

Your response

Question	Your response
Question 1: Do you agree with our provisional conclusion regarding market definition? Please provide reasons and evidence in support of your views.	Confidential? – N
<p>Yes. We agree with Ofcom’s assessment that current market trends warrant this action.</p> <p>Market definition</p> <p>We welcome Ofcom’s provisional view on market definition, particularly:</p> <ol style="list-style-type: none">1. The conclusion that competing services like WhatsApp for business, RCS/RBM, in-app notifications and email are not in the short to medium term, sufficiently strong substitutes to constrain changes in wholesale prices in A2P SMS; and2. At the wholesale level, the interconnect route is in the same market as on-net A2P SMS termination. <p>We explore these issues and Ofcom’s approach to market definition below.</p> <p>Ofcom’s regulatory and analytical framework</p> <p>We agree with Ofcom’s analytical approach to market analysis¹, as it is necessary to first define and identify the relevant product markets for the purposes of market power determination.</p> <p>We note this is consistent with Ofcom’s statutory duties², its historic approach in other regulated markets³ and the European guidance and framework on the same⁴.</p> <p>Choice in focal product</p> <p>We agree with Ofcom that A2P SMS on-net termination is the appropriate ‘focal product’ to begin the exercise of product market definition and identify substitutes within the market.⁵</p>	

¹ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 4.7. Page 40.

² s.79(1) Communications Act 2003 c.21 ([Link](#))

³ Most recently: Ofcom (2025) ‘Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31’. 20th March 2025. ([Link](#)); and before in Ofcom (2021) ‘Wholesale Fixed Telecoms Market Review’. ([Link](#))

⁴ Commission Recommendation of 18 December 2020 on relevant product and service markets within the electronic communications sector susceptible to *ex ante* regulation in accordance with Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Code ([Link](#))

See also: s.79(2ZA) Communications Act 2003 c.21 ([Link](#))

⁵ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 4.14, Page 31.

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A2P SMS substitution and qualitative factors

There are several qualitative factors which we consider sets A2P SMS apart from alternative channels:

- **ubiquity and ease of access:** A2P SMS is natively supported on essentially every mobile, requiring no additional application or data connection.
- **trust and familiarity in service:** SMS remains a highly trusted mode of communication. As Ofcom itself notes from its research:⁶

“The recipient research also found that SMS was perceived as a more appropriate means to receive certain types of communications than other A2P messaging services among message recipients.

Specifically:

a) 66% of those who personally use a smartphone agreed that they would prefer to receive messages containing personal or sensitive information by SMS, as opposed to other communications services.

Just over half (55%) agreed that they were happy to receive A2P SMS messages but not via any other communications service, and a similar proportion of smartphone users (52%) agreed that they were more likely to miss A2P messages from communications services other than SMS; [...]”

- **simple and predictable costs:** the well established and predictable ‘pay-per-message’ structure continues to be preferable for many senders. As Ofcom notes:⁷

“[...] the evidence presented in Section 4 indicates there is not much willingness from business senders to materially switch away from A2P SMS when faced with a SSNIP as they see it as an affordable and effective product that meets their needs [...]”
[emphasis added]

A2P business messaging volumes

Ofcom’s analysis and data also substantiates this issue of substitution and market definition, setting out two key datapoints:

1. there is a general increase in the use of A2P SMS termination volumes⁸; and

⁶ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 4.28. Page 34.

⁷ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 5.18. Page 53.

⁸ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Figure 3.4, Page 24.

