



**Business Messaging - Review of the A2P SMS termination market
Commify Consultation Response Form**

Question 1: Do you agree with our provisional conclusion regarding market definition?

Yes.

Question 2: Do you agree with our provisional conclusion regarding SMP?

Yes.

Question 3: Do you agree with our provisional conclusion regarding the three-criteria test set out in section 79(2B) of the Act?

Yes.

Question 4: Do you agree with our provisional view that setting a price cap on A2P SMS termination rates (based on historical pricing with indexation) would be the most appropriate and proportionate response for addressing our competition concerns arising from SMP (identified in section 5)?

Yes and no. As your review concluded the MNOs have the ability and incentive to raise prices excessively which they did across 2022-2024, as evidenced in your report. We agree that a price cap is the most appropriate primary tool to prevent this going forwards, but we do have concern about the level that is proposed being too high and rewards the MNOs for having increased prices excessively. Using inflation related indexation across a highly abnormal period of global inflation related to the pandemic and global conflict leads to a result too heavily in the UKMNOs favour and inconsistent with MNO price changes in any other mature Western market, as we lay out in our response to Question 6 below.

Question 5: Do you agree with our provisional view that Option 2 would be effective in addressing the risk (identified in Section 5) that terminating MCPs have the ability and incentive to set and maintain prices for the termination of A2P SMS at an excessively high level, while Options 1 and 3 would not fully address that risk?

Yes.

Question 6: Do you agree with our proposal to set the price cap at a level based on an average of the four large MNOs' December 2020 prices, adjusted using CPI?

Yes and No. We agree with a price cap based on the average of the four large MNO's December 2020 prices, before the excessive increases started. However, using this CPI adjustment



approach across a period of highly unusual pandemic and global conflict related high inflation serves to reward the MNOs for having increased prices excessively, taking advantage of their significant market position and causing major market disruption.

As a global player, Commify operates across the UK, Ireland, Italy, France, Spain, Germany, The Netherlands, Belgium, Australia and USA. Just like the UK, these other countries are all mature economies with well-established A2P SMS markets and ecosystems. They all experienced near identical macroeconomic impacts from the pandemic and related A2P SMS market specific impacts (both a positive growth impact and any costs such as network upgrades and security measures). A2P SMS has been a high growth and highly profitable market for MNOs in all of these regions across this period. However, none of these other countries saw any material price inflation, let alone any inflation as high as headline CPI figures, from the MNOs across this period. Adopting the approach proposed by Ofcom effectively rewards the UKMNOs with an exceptional and structural c.25% price increase. This approach would only be justifiable if such inflation related increases had been undertaken by MNOs in other countries, yet this simply has not happened because these business lines have been high growth, high margin and highly profitable for them and there has been no reasonable rationale or justification for doing so.

Question 7: Do you agree with our impact assessment? If not, please explain why.

Yes.

Question 8: Do you agree with our assessment of the potential impacts on specific groups of persons, as set out in paragraphs 2.36-2.37?

Yes.

Question 9: Do you agree with our proposal for a three-month implementation period following the publication of our final Statement?

No. The MNOs have demonstrated that they can change prices rapidly and easily with just one month's contractual notice. Any implementation should be sooner than that.