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Virgin Media's Response to Ofcom's Consultation on Routing calls to Ported telephone numbers-

Dear Warwick,

Virgin Media welcomes the opportunity to comment on Ofcom's consultation on routing calls to ported telephone numbers. Our observations and concerns are set out below as well as our responses to the individual questions raised by Ofcom.

Virgin Media welcomes Ofcom's comment that it is only considering calls originated from mobile calls to mobile ported numbers. It welcomes Ofcom's recognition that at the current time there is no case for mandating fixed operators to route calls directly either to mobile numbers or to fixed numbers that have been ported. Virgin Media agrees with Ofcom's conclusion that the costs of updating TDM networks in order to be able to route calls directly to ported numbers far outweigh any benefits that might arise from routing efficiencies.

3.1 Do you agree that there is a problem in the way mobile originated calls to ported mobile numbers are routed? If not, why not.

Virgin Media's view is the system of onward routing in relation to calls from mobile numbers to ported mobile numbers is not as efficient as a direct routing system. However the key issue is whether moving to a direct routing system can be carried out in a cost effective manner.

3.2 Do you agree with our assessment of the issues associated with onward routing?

Virgin Media agrees with Ofcom's assessment that the key issue associated with onward routing is the issue of inefficient use of the transmission networks. In Virgin Media's view the likelihood of a mobile network failing is extremely remote and therefore should not be a consideration. Similarly the issue of quality of service does also not seem to Virgin Media to be an issue that should be factored into any cost/benefit analysis.

4.1 Do you agree with our proposed approach for assessing the net benefit? If not please explain why not.

In Virgin Media's view the key question is whether the costs of moving to direct routing are less than the costs of continued routing inefficiencies.

4.2 Do you agree that we have identified the relevant cost drivers resulting from a move to direct routing? If not please explain why not.

Ofcom has identified five principal sources of costs in moving to direct routing. These are:

- The additional capital costs incurred by each originating operator to make their network capable of performing direct routing;
- The operating costs associated with the additional network functionality;
- The capital costs of a database of ported numbers that provides the information to each originating operator;
- The ongoing operating costs associated with the operation of the database
- The costs of administering a collective industry project.

Virgin Media agrees that these are likely to be the principal source of cost although it also has identified the capital costs incurred by each operator in modifying their IT systems to operate the database.

5.1 Do you agree with our assessment of doing nothing? If not please explain why.

Virgin Media agrees that the current wholesale billing regime and arrangements for dealing with the donor conveyance charge currently mean there is a disincentive for mobile operators to move to direct routing of calls and that in the absence of regulatory change (either through this consultation process or through the dispute resolution process) there is unlikely to be a move away from onward routing.

5.2 Do you consider that an industry agreed solution is likely to emerge that would deliver direct routing no later than 2012? If not please explain your reasons. Would you be supportive of such a solution?

Virgin Media notes that Ofcom is currently considering a dispute referral from H3G which deals with the appropriate rate for termination charges for ported numbers. Virgin Media believes that were Ofcom to find that appropriate termination charge should be that of the recipient network and not the donor network, then the outcome of this dispute might help to bring about a change to the current processes. However in the absence of a change to one of the current elements (ie the termination rate or the donor conveyance charge) Virgin Media does not believe that an industry agreed solution is likely to emerge before 2012.

5.3 What steps do you consider Ofcom should take to ensure that such an industry commitment is serious? Do you agree with the proposed steps set out by Ofcom or are there additional measures that should be taken?

Virgin Media is of the view that any industry agreed solution should not be restricted to participation by the five MNOs but that other operators should be able to participate on the basis that the solution that is adopted should be as future proof as possible given that as fixed operators move to Next Generation Networks they might wish to directly route calls to ported mobile numbers and therefore will wish to be able to interface with any database that might be set up under the industry agreed solution.

Virgin Media's view is that if fixed operators do not have a direct input to the database solution then it is likely that ultimately there will be separate mobile and fixed solutions which is unlikely to be efficient in the long term.

5.4 What steps do you consider should be taken to ensure that any industry solution that emerges does not foreclose the opportunity for other mobile operators to participate in the short term or longer term?

Virgin Media refers Ofcom to its comments above.

5.5 If there was a firm commitment to an industry led solution, what role would you expect Ofcom to play?

If there was a firm commitment to an industry led solution then Virgin Media would expect that Ofcom's role would be as an observer and potentially a facilitator of discussions.

5.6 Do you agree with Ofcom's proposal for a backstop to mandate direct routing in the event that an industry initiative fails? Do you agree that reviewing the solution in late 2010/early 2011 is appropriate before deciding on the need to mandate?

Virgin Media agrees with Ofcom's proposal to review the solution in late 2010/early 2011 before deciding on the need to mandate a solution.

5.7 Do you agree with our assessment of Option (3)? Please set out your reasons.

Virgin Media is strongly opposed to Option 3 which would involve the changing of payment arrangements for the porting conveyance charge such that the cost for an onward routed call is paid in full or in part by the originating operator not the terminating operator and placing a requirement on all the mobile providers to exchange data on ported numbers.

