

Verizon Enterprise Solutions response to Ofcom's Call for inputs: Fixed Narrowband Market Review and Network Charge Control

Verizon Enterprise Solutions ("Verizon") is the global IT solutions partner to business and government. As part of Verizon Communications – a company with nearly \$108 billion in annual revenue – Verizon serves 98 percent of the Fortune 500. Verizon caters to large and medium business and government agencies and is connecting systems, machines, ideas and people around the world for altogether better outcomes.

Verizon welcomes the opportunity to respond to Ofcom's Fixed Narrowband Market review and Network Charge Control Call for Inputs.

Verizon's approach to responding to this 'call for inputs' has been to focus on those key issues which we consider should form the primary focus for Ofcom when developing the follow-up consultation document.

NGN

The issue surrounding NGN's is of significant interest and concern for Verizon. In particular, Verizon is concerned that insufficient focus has been directed at identifying the successor of Line Rental and CPS in a NGN environment. Ofcom needs to monitor this issue to ensure that all providers operating NGNs, for whom there has been a finding of SMP, don't use this change to increase their market share to the detriment of competition. Such opportunistic behaviour would be contrary to Ofcom's duty under the Communications Act 2003 to further the interests of consumers where appropriate by promoting competition.

Verizon has no doubt that BT's NGN will work in parallel with TDM during the timescales covered by this review because BT have already started planning to trial their next generation network. This is being led by Openreach and involves running fibre into the exchanges and cabinets. What is of concern to Verizon is that BT has already made the assumption that their CPS/IA obligations won't apply to the NGN because BT Wholesale are saying they won't be offering a CPS-type product on the new network.

BT is assuming this is acceptable from a competition perspective because operators can invest in this roll-out and offer a calls product. However, given the degree of investment required, Verizon does not consider this to be acceptable particularly as there remains a large degree of uncertainty about whether such investment would generate a reasonable return. Furthermore, Verizon is not aware that any CP other than BT is participating in the first trial area, which is surprising if other CPs were planning significant investment to offer a calls product on NGN.

If BT proceeds along the lines it appears to be following, Verizon can see no other outcome than CPs, other than BT, will be blocked out of the WLR and CPS market. If this is the case, Ofcom needs to consider where that leaves the competitiveness of UK's fixed line network?

Whilst Verizon recognises that the collaborative discussions have only just started, BT do seem to have made a number of decisions already so it is vital that Ofcom does take NGN's into account during this review.

Single Transit

Verizon considers that it is vital that the Single Transit market is not deregulated, as transit remains a key service, ensuring that CPs are able to provide a comprehensive voice offering to end users. In the absence of a regulated wholesale transit market, CPs would either need to interconnect with all other operators, irrespective of whether such action is cost effective or provide only a limited service offering to customers, which would be untenable. The net result would be a significant reduction in choice to consumers, which runs contrary to Ofcom's primary duty.

Verizon notes Ofcom's comments in relation to the Single Transit market not being on the list of markets recommended by the European Commission (EC) as a market susceptible to ex-ante regulation. However, as Ofcom also notes, it is still permitted to consider the need for regulation if the market meets certain criteria set out by the EC, namely:

- The presence of high and non-transitory barriers to entry;
- A market structure which does not tend towards effective competition within the relevant time horizon (i.e. by September 2016); and
- The insufficiency of competition law alone to adequately address the market failure(s) concerned.

Verizon considers that these criteria do apply to the UK and that Ofcom would be fully justified in a finding of SMP in relation to BT in the Single Transit Market. Indeed, any other finding would be inappropriate given the lack of any material change in this market since the 2009 review.

Furthermore, it is unlikely that the situation will change during the period covered by this review, with BT remaining in a dominant position in this market, clearly meeting criteria 2 of the 3 criteria test set by the EC. As such it is vital that regulatory obligations are maintained in order to ensure BT continues to offer a transit product under SMP constraints.

Ofcom's analysis of the fixed line market

Verizon does not accept Ofcom's proposal that they can include mobile services as part of their analysis of the fixed line market. It is hard to see any justification for Ofcom to argue that the increased use of mobiles creates competition in the fixed line calls market.

The overarching question in considering the wholesale fixed line market is - does BT have SMP in this market? This is because it has always been the case that BT has the monopoly on the UK's copper (TDM) network. The use of mobiles has been on the increase for a good number of years but has not been a significant argument in the past. Verizon accepts that the situation is different when considering LLU and VoIP, as it could be considered that they do offer a realistic alternative. The issue for these services then becomes one of the number of interconnect points required, something Verizon is confident Ofcom will take into consideration.

Need for a UK-wide Call Origination Remedy

Verizon holds the view that the UK market for narrowband voice is a national market and as such Ofcom should continue to adopt a national approach when considering wholesale remedies. Whilst LLU has had an impact, increasing retail competition in some areas, Verizon considers that the need for national wholesale remedies remains essential to ensure the benefits of competition continues to promote good outcomes for consumers.

Any segmentation of the wholesale market on a regional basis could have significant implications on the provision of services to users, as CP's would need to consider whether it remains viable to maintain national coverage. Such an outcome is bad for competition and therefore bad for consumers.

Under current arrangements, there is active competition between CPs who offer WLR/CPS and LLU operators in the retail market. If non LLU operators were no longer able to offer service in certain areas then consumer choice will be significantly reduced. Such an outcome runs contrary to Ofcom's policy objective under the Act to further the interests of citizens and consumers. Verizon urges Ofcom to take full account of the above when determining its policy in this area during this review.

For other matters, such as Notice periods, Number Portability and Non Geographic call termination, Verizon adopts and fully supports the positions taken by UKCTA in its response to this 'Call for inputs'.

Verizon Enterprise Solutions
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