



Internet Telephony Services Providers' Association

ITSPA Response to Ofcom's Draft Annual Plan 2012/2013 Consultation

About ITSPA

The Internet Telephony Services Providers' Association (ITSPA) is the UK VoIP industry's trade body, representing 60 UK businesses involved with the supply of VoIP and Unified Communication services to business and residential customers within the UK. ITSPA also pays close attention to the development of the VoIP regulatory frameworks on a worldwide basis in order to ensure that the UK internet telephony industry is as competitive as possible amongst international markets.

Individual members may respond separately to this consultation.

A full list of ITSPA members can be found at <http://www.itspa.org.uk/>

ITSPA members welcome the opportunity to respond to Ofcom's consultation surrounding the Draft Annual Plan for 2012/2013. Members feel it important to respond to the regulator's proposed strategic approach to the forthcoming year and make comment on the proposed objectives. In general, ITSPA members are happy with the priorities outlined within the consultation document. We support the continued focus to ensure competition in the telecoms market, to help promote competition and investment in superfast broadband as well as developing an effective switching policy. These measures are vitally important to help consumers make informed choices about the services they require, encourage innovation in the sector and drive growth. There is real opportunity for the communications sector to assist in rebalancing the British economy and it is important that Ofcom helps set a regulatory environment that encourages start-up businesses and new technologies.

In line with Ofcom's priorities, we will use this consultation as an opportunity to raise four particular issues that ITSPA members believe are important to enhancing competition in the UK telecoms market. These issues are not necessarily consumer facing, but do or will have a direct impact on end users.



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1. Network Neutrality & Traffic Management

ITSPA has been an active stakeholder in recent years on the thorny issue of network neutrality and traffic management. We believe that the blocking of Internet services such as VoIP is fundamentally anti-competitive and a significant detriment to the consumer. ITSPA welcomed the Ofcom statement on blocking as 'highly undesirable' within its net neutrality statement in November 2011.

Whilst we accept that in certain instances, traffic management tools are an essential and unavoidable feature of the Internet, this should not be confused with, or used as a cover for, anti-competitive behaviour whose purpose is solely to give an advantage to the network operators' own services. VoIP in particular requires very little bandwidth (circa 100kbps) compared to other traffic such as video streaming or peer-to-peer sharing. We cannot foresee any real justification to restrict bandwidth for traffic management purposes concerning these types of services.

In the UK, we believe that in general, the fixed-line ISP community does follow open Internet principles and our members have not experienced the blocking of VoIP services. However, there are documented examples of mobile network operators (MNOs) who block the use of VoIP clients on their networks, even though their customers are paying for the data traffic.

In December 2011, ITSPA conducted research into the major UK MNOs revealing that in most cases MNOs were not transparent about their policies towards VoIP over mobile data. It also highlighted that MNOs serving the majority of the market either i) prohibit VoIP in their terms and conditions ii) charge a premium for using it and/or iii) actively block it. This is of major concern to our members and the current situation will only deter investment in an ever increasing mobile data market. This ultimately results in less competition and innovation as well as higher prices for consumers.

Whilst we welcome both the Government and Ofcom's desire to maintain an open Internet, we are concerned as to whether a self-regulatory model concerning blocking and traffic management can be truly enforceable and whether Ofcom has effective powers at its disposal to act when required. Ofcom have indicated that they believe market forces will inevitably prevent any long term blocking of services. ITSPA are concerned whether this will be the case, and this will become increasingly important in relation to the forthcoming 4G spectrum license process, which will provide the platform for future mobile data applications. ITSPA believes that successful bidders must not block or discriminate against third party



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services unless strictly necessary to preserve the quality of service of their network. We believe this will rarely, if ever be the case for typical VoIP and messaging services.

ITSPA agreed with Ofcom's statement that more needed to be done by ISPs and Mobile Operators to provide clearer information to consumers surrounding their traffic management policies. The KFI initiative undertaken by the major providers last year was a welcome first step but more needs to be done in this area which Ofcom acknowledge. ITSPA welcomes further dialogue with the industry.

We will continue to engage on net neutrality with Ofcom, who intend to provide an update in 2012. This is a vitally important long term issue for the future of Internet services and forms part of Ofcom's main priorities, to promote effective choice for consumers by ensuring that clear information on service price and quality is available.

2. Number Portability

Another fundamental priority of Ofcom's 2012/13 draft Annual Plan is to develop and implement policies that will improve the ease of switching between communications providers. ITSPA members are starting to develop a position surrounding the Ofcom consultation on consumer switching, published on 9th February 2012 and will respond accordingly.