Virgin Media is strongly opposed to this option because this would involve fixed operators bearing the costs of onward conveyance for calls to ported numbers in a situation where they will be unable to avoid those costs by moving to a direct routing solution given the absence of next generation networks and the high costs that a move to direct routing using TDM would incur.

Therefore the adoption of option 3 is in Virgin Media's view completely disproportionate and inappropriate.

5.8 If Ofcom was to take Option 3 forward what would be the costs involved in making changes to wholesale billing systems and (ii) other costs. Please explain the basis of your estimate.

It would be impossible for any originating operator to determine the actual interconnect cost for any given call without considering whether that call was to a ported number or not (which would require them to look up the database). Similarly calls arriving into a network would require differential charging depending upon whether they are direct routed calls to ported numbers, or whether they have come from a fixed network or small mobile operator incapable of direct routing. This would be likely to require significant IT overhead.

5.9 Do you agree with Ofcom's assessment that mandating direct routing for mobile originated calls to ported mobile numbers is likely to be the most effective way of removing routing inefficiencies? If not, what other factors that we should take into consideration and why are they relevant to our analysis?

Virgin Media believes that mandating direct routing for mobile originated calls to ported mobile numbers should only be undertaken if the cost benefit assessment clearly illustrates that the benefits substantially outweigh the costs. Virgin Media is of the view that it is not sufficient that there be a small net present benefit given the fact that the current costs are uncertain and that there is a likelihood that the costs may well over run.

5.10 Do you agree that if Ofcom were to mandate direct routing, the obligation should be designed in a way that would avoid mobile operators having to use direct routing where the scale of ported traffic is not sufficient to justify the upfront investment to implement direct routing?

Virgin Media agrees that if Ofcom were to mandate direct routing the obligation should be designed so that the obligation only applied to those mobile operators where the economic benefits of routing directly would outweigh the costs of implementing the solution and that this is unlikely to be the case where those operators originate low volumes of ported traffic.

5.11 Do you agree that by framing the obligation in a way that obliges mobile operators to route calls to mobile ported numbers in the same way as non ported traffic should avoid the risks of any unintended consequences? If not please comment on how this obligation could best be framed.

Virgin Media has no comment to make on this question.

5.12. What do you consider to be an appropriate timescale for implementation of direct routing from the point at which Ofcom issues a final decision? Please provide a full and detailed explanation as to why you agree or disagree with the 2012 target date proposed by Ofcom.

Virgin Media believes that the appropriate timescale will depend on the technical solution that is adopted and that whilst it may be possible to aim for a date of 2012 in the absence of a defined solution it is difficult to be definitive about the date of implementation.

6.1 Do you agree that it is appropriate for Ofcom/industry to appoint a qualified independent third party to work with industry to develop a provisional technical specification for direct routing? If not, please state why.

Virgin Media queries whether it is appropriate to appoint an independent consultant to develop a provisional technical specification for direct routing given that there is already a solution designed by industry consensus in NICC. Virgin Media is of the view that the work that has been undertaken so far should not be wasted and that this should be the starting point for looking at solutions.

6.2 Do you agree with the criteria for selecting an independent expert/consultancy? If not please state what different/additional skills or qualities this independent party should bring?

See Virgin Media's comments above

6.3 If you would like to recommend suitable experts/consultants to Ofcom, please do so on a confidential basis.

Not applicable.

6.4 Do you agree that three months is an appropriate period of time to produce a provisional technical specification from which stakeholders can derive reasonable accurate cost estimates? If not, please explain why and detail what you consider to be an appropriate time scale

See our comments above. Virgin Media is of the view that utilising the existing work will assist in developing a solution in a timely manner.

6.5 Do you agree that a further three months is a sufficient period of time to derive cost estimates based on the provisional technical specification? If not please explain why and detail what period you think would be appropriate.

Were the NICC solution to be used as the basis for a solution then it is likely that relevant CPs will have already done preliminary work on costing this solution. CPs would then merely be required to map that preliminary work onto any changes to the solution and the expected state of their network at the point in time that direct routing was to become operative.

6.6 Do you agree that the conditions we have set out as being necessary to make this process successful in its aims are appropriate?

Virgin Media agrees that for the process of developing a robust technical specification to work effectively that industry will need to devote an adequate level of resource to this project regardless of whether there is an consultant appointed or not.

6.7 do you agree with Ofcom's proposed next steps following responses to this consultation? If not, how do you think Ofcom should proceed to bring this assessment of calls to ported numbers to a final decision?

Virgin Media is of the view that given that the potential benefits of implementing direct routing are reasonably small and are only achieved over a long period of time and that there are a number of uncertainties in Ofcom's estimations it is important that an approach is taken which ensures that the NPV continues to be not only positive but also material. As such Virgin Media would suggest that Ofcom should adopt the approach of publishing a short update and proposed next steps at the end of the consultation period but that any final statement can only follow robust costings of the final solution.

We would be happy to elaborate on any aspect of this letter and/or discuss the matter further. Please do not hesitate to contact me if you would like to do so.

Yours sincerely,

Annemaree McDonough
For & on behalf of Virgin Media.