

Introduction

BBBritain are a group of avid broadband users keen to get the best from their connectivity. In commenting on Mobile and Fixed call termination charge consultations our primary interest is in identifying the proposal that will translate into; 1) a coherent approach to exposing and describing the underlying NGN data transport being made available to the end user, 2) the approach which would best serve the user by accelerating the convergence of services, fixed and mobile, 3) the use of high speed connectivity for multi-media communications which will replace legacy voice services, 4) the proposal which ensures networks are open for innovation and 5) the contribution to the universality and inclusion policy objectives.

It is assumed these are the policy signals which the final Digital Britain report will wish to send to industry via a consistently applied set of revised regulatory policies.

In paying subscriptions for voice, mobile, broadband access, and TV/Radio license subscriptions, each household is paying £95¹ per month. Going forward the increasing utility of our high speed connectivity may mean a greater proportion of the £95pm needs to be spent on improving overall connectivity and less on the legacy voice services. Due consideration should be given to this desired outcome.

Establishing a link between termination revenues and the outcomes outlined above looks on the surface to be difficult, but it needs addressing as it is in the end users interests to have our operators using legacy revenues to develop new services as opposed to just managing legacy services as cash cows.

Although Ofcom see no immediate need (section 4.10) to change the market definitions, BBBritain believe the static definitions and associated regulation are acting as barriers to the evolution of services. Although the definitions are academically sound and the supporting economic analysis is professionally created, they bear little relation to the daily experience of freely substituting between Internet based communication services and the legacy fixed and mobile services. The dogma of existing market definitions is at odds with our daily experience.

Response Summary

BBBritain believe a move to a capacity based charging (CBC) mechanism by 2011 would best support the development of the UK information society. The approach best captures the need to support convergence and the need to gain economies from large scale NGN data transport. A proactive approach will deliver the optimum data transport for the UK business and consumer. The CBC approach will encourage innovation and re-invention of legacy services.

There is nothing to be gained by waiting. The change will be difficult no matter when it is done, so there is no reason to delay. 2011 looks a reasonable time to have a CBC based charging system in place. It is accepted that CBC is best suited for NGNs.

¹ Source Ofcom consultation on their 09/10 annual plan.

Response to Individual Questions

Question 4.1: Do you agree with our view? Or are there other developments, not considered elsewhere in this consultation document, for potentially removing the underlying causes of SMP?

The Mobile operators have built large vertical businesses based on the spectrum assets they possess. From an end user perspective they behave like Oligopolies. Competition is driven by the mobile phone as a replaceable fashion item. It is now as much a small computer as it is a mobile phone. The SMP is due to the ownership and control of access to the spectrum making the service possible. The SMP is a product of the spectrum auction process. To change the dynamic would require a fundamental re-think of the auction process. The nature of NGNs including the mobile applications would suggest there should be separation between the underlying transport and the services running on that transport.

A proposal to use some of the Digital Dividend spectrum to create a commonly owned and open transport layer may be one way to drive change and break the rigidity of the existing system.

A way needs to be found to encourage convergence. This points to the Broadband termination device (Hub) acting as access point to the mobile network. This again points to the need to manage fixed and mobile connectivity as a single data transport fabric.

Outlining a common approach to cost recovery through CBC would at least begin to push for that much needed eventuality.

Question 3.1: Do you agree with our preliminary view on market definition? Has anything changed, or is anything likely to change within the period of the next review, which would materially impact on the definition of the market(s)?

From a user perspective, we note far higher levels of substitution between internet services and the legacy voice services. Retaining the legacy termination regimes (fixed and mobile) seems to encourage their continuity and act as comfort blanket for operators.

You've correctly identified the trends of convergence, not just fixed and mobile but also the use of Internet communication services.

These factors plus the possible conclusions from Digital Britain on universality and inclusion would suggest Ofcom need to set very clear policy pointers for the future evolution of the industry. That pointer should lead to the CBC approach. It may have challenges but these will not be overcome by waiting until 2015. Operators need to be encouraged to invest to bring new services forward and not sit behind service definitions of legacy services.

CBC is fundamental to NGNs and NGNs are key to the re-invention of legacy services hosted on high speed data transport.

Question 4.1: Do you agree with our view? Or are there other developments, not considered elsewhere in this consultation document, for potentially removing the underlying causes of SMP?

We believe Ofcom are under estimating the change taking place. It is a complex matter. The thinking in the consultations on fixed termination rates and the access and inclusion consultation and liberalisation of price controls on BT Retail are based on the assertion that markets have changed but not substantially to abandon review the carefully constructed market definitions. Given the importance of regulation as a factor in the change process Ofcom needs to send a clear signal that markets and behaviors are changing and our regulation needs to reflect future desired outcomes as opposed to preserving the past. By Ofcom sticking to its market definitions, regulation will slow the rate of evolution as network operators stick with the easy option of managing a stable regulated tightly defined market.