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	<p>2. there is currently far greater use of A2P SMS termination compared to both WhatsApp for business and RBM⁹.</p> <p>[REDACTED]</p> <p>Whilst there is a general increase in the use of alternative services such as WhatsApp business messaging and the release of RCS, we still expect A2P SMS to represent the overwhelming majority of A2P business messaging in the UK in the near term and during the market review period.</p> <p>This is also consistent with Twilio’s previous submission to Ofcom in October 2024 on <i>Reducing Mobile Messaging Scams</i>¹⁰ in which we indicated that RCS/RBM had only recently been made available in the UK, and that SMS remained the primary and preferred choice of UK businesses.</p> <p>We therefore agree with Ofcom’s assessment that:¹¹</p> <p style="text-align: center;"><i>“[...] while demand for other channels is growing steadily from a low base and might be expected to continue to grow further in the future, we consider that there is not enough momentum for these channels to develop into substitutes to A2P SMS and therefore act as a competitive constraint over the three-year market review period.”</i></p> <p>Off-net interconnect and on-net termination in the same wholesale market</p> <p>The question of whether wholesale ‘off-net’ routes belong in the same market as on-net termination is a central issue in Ofcom’s approach to market definition.</p> <p>[REDACTED]</p> <p>The main reasons an operator may seek to use off-net routes in substitute for on-net termination can be summarised as follows:</p> <ol style="list-style-type: none"> 1. functional substitutability in routing: whether aggregators send messages on-net (directly to the terminating MCP) or off-net (through interconnection between MCPs), it achieves the same outcome i.e. delivering SMS to the subscriber’s device.

⁹ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Figure 3.5, Page 25; Paragraphs 4.68 - 4.71, Page 42.

¹⁰ Ofcom (2024) ‘Reducing mobile messaging scams: evidence and options for addressing consumer harm’. 29th July 2024. ([Link](#)).

Twilio response, 7th October 2024. ([Link](#)).

¹¹ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 4.70. Page 42.

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<p>2. cost sensitivity and price discipline: if one route is priced too-high, aggregators can switch to the other. This switching option should help discipline on-net rates.¹²</p> <p>3. redundancy and resilience: if on-net delivery faces technical issues or congestion, the interconnect route provides an alternative pathway and ensures continuity in sending messages.¹³</p> <p>We therefore agree with Ofcom that both ‘off-net’ routes between MCPs and on-net termination are in the same wholesale A2P SMS market.</p>	
<p>Question 2: Do you agree with our provisional conclusion regarding SMP? Please provide reasons and evidence in support of your views.</p>	<p>Confidential? – N</p>
<p>Yes.</p> <p>We welcome Ofcom’s provisional findings of SMP and support its analytical approach in determining these findings, particularly:</p> <ol style="list-style-type: none"> 1. its selection of four criteria in its SMP assessment; and 2. the findings upon applying these four criteria. <p>Twilio agrees with Ofcom’s provisional conclusion regarding SMP.</p> <p>Factors used to determine SMP</p> <p>Ofcom has rightly focused on four pertinent criteria for assessing Significant Market Power (“SMP”) in this emerging A2P SMS termination market. These criteria - market share, barriers to entry, lack of countervailing buyer power (“CBP”) and pricing evidence make sense for the market structure of the A2P SMS market at this time.</p>	

¹² Ofcom also identifies this issue in its consultation document. Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraphs 4.79 - 4.80. Pages 43 - 44.

¹³ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraphs

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	<p>The EU Commission’s SMP Guidelines¹⁴, which Ofcom’s draws from in its analysis¹⁵ (and as it has historically done¹⁶) recognises that regulators may consider a non-exhaustive list of factors and that SMP often derives from a combination of criteria rather than any single factor.</p> <p>Ofcom’s approach of concentrating on the key factors is therefore methodologically and legally sound. Each of the four indicators in this case points strongly towards SMP, and together they provide an overall assessment that comfortably meets the legal standards for dominance (i.e. the ability to behave independently of competitors, customers and consumers). We comment on each of the determinants Ofcom has identified and used below in the context of this market.</p> <p>High market share</p> <p>We agree with the provisional finding on MCP market share. ¹⁷ By definition, once a mobile operator has a subscriber on its network, only that operator can deliver A2P SMS messages to that user.</p> <p>High barriers to entry and expansion</p> <p>The barriers to entry in these markets are prohibitive. As Ofcom explains:¹⁸</p> <p><i>“market entry into a wholesale market for A2P SMS termination specifically could only occur if a terminating MCP were to ‘grant entry’ to another MCP to terminate A2P SMS on the mobile numbers falling within the number range that it has been allocated by Ofcom, or on its ported-in numbers.”</i></p> <p>Furthermore as Ofcom finds that for an operator with its own access network:¹⁹</p> <p><i>“no other MCP is able to offer A2P SMS termination for A2P SMS to the mobile numbers falling within its number range allocation without that MCP’s consent, and it should control also the termination of A2P SMS to its ported-in numbers”</i></p> <p>There is no technological or economic way for a competitor to bypass the terminating operator - the message <i>must</i> go through the network of the operator who holds the number.</p>

