interests of around 350 businesses with a combined annual turnover in excess of £45 billion.

Wholesale Termination

Members, particularly those who are IPEX customers have expressed concern with the wholesale call termination aspects. The proposed changes can effectively mean it will create a cost for IPEX CPs to terminate geographic calls, as IPEX has indicated that if the NMR is introduced in its current form, they will have no option but to introduce a charge.

Obviously with IPEX being unregulated, CPs have no option but to accept this. It does, however, raise the question regarding the potential for a charge needing to be introduced to customers for receiving a call, and whether smaller CPs should be put in this position.

Members are concerned about the increasing dominance of the BT IP Exchange product and the distorting impact that it has on the transit market, whilst remaining unregulated

Due to decisions made in 2015 when termination rates dropped from around 0.2p to 0.04p there was reduced income for the terminators, now with the Access and Service charge changes that ended up favouring the originators, margins are becoming very tight for terminators. CPs are balancing receiving calls to Geographic numbers at below cost across the market with revenue from DDI or outbound call charges. The general charges for lines and SIP trunks are very competitive and this makes it difficult for the income to cover the costs of receiving the calls, especially for large inbound environments. This excludes those simply reselling BT Wholesale, and is specific to other network operators besides BT. If termination rates reduce even further over coming years, this will make things even worse.

ISDN Markets

Some BT Retail ISDN30s are still on WLR2 which has delayed transfers and taken a huge amount of time; meanwhile BT increased the cost to the EU so they are not at all happy.

An FCS member has suggested that BT Retail ISDN30 customers have direct access to SMC to conduct line tests live, which they themselves are not able to do.

WLR Regulation

Members have expressed concern that Ofcom is proposing to relax regulation on WLR which would give BT more flexibility in pricing. This is not good for the market while BT retains its market share and market power. There would be uncertainty in pricing of this fundamental wholesale product and the prospect of it being able to be offered with volume discounts – which would adversely affect smaller players such as FCS members and benefit the larger players . As WLR is still used by so many in the market, it is concerning that Ofcom is proposing to do this.

The FCS hopes that these comments are helpful to Ofcom in its considerations.