



## **Internet Telephony Services Providers' Association**

### **ITSPA response to Ofcom's Consultation on Simplifying Non-geographic Numbers**

#### **About ITSPA**

The Internet Telephony Services Providers' Association (ITSPA) is the UK VoIP industry's trade body, representing over 65 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/members.html>

ITSPA has decided to respond in general terms based on general themes supported by the membership as opposed to in forensic detail on each point, which we trust is acceptable to Ofcom.

#### **Unbundled Tariff**

ITSPA members still believe that maximum pricing would be the best remedy to address the harm visible in the Non Geographic Call Services ("NGCS") market. However, we welcome Ofcom's commitment to pricing transparency and minimising consumer harm in the revisions it has made to the Unbundled Tariff proposals. ITSPA urges Ofcom not to consider greater freedom in Access Charge "AC" pricing suggested by some larger Originating Communications Providers ("OCPs").

However, a lack of a cap on the AC and a lack of transparency from Ofcom in terms of where they would intervene if competitive effects fail to deliver the desired outcome would, ITSPA maintains, mean that neither consumer confidence nor consumer harm will be addressed, whilst the abuses of some OCPs will continue to affect our members' businesses. ITSPA members do not believe that an AC as high as the 15ppm Ofcom envisages would address consumer harm.



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Price Transparency obligations (for example General Condition 14) have failed to deliver the desired outcomes and we believe the case for radical intervention exists. We do support the involvement of the Advertising Standards Agency and a Code of Conduct (which will require the input of a diverse group of stakeholders) and we oppose the involvement of PhonepayPlus on 0844. Our members would also strongly support the removal of PhonepayPlus' oversight of 0871.

### **Service Charges**

The proposals for the service charge structure presented by Ofcom are palatable. The majority of origination and termination happens across a handful of charge bands in comparison to the whole. However, there needs to be a robust process, with the right governance to ensure equivalence for the addition of new charge bands, to ensure competition and innovation is not restricted.

As a general point, the caps in the National Telephone Numbering Plan should have some form of periodic review or indexation to avoid their erosion by inflation. The Service Charges at launch and the caps should be the wholesale prices on that day to avoid additional complexity and hassle.

In terms of billing, we believe that the service charge should be mandated to flow through to the Terminating Communications Provider ("TCP") by any OCP or transit provider. Any fees for transit or origination should be levied separately.

### **Transit**

ITSPA members welcome the move by Ofcom to simplify and standardise the arrangements for transit payments. However, we are wholly opposed to the "TCP pays transit" model as we feel that the network build justifications are no longer applicable to the network models both today and in the future, (with further growth of NGN) where the distance element is becoming increasingly insignificant.

As a result of this, we are seeing potential situations where OCPs either for commercial reasons or alternate efficiencies of network design actually cause TCPs to suffer increased network costs due to alternative routing, not based on the shortest distance principles. We believe instead that by requiring the OCP to pay transit costs, this encourages OCPs to deliver more calls directly, utilising their right to interconnect with a TCP due to the TCP's SMP in call termination for each number range.



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Furthermore, we believe that if an OCP is allowed to set an AC which includes an effectively unlimited amount of commercial profit, they have a moral obligation to pay the transit costs. This will ensure that the net receipts of the TCP are the full service charge element, otherwise we would question what 'access' the AC is covering.

### **Free to Caller**

ITSPA members welcome 080 being free to caller (which we assume will also apply to 00800 UIFS, 116 and 0500). However, the proposed level of the Mobile Access Charge ("MAC") is unacceptable for the following reasons;

- It implies that Ofcom is allowing the mobile operators to recover their common costs in mobile termination from a monopoly position (that being call origination).
- It implies a lack of technology neutrality and the active implementation of a competitive distortion from Ofcom as the current 080x payments in fixed origination and termination are relatively cost orientated.
- The long standing SMP conditions on BT for call origination and termination are relatively aligned and commensurate, implying that the costs of origination and termination are a proxy for each other.
- Market rates for Mobile Virtual Network Operators are significantly below the range indicated by Ofcom for the MAC.

The only rational and logical conclusion for the level of the MAC is that it should be the Long Run Incremental Cost of call termination (i.e. 1.5ppm on a downward glidepath). In any event, this is likely to be settled by the judiciary which means the timescales indicated may not provide the required regulatory certainty for the value chain involved in these calls.

### **Other points**

ITSPA members note that potential competitive distortions and a moral hazard exists with mobile short codes and urge Ofcom to ensure that the networks using them are not engaging in anti-competitive behaviour or distorting the market as a result of them. We would go so far as to ask Ofcom to consult on their regulation in the forthcoming consultation on Higher Rate Premium Rate Services.

The very purpose of this strategic review by Ofcom is to restore consumer confidence in these numbers ranges; we therefore urge Ofcom to engage in a large-scale communications campaign to ensure there is



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widespread understanding of the unbundled tariff. In terms of cost, ITSPA members note that they will shortly be contributing to the Consolidated Fund for the use of geographic numbers and that this money should be made available for Ofcom to use on behalf of Industry.