CBC, although difficult does deal with convergence and deals with services emerging on the internet. It also forces our suppliers to invest and gain economies from high speed networking, rather than treating legacy services as cash cows to be milked.

The move to CBC will need much of our regulation to be rewritten as legacy services are redefined as applications on a common data transport. This work cannot wait until 2015. Ofcom must declare for CBC and introduce incentives to get the market participants to move quickly. The termination regimes play a major role in defining the market dynamics.

Question 5.1: What are likely to be the main sources of detriment to consumers of excessive termination rates in the period 2011 to 2015?

The analysis provided is good. Operators will work within whatever system to maximise the position for their shareholders and their competitive position. This is why there is such a strong need to provide definitive direction setting. The Ofcom supported research on [bandwidth costs²](#) completed by Analysys Mason shows huge benefits to users if operators move to NGN connectivity options at scale. The terminations regimes need to be set to encourage this transformation.

Question 6.1: Should our policy approach to regulating MCT change? For example, given the possible benefits, should we adopt a policy of reducing termination rates as far and fast as we reasonably can, within the boundaries of sound economic policy, and whilst recognising underlying cost differences? If our policy approach did change, what do you think are the relevant factors for us to consider in deciding on the best future policy to regulating MCT?

² http://www.ofcom.org.uk/research/technology/research/emer_tech/hqvs/analysyshqvs.pdf

The possibility of short term gain needs to be balanced against an even larger gain from a full roll out of NGN Data Transport services. A win win for everyone would be a declaration for CBC with pricing incentives for those migrating early.

Question 6.2: Are there additional options (other than the six set out in this consultation) that we should consider? If so what are they and what advantages/disadvantages do they offer?

Ofcom have covered the available options. What's lacking is some of the consequences of shifting to a B&K or CBC approach. The [NGNUK community have recommended](#)³ a continuation of calling party pays (CPP) for fixed line service termination. The comfort of the legacy termination fees based on the decision to support a discrete PSTN emulation service needs to be challenged. Our future connectivity options should not be dictated by the past. NGNs will enable the creation of ip based multi-media communications. Fixed and mobile services will merge in the process and be superseded. The focus should not be on preserving the legacy services but ensuring the our data transport has sufficient quality to support a converged multi-media communications service. This is best accommodated by encouraging a move to CBC, where the capacity is of sufficient quality to support the services we need.

Question 6.3: Do you agree with our preliminary views set out for each of the options? If not, what are the additional factors that we should take into consideration, and why are the relevant to our analysis?

You but note the need for international competitiveness and the objectives emerging from the Digital Britain activity. The focus on NGA will be undermined if the old termination regime and market definition are allowed to continue.

Question 6.4: Do you agree with our preliminary view of the De-regulatory option? If not, what are the additional factors that we should take into consideration, and why are the relevant to our analysis?

Yes, please note the previous comments.

Question 6.5: Do you agree with our preliminary view of the LRIC+ option? If not, what are the additional factors that we should take into consideration, and why are the relevant to our analysis?

Yes, but please note the comments so far.

Question 6.6: Do you agree with our preliminary view of the LRMC option? If not, what are the additional factors that we should take into consideration, and why are they relevant to our analysis? In addition what do you expect the costs of a move to this option to be?

Yes, but please note the comments so far.

3 http://www.ngnuk.org.uk/index.php?id=75&type=0&jumpurl=uploads%2Fmedia%2FNGNuk_Capacity_Charging_Discussion_Document.pdf&juSecure=1&mimeType=application%2Fpdf&locationData=75%3Att_content%3A701&juHash=314d9df3b4

Question 6.7: Do you agree with our preliminary view of the CBC option? If not, what are the additional factors that we should take into consideration, and why are they relevant to our analysis? In addition what do you expect the costs of a move to this option to be?

No. The CBC approach will be the solution for NGN and Ofcom needs to provide firm direction. There is nothing to be gained by waiting. Perhaps the existing regime could be used to motivate operators to change early by allowing them to keep any efficiency gains up to 2011. By making the policy objective clear operators can plan for it rather than working to optimise an old regime.

Question 6.8: Do you agree with our preliminary view on mandated Reciprocity? If not, what are the additional factors that we should take into consideration, and why are they relevant to our analysis? In addition what do you expect the costs of a move to this option to be?

Yes, in the context of the previous comments made.

Question 6.9: Do you agree with our preliminary view of the B&K option? If not, what are the additional factors that we should take into consideration, and why are they relevant to our analysis? In addition what do you expect the costs of a move to this option to be?

CBC and B&K are showing some promising results in the US. In the context of NGNs and the drive for NGA then CBC is the best option for the future.

End 22/5/09