¹⁴ EU Commission (2018). ‘Communication from the Commission — Guidelines on market analysis and the assessment of significant market power under the EU regulatory framework for electronic communications networks and services’. C/2018/2374 OJ C 159, 7.5.2018, p. 1–15. ([Link](#)).

¹⁵ Sections 79(1), (2ZA) and (6A) of the Communication Act 2003 ([Link](#)), which also defines EECC materials as “recommendations or guidelines published by the European Commission, and guidelines published by BEREC, under the Framework Directive or EECC Directive (including those published after IP completion day)” i.e. after 31 December 2020.

¹⁶ Ofcom (2025) ‘Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31: Annexes 1-22’. 20th March 2025. Annex 5, Pages 15-17. ([Link](#)).

¹⁷ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 5.11, Pages 51-52.

¹⁸ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 5.11, Pages 51-52.

¹⁹ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 5.14, Page 52.

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<p>Countervailing buyer power</p> <p>Ofcom’s analysis correctly identifies that an aggregator has only notional leverage - refusing to pay higher termination rates by sending fewer messages - and is not a feasible strategy in practice. If, for example, an aggregator attempted to change from a mobile operator that raised its termination charge, the aggregator’s clients (business message senders) would simply lose the ability to contact any customers on that operator’s network.</p> <p>As Ofcom observes, if an aggregator tried to send fewer messages to avoid a price hike:²⁰</p> <p><i>“it would either limit the extent to which business senders could contact some of their customers by SMS, or prevent business senders from contacting some of their customers by SMS entirely. This would likely lead to the business sender switching to another MSP/Aggregator since their messaging needs would not be met by the relevant Aggregator.</i></p> <p><i>We therefore consider Aggregators are unable to exercise CBP by credibly threatening to buy less A2P SMS termination from terminating MCPs in response to a price rise.”</i></p> <p>Faced with such a situation, the business sender would likely switch to a different aggregator who <i>will</i> deliver to all networks.</p> <p>Evidence from pricing above competitive levels</p> <p>In a competitive market, one would not expect to see significant price increases sustained in the face of flat or declining costs and the presence of alternative technologies.</p> <p>However, what has occurred in the UK A2P SMS termination market strongly indicates the exercise of market power.</p>	
<p>Question 3: Do you agree with our provisional conclusion regarding the three-criteria test set out in section 79(2B) of the Act? Please provide reasons and evidence in support of your views.</p>	<p>Confidential? – N</p>
<p>Yes</p> <p>Applying the three-criteria test</p> <p>Twilio agrees with Ofcom’s provisional conclusion regarding the three-criteria test set out in section 79(2B) of the Act.</p>	

²⁰ Ofcom (2025) ‘Business messaging: review of the A2P SMS termination market’. 28th January 2025. ([Link](#)). Paragraph 5.28, Page 54.

