

**RESPONSE TO OFCOM'S CONSULTATION PAPER ON MOBILE CALL
TERMINATION 13TH SEPT 2006**

To:

Michael Richardson
Floor 4
Riverside House
2A Southwark Bridge Road
London SE1 9HA
michael.richardson@ofcom.org.uk

Dear Michael

Mobile Call Termination

I have considered the Mobile Call Termination (MCT) and the consultation paper of the 13th September 2006. I recognise the importance to the consumer in the relationship of fixed/mobile retail costs to the level of wholesale MCT. I submit my answers to the questions raised in the consultative document.

Question 1: Do you agree with Ofcom's market definitions?

Answer: Agree

Question 2: Do you agree that each of the five MNOs has SMP in the market for wholesale mobile voice call termination provided by it to other Communications Providers in the UK?

Answer: Agree. The decision of Ofcom that each MNO has SMP in call termination is supported.

Question 3: Do you agree that it is appropriate to impose the following SMP conditions on each of the five MNOs;

- **A charge control on mobile to mobile MCT to apply until 31 March 2011.**
- **A charge control on fixed to mobile MCT to apply until 31 March 2011**
- **A prohibition of undue discrimination**
- **An obligation to meet reasonable requests for MCT on fair and reasonable terms**
- **An obligation to publish access contracts**
- **An obligation to publish charges and notify call volumes**

Answer: Agree to all points

Question 4: Do you agree that the appropriate level of the target average charge to apply to mobile to mobile MCT and fixed to mobile MCT in 2010/11 in respect of H3G is 6ppm (2006/7 prices), and in respect of the 2G/3G MNOs is 5.3ppm (2006/7 prices)?

Answer: the MCT rate should be as close to cost as possible with only appropriate costs being taken into consideration. I cannot comment on the absolute level. In calculating the MCT I do not support:

- 1. the MNOs having network externality costs attributed to MCT. Mobile penetrations are high and costs associated with further growth being subsidised by fixed line customers are inappropriate*
- 2. high administration costs being included in the MCT. MNOs should be encouraged to improve efficiency in all areas in particular administration costs. It is recognised that BT has greater economies of scale due to the high level of transit call minutes over which it can apportion its administration costs however our feeling is that the administration costs of the Mobile operators are higher than they should be. Ofcom is encouraged to look at this aspect further.*
- 3. the inclusion of costs associated with the cost paid for spectrum in the allowable costs to be included in MCT. This cost should properly be paid by the customers choosing to take service from the MNO and therefore should be included in the retail prices.*

MNOs are now mature enough that they should move directly to having their MCT calculated on a LRIC basis and have an RPI – X formula applied.

Over all packages 24 hour on net charges should be above costs and in theory be approximately twice the MCT. Where this is not the case we encourage Ofcom to understand how MNOs are cross subsidising such calls. Cross subsidisation should not come from MCT.

Alan Horne, November 2006

- End -