

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: **Wholesale Mobile Call Termination Review (second Consultation)**

<http://www.ofcom.org.uk/consult/condocs/wmctr/>

To (Ofcom contact): MCTreview@ofom.org.uk

Name of respondent: David Harrington

Representing (self or organisation/s): CMA

Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing	<input checked="" type="checkbox"/>	Name/contact details/job title	<input type="checkbox"/>
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Part of the response	<input type="checkbox"/>	If there is no separate annex, which parts?	

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DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

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Name David Harrington

Signed (if hard copy)

A Response from the Communications Management Association to Ofcom's second consultation on Wholesale Mobile Call Termination

About CMA

CMA is an association of ICT professionals from the business community who have a professional interest in communications, in both private and public sectors. It is a registered charity 50 years old, totally independent and without supplier bias. It is run by the members, for the members and aims to influence regulation and legislation, provide education and training and disseminate knowledge and information, for the public good. CMA's contribution to public consultations is generated via the process described in the Footnote to this response. (www.thecma.com)

Business Impact Statement

Any Business User prefers fixed costs wherever possible. It is accepted that variable costs are inevitable in their businesses, but there is one variable cost that impacts hugely on the monthly budget; the mobile call bill. This cost element is rising inexorably due to more employees using their mobile number as the primary contact point. The roaming charge is a secondary variable (despite recent imposed reductions).

With excessively high Mobile Termination Rates (MTRs) being out of balance with voice services from other networks, the cost of mobile communicating can result in a 'pot luck' price depending on which network is used, but with prices several times higher than an equivalent fixed-to-fixed line call. Essentially, the caller pays for the cost of mobile operators conducting their day to day business in the telecoms market but at an inflated rate.

The true extent of price competition within the mobile industry is debatable and is certainly not greatly influenced by the needs of business consumers. Without a reduction in MTRs there will be little opportunity for offering businesses price packages and service options that meet their needs. Fair pricing for good service quality is what the customer demands but the industry is not delivering. Service led pricing should differentiate between the mobile offerings of the future; an approach that business customers will most certainly be willing to pay for.

Based on call pattern data from businesses the average percentage of the total bill represented by calling mobiles from fixed lines is 75% of the total calling cost. That cost represents only 46% on average of minutes used. The broad conclusion is that calls to mobiles make up the biggest call volume and form by far the most expensive element. Thus reducing the MTR would make a significant impact on the costs of calling for businesses. Based on data from Ofcom's Communications Market Report, the overall cost of landline to mobile MTRs for UK business is estimated at £332M pa.

(The average weekly outbound business landline calls to mobile (per landline) is 13.2 minutes, while the total number of business fixed lines is 10.3 million. Using a conservative MTR figure of 4.7p per minute:

- $13.2 \text{ minutes} \times 4.7\text{p} = 62\text{p} = \text{cost per business landline per week of MTRs}$
- $62\text{p} \times 10.3 \text{ million} = \text{£}6,386,000 = \text{cost of MTRs per week to UK businesses}$
- $\text{£}6,386,000 \times 52 \text{ weeks} = \text{£}332,072,000 = \text{annual cost of MTR to businesses}$

The artificially high levels of MTRs are nothing more than a tax on trade. At the international level there are wider issues that are closely associated with MTRs. Addressing MTRs alone cannot achieve the goals of this consultation. A range of competition considerations arise, including matters concerning joint dominance. Particularly important is the need for improvements in competition in the provision of services across all networks, and across national boundaries, which in the mobile market is not happening to anything like an adequate degree.

Summary

Having regard to the business impact outlined above, CMA has not changed its opinion since responding to Ofcom's first consultation on this subject. We said:

"CMA proposes that Ofcom should adopt a policy, within the UK, of reducing termination rates to zero and as fast as is reasonably possible. Moreover, CMA requests that Ofcom urges the EC to adopt this bill-and-keep policy throughout the EU. This approach would not only reduce the bill to UKplc, but would also facilitate a single market within which greater flexibility at the retail level would facilitate innovation in quality and services."

However, bearing in mind the circumstances outlined in the second consultation, we reluctantly accept that a solution based on pure LRIC is a practical way forward (and does have the merit of limiting spam to mobiles). However, we emphasise that the financial impact on that part of British industry that does not include the four MCPs (ie: by far the largest part) of a four-year timescale will be considerable. Therefore we urge Ofcom to adopt a maximum of three years in which to achieve reduction to the proposed level.

We support Ofcom's intention to require MCPs to provide call termination on fair and reasonable terms, leading to reciprocity..

CMA
18 June 2010

Footnote - CMA's Internal Consultation Process on Regulatory Issues

Any consultation document (condoc) received by or notified to CMA is analysed initially by the appropriate Forum Leader for its relevance to business users based in the UK. (The majority of CMA's members are based in this country, with a third of them having responsibility for their employers' international networks and systems).

If the document is considered to be relevant to CMA, it is passed, with initial comments, to members of both the appropriate Forum and the 20 or so members of CMA's "Regulatory College" – ie: those members who have experience in regulatory issues, either with their current employer, or previously with a supplier. The CMA Chairman is also a member of the College. The detailed comments from the College are collated by the Forum Leader in the form of a draft response to the condoc. Note: if the condoc has significant international import, the views of the international user community are likely to be sought. This is done through the International Telecoms User Group (INTUG).

Time permitting, the draft response is sent to all members of the Association, with a request for comment. Comments received are used to modify the initial draft. The final version is cleared with members of the appropriate Forum and Regulatory College (and, if the subject of the consultation is sufficiently weighty, with the CMA Board). The cleared response is sent by the CMA Secretariat to the originating authority. It might be signed off by the Leader of CMA's Regulatory Forum, and/or by the CMA Chairman.