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*BY EMAIL*  
*Redacted for publication*

29<sup>th</sup> February 2017

Dear Mr King,

## **Narrowband Market Review 2017**

Following on from my letter responding to the Narrowband Market Review consultation dated 24<sup>th</sup> February, we would like to add to our response to the above consultation, specifically dealing with question 16.1.

Magrathea are a wholesale call origination and termination provider serving ✕ Communication Providers generating approximately ✕ minutes each day. We have interconnects with most of the large UK carriers including multiple points of interconnect with BT and have over 15 years experience in TDM to IP conversion at network level.

### **Q 16.1 Do you agree with our approach to the regulation of interconnection?**

Magrathea are of the strong opinion that BT continue to hold a dominant position in the transit market and as such should be regulated beyond the local exchange network. In previous market reviews Ofcom took the decision that there was no longer a need for the tandem or transit layer to be regulated. We feel it would be appropriate for a full review of the impact of those decisions to be carried out before any further conclusions are reached. Specifically looking at the level of investment in efficient networks as we believe the current situation is encouraging investment in TDM technology by requiring TDM network extension in order to access competitive call rates.

As mentioned in our previous response to this consultation in February, we have considerable concerns relating to BT's IP Exchange platform and the impact that it is having on the interconnect and transit market. We think it is no longer appropriate to maintain a technology-neutral approach to interconnection. Use of TDM networks can no longer be considered to be efficient and, notwithstanding the sunk costs that still impact some CPs, the regulatory framework must provide an incentive for migration to more efficient networks. Otherwise, legacy operators are forcing unnecessary operational costs on new market entrants. It is imperative that a regulated IP interconnect be available to enable and encourage competition in the wholesale voice market.

Some simple analysis of the pricing of the BT tandem layer since deregulation provides a worrying indication of the impact of deregulation. It is hard to see how such price rises could be reflective of costs actually incurred. In summary, since transit was deregulated we have seen the following price increases from BT:

	<b>Day</b>	<b>Eve</b>	<b>Wkend</b>
<b>ST</b>	85%	303%	413%
<b>DTS</b>	115%	370%	497%
<b>DTM</b>	60%	249%	343%

Continuation of this pattern of increases would clearly have a negative impact for all but the largest UK networks and would likely result in market exit for some operators. Magrathea alone are about to face in ₤ per month increase in interconnect costs due to the latest published transit and AERO rate increases.

### **BT IP Exchange as a tandem layer**

As mentioned in our earlier submission, in addition to the above concerns relating to potential abuse of a dominance, we are also concerned that a recent change to the transit structure has been introduced as a billing change when it is in fact a "System Alteration" as defined in the SIA (Clause 4.1) and should have been subject to a seven month notice period. The definitions do not currently include IP Exchange as a tandem switch and therefore the 56 day notice period provided is not sufficient and amounts to a breach of contract by BT.

### **Conclusion**

In summary, the consequences of deregulation in this area are having a significant impact on our business and on the market in general. We look forward to discussing this in more detail with Ofcom during the consultation period.

Yours sincerely,



Tracey Wright  
Magrathea