

Next Generation Networks: Further Consultation

Vodafone welcomes the opportunity to comment on Ofcom's further consultation on NGN. In view of the number of questions posed and the short time given for responses Vodafone has concentrated its comments on those areas of most immediate relevance to its business.

In brief, Vodafone supports the creation of NGNco. Vodafone believes that the NGNco should focus on ensuring that the consumer protection principles outlined by Ofcom are met and take responsibility for the development of the new models of interconnection; including the applicable commercial terms.

Question 1. Do you agree with Ofcom's proposed approach for the narrowband voice SMP products provided over next generation interconnects?

Vodafone is in broad agreement with Ofcom's approach. Vodafone notes that Ofcom appears to admit the possibility that, at least initially, IP voice interconnect charges could cost more than C7/TDM charges: "these IP voice products could still be price below C7/TDM narrowband interconnect products to the extent that they cost less to provide than C7/TDM interconnect products". (our emphasis). Although Vodafone accepts that BT should be allowed to recover the costs of migration to its 21CN and that the cost of capital applied to adequately reflect the risk of the investment undertaken it is doubtful that the initial price of IP interconnect should lie above the NCC regulated rate given a) BT's expected saving of £1 billion per annum in cash costs by 2008/9¹ and b) a presumed incentive on the part of BT to encourage operators to migrate to IP interconnect in order to retire C7/TDM equipment and minimise any risk of reduced end-to-end call quality.

Although Vodafone favours commercial negotiation with BT in order to agree the charges for IP interconnect there appears to be a widespread view within the industry that this matter will end up at the doors of Ofcom. Vodafone suggests that it is worth contingency planning, at this stage, for this eventuality. Vodafone would appreciate some guidance from Ofcom on how it would approach a market review of this issue. What information it might require from industry or BT? At what point would Ofcom accept that commercial negotiations had broken down? Etc etc

Question 3. Do you agree with the general criteria Ofcom has proposed for the withdrawal of legacy SMP products after an interim period?

Yes. Vodafone is also reassured by Ofcom's clarification that it is Ofcom and not BT that will decide when existing SMP products can be withdrawn.

¹ BT news release 9th June 2004

Question 6. Do you agree with the issues Ofcom has identified that need to be addressed by all communication providers as they move to NGNs and what others are there?

Vodafone is concerned that the staged implementation of NGNs will lead to degradation in end-to-end voice quality. Vodafone supports Ofcom's view that NGNco should be established and have some responsibility for protecting consumer interests by addressing this issue and providing high level co-ordination amongst operators. One example of such co-ordination would be to work with operators to maximise the transport of IP traffic on IP networks and minimise the number of IP / TDM conversions to minimise the risk of a degradation to voice call quality.

Vodafone believe that the introduction of NGNs across the industry will enable extra levels of functionality. Ofcom states that this could provide an opportunity to develop new portability solutions. Vodafone does not believe that the development of new portability solutions is dependant on the introduction of NGNs and is currently discussing alternative portability solutions with other mobile operators. Vodafone is of the opinion that any discussions regarding new portability solutions should consider both technical and commercial models.

Vodafone also believes that there are wider issues that need to be addressed. As Ofcom states in paragraph 1.31 "The move to NGNs creates a chance to address any limitations of existing implementations and to revisit the overall approach taken. Ofcom's view is that the move to NGNs is a timely opportunity to consider all issues of this nature, and it is important that they are considered by the industry now, whilst NGNs are still being planned. These issues relate to our existing powers and therefore are not covered by BT's Undertakings. We will continue to work with the industry to ensure that they are addressed"

Vodafone is at an advanced stage of planning in the deployment of its NGN. Historically, interconnect investment decisions have been driven to a large extent by the prevailing charging structures for call conveyance services e.g. local, single and double tandem and the transmission connectivity options e.g. CSI/ISI. Moving towards NGN interconnect provides the opportunity to develop new conveyance and transmission connectivity charging options that fully support an optimised NGN design. Vodafone is concerned that insufficient attention has been paid to-date to the development of innovative charging structures, so as to inform appropriate NGN investment decisions. Moreover, Vodafone believes that the lack of formulation of concrete charging proposals/principles is having a constraining influence on industry engagement.

Without a full evaluation of the wider commercial options for NGN interconnect Vodafone is concerned that current discussions will be constrained by existing models. In order to stimulate this debate, Vodafone would like to see such charging proposals/principles at the earliest opportunity and suggests that responsibility for the development of new models of interconnection fall within NGNco's remit.

Question 7. Do you agree with the policy principles Ofcom has identified for consumer protection during the move to NGNs?

Vodafone supports the principles outlined by Ofcom and, in particular, that “customers should suffer no detriment during the transition to NGNs, for example, due to loss of access to emergency services, or degraded call quality”. Vodafone would welcome some indication from Ofcom on what steps that it would expect to take to ensure that this did not occur and whether this has implications for the operation of NGNco.

Question 8. Do you agree with the overall processes for developing 21CN obligatory products?

Vodafone support Ofcom’s approach to developing 21CN obligatory products.

