

## **Submission to Ofcom wholesale mobile voice termination consultation from for dementia**

### **1. Overview**

- **Ofcom is right to focus on how termination rates affect end-users:**

It is very welcome that Ofcom has put end-users at the heart of its assessment of how mobile termination rates (MTRs) should be regulated in future.

The consultation says that "the most important issue is how each approach affects consumers". This is exactly as it should be. But any outcome that delivers less than a significant reduction in the price consumers pay for making a call to a mobile phone will be a failure to deliver on that central issue.

- **MTRs involve large sums which end up being paid by end-users, who therefore need protection:**

Last year, the mobile operators charged customers who phoned a mobile from a landline, over £750 million. That's over £60 million per month or £2 million per day. The size of these charges makes it all the more important that Ofcom gets the regulation right and protects consumers from any risk of overpaying. The current approach leads to high MTRs which are passed through to consumers in higher fixed to mobile retail rates and which place an artificial price floor on retail mobile to mobile rates. A significant reduction in these wholesale rates will bring down retail prices for both mobile and fixed consumers.

*I'm writing to you as the **Resource Co-ordinator Uniting Carers for dementia** from the national charity **for dementia**. We are committed to improving the quality of life for people affected by dementia. In the UK there are over 700,000 people living with dementia and almost two thirds are cared for at home by a spouse or family member.*

*Carers of people with dementia often have to use their mobile phones or call mobile phones regularly in order to make appointments, organise respite care or check up on their loved one. As full time carers they do not earn a salary and as the costs of living rise they face increasing challenges to provide the best possible care for their loved ones whilst existing on minimal benefits.*

*A reduction in these unnecessary MTRs will significantly help carers in that it will bring down the cost of their mobile bill, ensuring that the money saved can be put to better use.*

*We've joined the Terminate the Rate campaign and ask you to consider the interests of those with dementia and their carers in your consultation on the future of wholesale mobile voice call termination.*

*We support a move to reduce the rates to around a penny or less, as we want to see an end to the unfair charges levied to call mobile phones.*

*Given that there is increasingly no choice but to call mobiles, we're asking you to act to bring mobile termination rates right down.*

- **Mobile rates are much higher than fixed termination rates for no reason:**

Mobile termination rates are more than ten times the equivalent rate for terminating calls on fixed networks. There is no justification for a differential of this magnitude: fixed rates have been set to cover just the cost of actually carrying calls across the network and the mobile rate should work in the same way. Mobile networks should not be allowed to recover the additional network costs that push the rates up to these high levels, which can be recovered from other services provided in competitive markets.

- **High mobile rates constrict the whole market by preventing other operators from offering cheaper deals, and even stop some people from calling a mobile phone.**

Mobile networks may be more costly to run than fixed networks but we have seen figures that suggest the termination rates ought to fall to 1p per minute or less if they were set like fixed rates to cover just the cost of carrying the calls. Such lower rates would, we understand, enable all operators to break the artificial 'price floor' caused by excessive mobile termination rates and offer all consumers better deals. And for those customers who don't use their phones (both fixed and mobile) because of the high cost of calling a mobile, lower termination rates will help give them the comfort to pick up their phones again, and help stimulate more calling generally.

The current high rates make it impossible for fixed and mobile operators to offer fixed “all you can eat” bundles at realistic prices for large numbers of consumers. If MTRs are significantly reduced such tariffs would become more widespread, providing better value for money (removing the “money go round” of mobile operators passing large amounts of wholesale revenues between themselves which contribute nothing to the funding of new networks but simply prop up retail prices). Such “all you can eat tariffs” would also reduce the potential for “bill shock” and make mobile bills simpler and easier for consumers to understand.

- **The first priority is to get rates down, and quickly - Ofcom ought to be able to rely on the market to ensure the big mobile operators don't simply shift the costs elsewhere.**

We fully understand that Ofcom will need to ensure its proposals won't result in the mobile operators raising other charges to compensate for lower termination revenues. However, if the mobile sector is as competitive as most in the industry claim and Ofcom itself has previously found, competition will prevent this from happening. Mobile termination is a wholesale charge which is not subject to competition. Other mobile related charges are subject to the forces of open competition. And getting lower termination rates would, we expect, stimulate fixed operators and the smaller mobile operators to offer better deals and gain customers from the big mobile companies. Competition between both mobile operators and between mobile and other forms of communication would therefore all ensure prices were driven down.

As Ofcom notes in its Consultation it has already significantly reduced MTRs over the years. Competition has been effective to date in the retail markets and retail mobile prices have fallen not risen. Ofcom should therefore treat claims from the incumbent mobile operators that other prices will rise with great scepticism. It has not happened in the past and there would seem to be no reason why it should happen this time around.

### **3. *Ofcom's Questions***

We are unable to respond to each of Ofcom's 12 questions individually, but instead we have set out in this response some broad policy objectives we would like to see Ofcom take on board. Our main interest lies in ensuring that end-users get a better deal out of regulation than they get today. That means we support Ofcom's continued regulation of termination rates, but we would like to see that process accelerated, so that lower rates translate into lower prices as soon as possible. We think this is in the best interests of the people we represent and so would support any option which brings about lower termination rates. We understand there may be a risk that prices may rise for certain customer groups but consider that competition can be relied upon to ensure that customers would benefit from more competitive pricing and / or more extensive calling packages. We

understand that at least one operator has committed that they will not increase prices for low users. In this case we would expect this position to become the base for competition and that any pricing / usage benefits would be relative to this point. To the extent that a concern remains that prices may rise for very specific groups we would urge Ofcom to consider alternative more effective forms of regulation (such as the idea of a social tariff) to protect such customers, at least in the short-term during the period of market adjustment. Increasing prices across the board is not an effective way to protect low usage customers. If anything – as with the current regime -- it is more likely to encourage low users by keeping usage down.

We think it is for Ofcom and the industry to work together to decide how best to deliver a better deal for consumers than the high charges we see today. On the face of it, a tighter price control seems to be the best way to achieve this until such time as market conditions allow a different approach.

What the European Commission has done for roaming rates – and is now recommending for mobile termination rates -- needs to be done here in the UK now.