ITSPA members have consistently called for change in the current process of number porting between communication providers. ITSPA believe this is fundamental to any review of consumer switching and should form part of Ofcom's ongoing work into this area. The requirement for bilateral porting agreements and the lack of any incentive for losing operators to establish service arrangements with gaining CPs expeditiously means that the system for porting numbers in the UK is not fit for purpose. In comparison with the migration of other communication services, the porting of fixed lined numbers in the UK is easily the worst area affected and often used as an example globally as how not to do things.

Porting problems have had a significant impact on competition and efficiency and continue to be a major hindrance to both consumers and CPs. Setting up service establishment agreements to port can take up to two years, whilst the problems surrounding routing have not disappeared since the unfortunate demise of UK Porting in 2007/8 due to Vodafone's CAT appeal. These issues go against a number of the priorities outlined within the draft annual plan. We would urge Ofcom to return to these issues as part of its ongoing work into the switching process in 2012. Necessary reform of the wholesale regime is



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fundamental to any review of switching. Though a difficult issue to resolve, we believe it is necessary as we move to next generation networks.

Lastly, ITSPA members also continue to be disappointed with the current position of Ofcom with respect to the Statement of Requirements submitted to BT Openreach for Line Export and Renumber. It is unacceptable that end users cannot port their number without ceasing their line rental. Our members have tried to work with the OTA2 to find a solution but to no avail. This issue is also out of kilter with the priority for promoting switching and should be addressed.

3. Wholesale Narrowband Market Review

ITSPA is an organisation representing NGN communications providers. We have noted from various consultations in recent times (such as the Fair and Reasonable Fixed Termination Rates) that the 2013 Wholesale Narrowband Market Review is likely to be a very important and potentially seminal piece of work. It could shape the voice telecommunications industry for the next 10 years and will no doubt have a massive impact on our members' businesses.

Fundamental to this is the nature of the reference operator. We presently have a TDM reference point, but with the shift from TDM services towards IP services, modelling anomalies will develop. These unfortunate effects may include upward glide paths on charge controls and the promotion of illogical and irrational investment decisions.

The transition from TDM to IP as the benchmark efficient operator generates a substantial number of questions and issues yet to be addressed. These include security and resilience requirements, points of interconnect and the cost of copper. Additionally, different designations of Significant Market Power in certain markets may result in being reapplied to now deregulated or unregulated markets. This will require substantial work and modelling by Ofcom. We welcome the possibility that Ofcom will be commencing work on this during April, but given the importance and likely increasing scope of the project, we would urge Ofcom to ensure it is well resourced and not to shy away from radical components of the review, such as facilitating a debate on 'Bill and Keep'.

ITSPA members have substantial experience in NGN issues and trading in a mixed-technology environment. The principle industry players that will be able to resource substantial engagement with Ofcom on this (with perhaps some notable exceptions) are TDM core operators. We urge Ofcom to



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engage extensively with ITSPA and its members on this important subject in the lead up into the inevitable publication of a Call for Inputs.

4. Naked DSL

A final issue ITSPA members have not raised with Ofcom for a couple of years but which we feel should return to the agenda is the provision of Naked DSL products within the industry. Naked DSL allows consumers to choose their broadband and voice service providers separately, without being forced to pay for a telephone line they no longer need. We believe that Naked DSL is a prerequisite for service competition, consumer choice and sustainably lower prices. We feel this issue currently feeds into to the debate surrounding consumer switching. Naked DSL simplifies the process for consumers. It ensures they are not locked into long term arrangements for services with one provider, and helps break apart the restrictive infrastructure components that can obstruct consumers from migrating to new services.

In addition, we believe that the introduction of Naked DSL would resolve the Line Export and Renumber process previously mentioned. By separating broadband access and voice service provision, Naked DSL will ensure that there is no loss of connection when consumers switch providers and port their telephone numbers.

The demand for independent voice service provision can be seen from the growing uptake of Naked DSL across Europe in countries such as Austria, Belgium, Estonia, France, Italy, Holland, Norway and Sweden. We believe that it is time to return to this ongoing issue in the UK as it fits appropriately within the scope of Ofcom's current priorities.

ITSPA members appreciate your due consideration of these matters. Members welcome further dialogue on all the issues raised in this response, and would be happy to meet with the relevant teams within Ofcom to discuss them further.