

FCS Response to: Reviews of Call Termination Markets and End-to-End Connectivity Condition

Summary

FCS strongly supports Ofcom's findings of SMP in the mobile and fixed termination markets and the remedies.

We agree that 070 personal numbers should be included in the mobile termination market. In the past pricing issues have caused issues at the retail level.

We agree that it is reasonable to rollover the termination rates for fixed calls at the current rate without inflation adjustments for the period.

We consider that the mobile termination rate is excessive when compared to the fixed termination rate. FCS suggest that Ofcom looks into the mobile call termination charge in more detail with a view to removing any unnecessary costs from the cost stack.

About FCS

The Federation of Communication Services (FCS) represents companies which provide professional communications solutions to business users. Our members deliver telecommunications services via mobile and fixed line telephony networks, broadband, satellite, wi-fi and business radio. Our members' customers range from SMEs, home-workers and micro-businesses up to the very largest private enterprises and public sector users. Some FCS members also have some consumer customers. FCS is the largest trade organisation in the professional communications arena, representing the interests of around 350 businesses, which supply B2B services nationwide.

FCS members are in the main resellers, and they don't actually consume termination services directly but they are part of the underlying call services purchased by our members.

Introduction

FCS welcomes the opportunity to respond to the consultation 'Reviews of Call Termination Markets and End-to-End Connectivity Condition' (the 'Consultation').

The call termination market is fundamental to voice telephony in the UK, so it is essential that it operates efficiently if consumers are to be protected. Strong regulation is therefore essential across these markets to assure good consumer outcomes.

Fixed Call termination

We agree with the finding of SMP in relation to each fixed number. It is clear that only the network operator hosting the number is able to terminate calls to that number. In the absence of regulation terminating providers would have a commercial incentive to increase call termination charges and discriminate between providers. Ultimately this would propagate to price increases in end-to-end calls between network providers and price confusion for retail customers.

The remedies that Ofcom is proposing in the Consultation are broadly the same as those that exist on all providers today and we welcome the capping of fixed call termination charges over the period of the review as this clearly leads to price certainty over the review and helps to remove some of the inflation linked drivers from the cost stack for calls. In real terms the fixed call termination charge of 0.0365p/min is quite low and an order of magnitude lower than the mobile termination charge of 0.487.

The consultation is not supported by a detailed charge control as has been the case in recent reviews but instead proposes the charges at the current level. For the fixed call termination charge we consider this is a sensible approach as it saves resource for all concerned and would likely reach the same conclusion anyway.

Mobile call termination

Again, we agree with Ofcom's findings of SMP for each mobile number. In this regard there is no difference between fixed and mobile termination.

As part of the remedy Ofcom is proposing keep the termination charge rate fixed for the period of the review and we consider the flat rate – not inflation linked – to be a proportionate remedy. However, the proposed mobile termination charge (MTC) of 0.487p/min is an order of magnitude greater than the fixed termination charge of 0.0365p/min.

The consultation is proposing to set the new MCT charge using the output of its 2020 LRIC model as Ofcom considers that the change in cost is likely to be very small in absolute terms. In para 5.66 of the Consultation, it is noted that the calls between providers 'net off', but this statement fails to recognise that call charges between fixed and mobile do not 'net off' as the MTC charge is much larger than a fixed call termination charge. Hence this places fixed line operators at a financial disadvantage to mobile providers as mobile operators are able

to net off their mobile call costs. The lack of symmetry between the fixed and mobile call charges effectively serves as a penalty to fixed providers when providing calls to mobile.

Furthermore, the Consultation's analysis of the impact of any potential change to the mobile termination charge are seen to lay with the revenue harm to the mobile providers and to some extent to end customers, which on the latter point the Consultation does not define whether the customer are mobile or fixed users.

Finally, we note the Consultation finding that voice services are becoming smaller parts of the traffic as the networks are increasingly being designed and used for data. As voice is effectively becoming an app on the mobile network like WhatsApp or FaceTime, which are provided free to callers, the charges for mobile call terminations are excessive.

Although we acknowledge that it may be a disproportionate use of Ofcom resource to rebuild a new MCT cost model we suggest that Ofcom revisits the 2021 cost model with a view to removing any unnecessary costs from the cost stack.

Personal numbers 070.

Again, we agree with the Ofcom proposed finding of SMP as only the network provider owning the number is able to terminate calls to it. For reasons of transparency to end users it is reasonable to include it in the MCT remedies.

End-to-End Connectivity

It is vital that a caller on any network is able to call a person on another and the End-to-End connectivity obligation was intended to support that objective.

A key part of the analysis presented in the Consultation is that not all small operators interconnect with BT and cites a number of other providers who provide transit services. Based on these facts Ofcom considers that there is sufficient competition in the marketplace and that the regulation can be removed.

The Consultation does not provide any detail on how many providers have direct connection with all other providers or if any of them also transit through BT to reach smaller networks.

However, we note that with this obligation in place any new entrant has always had the assurance they could obtain end-to-end connectivity via BT which could be providing a curbing influence on other providers.

Without more detailed analysis of the scope of the alternatives to BT there is a risk that connectivity to some, probably smaller, networks could be lost, which could lead to some routes being uncompetitive. FCS would suggest that Ofcom undertakes further analysis of the alternatives to BT before removing the E2E connectivity obligation.

Furthermore, the BT analogue network is being switched off in January 2027 and to help ensure a smooth transition to new IP and cloud-based connectivity the obligation should remain in place until after analogue switch off.

Summary

We agree with the proposal findings of SMP of the Consultation. We broadly agree with all the remedies including a fixed price for call termination charges over the period. We ask that Ofcom revisits the mobile termination charge as it is so much larger than the fixed charge and services as a penalty when fixed calls are made to mobile networks.

Before the end-to-end connectivity obligation is removed from BT, we ask that Ofcom takes a more detailed analysis of the market to ensure that in the absence of the obligation on BT it would be sufficiently competitive.