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Fair and reasonable charges for fixed geographic call termination

Dear Warwick

Please note that this letter, as a response to the Ofcom Consultation on fair and reasonable charges for fixed geographic call termination is not necessarily supported by all ITSPA members; and for clarity, does not have input from BT. Individual members may respond separately to this consultation.

We welcome the opportunity to comment on Ofcom's draft guidance on fair and reasonable charges for fixed call termination.

We accept that, for most ITSPA members, the LES termination rate would enable us to recover our costs. It would be hard to argue, especially in light of the ERG's common position encouraging symmetry in fixed termination rates, that CPs should receive a higher termination rate than BT, as that would indicate that they are operating networks which is less efficient than BT's. We think it makes sense in an NGN world that all CPs should receive the same termination rate.

However, not all ITSPA members have a "flat" network architecture, so there is a case for requiring BT to pay an uplift on the LES rate if it hands traffic at the "wrong" node (provided that a TDM network could access the required signals at the CP's preferred node, and provided that the terminating CP has notified the originating CP of the different rates and node mapping in advance).

Conveyance costs can be significant on an NGN network as traffic volumes grow to full capacity. NGN CPs may host different products and number ranges on different platforms, so that calls handed over in the wrong location need to be carried elsewhere before termination.

Moreover, we are particularly concerned that if CPs are to receive the LES termination rate, this would not in fact reflect the termination rate paid to BT, since ITSPA members are, on the whole, paying BT the Single Tandem termination rate.

We must debunk the "build or buy" concept. It is inconceivable that an NGN operator would want to interconnect at the DLE level with BT, irrespective of any incentives or disincentives provided by wholesale conveyance rates. It would be highly inefficient for all but the largest scale operators to do so.

We believe that, with BT's current network architecture (where BT's switching is centralised at the NGS and the line cards are controlled from the NGS location), the LTC leg (between DLE and NGS node) costs very little to convey. We suspect it costs BT a lot less than the difference between LES (0.2560 ppm) and ST (0.3715 ppm) rates.

The price for the LTC leg is no longer regulated by Ofcom, and yet competitive transit providers are not, we believe, offering significantly lower rates to CPs.

Under Option 3, BT would benefit from this asymmetry, from the ability to charge higher termination rates to its competitors, and it would have no incentive to migrate to NGN.

Therefore we support the idea that BT should offer an IP interconnect product at 20-30 (or fewer) POIs, at which CPs would be able to receive the LES termination rate (or slightly uplifted to cover the interworking costs). BT would also offer TDM interconnection at these 27 POIs, also at the LES rate.

This would be a good way to simulate NGN interconnection with BT and would reflect a more efficient network structure for today's technology, and would encourage it to migrate its own systems to NGN sooner, rather than later.

It is vital, however, that this product should be available at the same time as Ofcom brings these new guidelines into force. It is also important that BT offers a fit for purpose IP interconnect product, so it would have to be an improvement on the current IP Exchange offering.

We do not believe that BT would offer such a product that conforms to CP requirements voluntarily by 1/10/2012. We therefore believe that Ofcom should make this mandatory now, rather than waiting until the 2013 market review.

If Ofcom chooses to rely on industry negotiations with BT and a voluntary product offering from BT, then Ofcom should not recommend a fixed date for a switch to lower FTRs.

We believe that the guidance will be valid only once a BT have published a fit for purpose IP interconnect reference offer, either voluntarily or as required by Ofcom following the 2013 market review.

It may not be reasonable to expect all CPs to migrate to NGNs at this time, but it is reasonable to expect BT to offer a simulated NGN interconnect on the grounds of reciprocity and fairness.

In the absence of such a product from BT, then the equitable solution is for CPs to charge close to the ST rate until such a product enables reciprocal charging.

Yours sincerely



Eli Katz
ITSPA Council Chair