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	<p>Twilio believes this test is reasonable and is set at the appropriate level (wholesale).</p> <p>High and non-transitory barrier to entry As we've highlighted in our response to question 2 above, we agree with Ofcom that the barriers to entry in the A2P SMS termination market derive from the fact that each number range holder exclusively terminates messages sent to the numbers under its control.</p> <p>This exclusive control flows from number allocation and network access arrangements, and it will remain in place through the review period. The barrier is not merely high - it is structural and enduring.</p> <p>No tendency towards effective competition over the relevant time horizon Ofcom presents evidence that this market structure will not tend toward effective competition. Ofcom points to substantial termination price increases (15% to 75% in less than three years) without an observable loss of volumes.</p> <p>We agree with Ofcom's analysis:²¹</p> <p><i>"absent regulatory intervention, further price increases would risk the price of wholesale A2P SMS termination being set (and maintained) at an excessively high level (substantially above the competitive level), so as to have adverse consequences for end users."</i></p> <p>Competition law alone is insufficient to address the market failures Relying solely on <i>ex post</i> competition law would not adequately address the problems in this market.</p> <p>We share Ofcom's view that competition law enforcement would be too slow and reactive to prevent harm.²²</p> <p>SMS termination rates could potentially be set high by a number of SMP providers, challenging these one by one for abuse of dominance would be impractical and would only occur after damage (in the form of excessive charges passed on to thousands of businesses and consumers) had been done.</p>
<p>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</p>	<p>Confidential? – N</p>

²¹ Ofcom (2025) 'Business messaging: review of the A2P SMS termination market'. 28th January 2025. ([Link](#)). Paragraph 5.46, Page 58.

²² Ofcom (2025) 'Business messaging: review of the A2P SMS termination market'. 28th January 2025. ([Link](#)). Paragraph 5.48, Page 58.

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from SMP (identified in section 5)? If not, please explain why.	
<p data-bbox="97 387 1498 421">Yes</p> <p data-bbox="97 465 335 499">Setting a price cap</p> <p data-bbox="97 510 1498 589">We strongly agree with Ofcom’s provisional view that imposing a price cap on A2P SMS termination rates is the most appropriate and proportionate remedy to address the competition concerns arising from SMP.</p> <p data-bbox="97 633 1498 712">A well-calibrated price cap directly targets the core concern and risk to the market (i.e. excessive wholesale charges) while preserving the benefits of the service and incentivising efficiency.</p> <p data-bbox="97 757 542 790">Remedy choice and proportionality</p> <p data-bbox="97 801 1498 913">Where a firm has SMP in a bottleneck wholesale service, controlling the price it can charge is a tried-and-tested remedy to prevent abuse of that power. Ofcom has ample precedent for using charge controls in analogous contexts.</p> <p data-bbox="97 958 231 992">Necessity</p> <p data-bbox="97 1003 1498 1126">No lighter-touch remedy would suffice to address the harms Ofcom has identified in this market at this time. Ofcom has considered alternative remedies (such as transparency obligations or a requirement of fair and reasonable pricing), but those would not prevent SMP operators from setting excessive prices.</p> <p data-bbox="97 1171 1498 1249">For instance, merely mandating publication of rates or non-discrimination would still allow multiple SMP providers to simultaneously raise prices to high levels (since each has SMP).</p> <p data-bbox="97 1294 1498 1373">Likewise, relying on <i>ex post</i> dispute resolution or competition law (see our response to Question 3 above) would be too slow and uncertain to protect the market.</p> <p data-bbox="97 1417 1498 1496">The competition problem here is straightforward - prices have been and could continue to rise to excessive levels - and the straightforward solution is to cap those prices.</p> <p data-bbox="97 1541 1498 1619">A price cap is narrowly focused on preventing exploitative pricing while still allowing operators to recover their costs and earn a reasonable return (since the cap can be set with reference to cost-oriented benchmarks).</p> <p data-bbox="97 1664 1498 1742">It does not dictate how the SMP provider runs their network or who they must deal with; it simply constrains the price of an essential input to a level that would exist under competitive conditions.</p> <p data-bbox="97 1787 375 1821">Price cap on channels</p> <p data-bbox="97 1832 1498 1910">Twilio supports a price cap on all A2P SMS termination, both ‘on-net’ termination via aggregators and for termination on interconnect routes between MCPs.</p>	