As Ofcom states, in section 3.86 of its consultation document that “the services offered to consumers on NGNs should at least be equivalent with their existing services. Ofcom believes that this is anyway a fundamental premise of operators move to NGNs and that NGNs will also allow providers to offer many improved and innovative service. As some of key capabilities of NGNs that may lead to BT having SMP are not yet fully understood, the development of new products by the industry and BT may be an iterative process. The process that Ofcom is proposing should be flexible enough to accommodate this.

Question 9. Do you believe that there is a need to co-ordinate and steer cross industry NGN issues which is not met by existing bodies and process?

Vodafone believes that there is a need to co-ordinate and steer cross industry NGN issues. Existing bodies are already meeting a number of issues. This includes the development of IP interconnect standards which is being managed by the NICC.

There are other issues that would benefit from industry wide co-ordination. These include the development of commercial terms for IP interconnection, migration strategies and the agreed approaches to the development of cross industry functionality such as porting and provision of emergency services.

Question 10. Do you believe that there is a need to co-ordinate the planning and implementation of NGNs on an industry wide basis?

The migration to NGNs is one of the biggest transformations that the industry has ever seen. It is likely that every operator will either be directly involved in developing their own NGN or be affected by other operator plans. Vodafone recognises that the sharing of these plans in a high level forum is key to successful industry wide migration. This

forum should protect consumers from the adverse effects of multiple migrations and help operators to identify potential cost savings.

While this forum will provide operators with a good introduction into each other's plans it will not be a substitute for the detailed planning that will need to take place on a bilateral basis.

Question 13. Do you agree that it appropriate for Consult 21 to continue to take responsibility for developing detail of SMP product migration and development of new products?

Yes

Question 14. Do you agree that Consult 21 combined with bi-lateral commercial negotiation and backed-up by Ofcom dispute resolution is the best approach to agreeing the commercial aspects of new and migrated products.

Vodafone also shares Ofcom's view that the current commercial discussions have not progressed at a sufficient speed and need to accelerate. The current void of an agreed commercial model is limiting the development of non-BT NGNs. A lack of information regarding commercial structure and price points is constraining NGN designs and investment decisions. Vodafone suggests that if NGNco is to have responsibility for the "development of new models of interconnection" then this will only be worthwhile if the new body has responsibility for the development of commercial terms for these new forms of interconnection. Under its discussion of NICC Ofcom notes that "[o]ne of the concerns raised by stakeholders was the absence of a commercial framework to drive the technical work, a concern that Ofcom agrees with and believes needs to be addressed". Vodafone suggests that this is analogous to the situation that could develop within NGNco if the development of new models of interconnection is divorced from the negotiation of commercial terms. Vodafone accepts however that not all commercial terms can be negotiated within an industry body and that individual operators will still require bi-lateral negotiations with BT. Vodafone submits that this should be done under the auspices of NGNco rather than Consult21.

Question 15. Do you agree that NICC should continue to be responsible for standardisation of NGN interconnect, but needs to be re-constituted as an independent industry owned body?

Vodafone believes that it is important that the NICC is a cross industry body with wide ranging support focused on the delivery of the appropriate technical standards and guidance that are central to the success of interoperability between NGNs. It is Vodafone's view that NICC would benefit from greater involvement from a wider range of industry representatives. Vodafone does not believe that the lack of independence of

NICC limits the involvement of such parties and does not believe that reconstituting NICC as an industry own organisation would achieve this. Vodafone recommends that NICC remains in its current form.

Question 16. What are your views on the establishment of a new multi-lateral industry group to address NGN issues, its terms of reference and governance arrangements

Vodafone supports the formation of NGNco (with the proviso noted in question 14). It believes that a high level organisation owned and run by the industry would be an effective method of agreeing the key aspects of the transition from existing networks to NGNs.

Vodafone believes that the NGNco should focus on ensuring that the consumer protection principles outlined by Ofcom are met and the new models of interconnection are developed alongside their commercial terms.

NGNco should not be a substitute for, or overlap with, Consult 21 but should supplement and, if necessary, act as a catalyst to accelerate discussions taking part within the Consult 21 forum.

Vodafone is willing to take part in more detailed discussions with Ofcom and other members of the industry on the establishment, terms of reference and governance arrangements for NGNco.

Question 17. What are your views on the establishment of a NGN operational dispute adjudicator, its terms of reference and governance arrangements.

Vodafone would welcome the formation of a NGN operational dispute adjudicator. The following aspects are important in order to ensure the success of any such adjudicator.

- Ofcom should develop the process in consultation with the wider industry.
- The process should resolve implementation disputes and not matters of principle, e.g. development of standards.
- A significant proportion of operators need to sign up to the service in order to make it effective.
- The process should allow for multi party resolution
- The process should be binding.
- As stated in Ofcom's document, the process should be fast and efficient e.g. the option of face to face submissions could be replaced by an online adjudication process.
- The process should be cost effective. Vodafone believes that any such adjudication should cost each operator no more than a few thousand pounds.
- There should be no need for legal representation during the adjudication process.

- Each party shall bear its own costs for the preparation, and submission of their case and for any attendance related costs.

Question 18. Would your organisation be prepared to sign up to an adjudication scheme and abide by the adjudicator's decision?

Vodafone would need to review the full terms of reference before it could commit itself to an adjudication scheme. It would be willing to help develop such a scheme with a view to participating.