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	<p>In line with Ofcom’s proposal, the cap should be set at the same level for both channels. This is preferable as a cap on one route will encourage providers to shift and recoup costs on the uncovered route, which would undermine the utility of a market intervention in the first place.</p> <p>Non-discrimination</p> <p>Twilio also notes that Ofcom should clarify that the cap applies to all SMP providers so that the cap is applied regardless of whether there are multiple aggregators in the value chain. To achieve this, non-discrimination rules may be useful in ensuring the cap is applied uniformly and there is no preferential treatment.</p>
<p>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? If not, please explain why.</p>	<p>Confidential? – N</p>
<p>Yes</p> <p>Choosing the most appropriate option</p> <p>Ofcom presented three options for the scope of the charge control, and we agree with its provisional view that Option 2 - a price on all A2P SMS termination, regardless of route - would effectively address the SMP concerns, where Options 1 and 3 would not fully do so.</p> <p>In our opinion, Option 2 closes all potential loopholes and ensures that terminating operators cannot circumvent the cap by re-routing traffic or exploiting differential charging methods. We consider the other options less effective, as summarised below:</p> <ul style="list-style-type: none"> ● Option 1 (cap on ‘on-net’ termination only): this approach would only cap termination charges only for messages delivered directly from aggregators to the terminating MCP (the direct or ‘on-net’ route). While this covers the primary delivery method for major MCPs, it excludes termination via interconnection between networks. <p>In practice, if Option 1 were adopted, an operator could still charge high fees for messages incoming through another network (the ‘off-net’ route).</p> <p>Smaller or more opportunistic MCPs might choose not to accept direct connections from aggregators, or might encourage traffic to come via transit partners, thereby escaping the cap. This is exacerbated by the fact that Ofcom has not proposed to implement and require the SMP provider to provide a network access remedy.</p>	

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<ul style="list-style-type: none">• Option 3 (cap on 'off-net' termination only): this is essentially the mirror-image of Option 1. It would cap only the termination charges on the final leg of an indirect (off-net) delivery route.	<p>We find this option even less effective, since the vast majority of A2P SMS traffic today is delivered on-net.</p>

<p>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? If not, please explain why.</p>	<p>Confidential? – N</p>
<p>Choosing the appropriate price cap level We note Ofcom has opted to choose and set the price cap level as:²³</p> <p style="text-align: center;"><i>“an average of ‘on-net’ December 2020 prices charged for termination by the four large MNOs (1.60p), equal to approximately 1.96p in September 2024’s prices (when allowing for inflation at CPI since 2020) and going forwards it would be adjusted by inflation.”</i></p> <p>However, we are of the view that this cap should be lower [REDACTED].</p> <p>Furthermore, the recently produced AXON Partners cost model prepared for the European Commission, published on 18 December 2024²⁴ - whilst not covering the UK and not being specific to A2P or to wholesale SMS termination - shows strong declines of unit costs for mobile network operators across the board.</p> <p>The use of CPI We recognise the concerns to adjust for inflation and believe in this case, adjusting to the Consumer Price Index (CPI) is best.</p>	
<p>Question 7: Do you agree with our impact assessment? If not, please explain why.</p>	<p>Confidential? – N</p>
<p>Yes.</p> <p>Twilio believes the assessment took into account the actors in the value chain as well as the impact to business, NGOs and consumers.</p>	
<p>Question 8: Do you agree with our assessment of the potential impacts on specific groups of persons, as set out in</p>	<p>Confidential? – N</p>

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²⁴<https://digital-strategy.ec.europa.eu/en/library/finalisation-mobile-cost-model-roaming-and-delegated-act-single-eu-wide-mobile-voice-call-0>

<p>paragraphs 2.36-2.37? If not, please explain why.</p>	
<p>Twilio has no further comment on this question at this stage.</p>	
<p>Question 9: Do you agree with our proposal for a three-month implementation period following the publication of our final Statement? If not, please explain why.</p>	<p>Confidential? – N</p>
<p>While Twilio sees the value in implementing the proposal earlier for both businesses and consumers, we understand it can take time to implement. We encourage Ofcom to monitor to ensure that significant price increases or other harms to downstream competition and consumers do not occur in the lead up to the January 1 2026 deadline, and take action where required.</p>	

Please complete this form in full and return to a2psmsTerminationReview@ofcom.org.uk.