

Information Notice

Publication Number 01/19

*Findings of Investigation into Complaint of Non-
Compliance against Manx Telecom (Retail)*

15 February 2019

Information Notice

1. Overview

1. In early August 2018 Sure (Isle of Man) Ltd (Sure) contacted the Communications Commission (the Commission) to express its concern at a product offered by Manx Telecom Retail (MTR); specifically, the SIP Trunking¹ product being offered in place of the soon to be discontinued ISDN services.
2. Following initial discussions with Sure, and a subsequent email (see Annex 1) on the matter, staff of the Commission deemed it necessary to conduct a preliminary investigation to ascertain if there was a breach of any licence conditions or any other regulations or directions currently in force.
3. The crux of the allegations made by Sure was that it believed that there was a requirement on MTR to notify the SIP Trunking product to the market in line with obligations it has because of having Significant Market Power (SMP) in the **Retail Fixed Access** and **Retail Calls from a Fixed Location** markets.
4. To ensure that the risk of competition distortion or market foreclosure was minimised, MTR was requested to cease taking orders for the new product until the Commission had completed its investigation. This request was fully complied with.
5. Staff made requests for data that would be central to forming an opinion as to whether Investigation and Enforcement phases would be required; this included a margin squeeze test, product pricing details, and opinion from MTR.
6. Having reviewed all the relevant information staff concluded that there was no basis to the complaint made and as such there was no need to escalate the matter further, specifically:
 - a. It was found that no new product had been launched on the market, rather that an existing product or products was rebranded to provide the service;
 - b. The substantial terms of the SIP Trunking offering, most significantly the pricing, are in line with the existing retail products;
 - c. There is currently no defined market for SIP Trunking or related managed services; and,
 - d. There is no evidence of any margin squeeze.
7. As far as this product is concerned MTR was found to be in compliance with obligations placed upon it in the markets within which it has SMP, and as a result the Commission will take no further action.

¹ In this instance SIP is an acronym for Session Initiation Protocol.

2. Complaint Details

8. Sure contacted the Commission to discuss its concerns surrounding the SIP Trunking offering that MTR had placed on the market, specifically its concerns were:
 - a. MTR has SMP in both the **Retail Fixed Access** and **Retail Voice Calls from a Fixed Location** markets and as such has an obligation to notify any new products to the market 30 days in advance of launching them;
 - b. That MTR may have failed to meet its regulatory obligations in respect of its SIP Trunking offering as it is a new product to the market; it was outlined that it was Sure's opinion that existing access products, such as DSL or Carrier Ethernet, do not provide connection to the Public Switched Telephone Network (PSTN);
 - c. Other Licensed Operators (OLOs), including Sure, were unable to ascertain whether there was any anti-competitive behaviour on MTR's part in relation to its SIP Trunking offering;
 - d. Sure was potentially not being afforded equivalent access to the products MTR was using to connect its SIP Trunking offering to the PSTN; and,
 - e. MTR was attempting to foreclose on the Business Voice market by migrating customers to its new SIP Trunking offering.

Full details of the complaint are available in Annex 1.

9. In line with the published guidelines on Investigation and Enforcement Procedures it seemed that there were sufficient grounds to launch an initial Enquiry, during which the Commission does not use any formal powers but ascertains if there is sufficient evidence to launch a full investigation.

3. Investigation – Enquiry Phase

10. The procedures to be followed when investigating any complaint made are outlined in the Investigation and Enforcement Procedures Guidelines that are published on the Commission's website². Of relevance in this matter is the phases a case may pass through, namely:
 - a. **Enquiry Phase** – the primary objective of this phase is to ascertain whether a formal enforcement process would be a likely outcome from the case. Formal powers are generally not utilised at this point;
 - b. **Investigation Phase** – where the Commission forms a view that it is likely that there has been a breach of legislation or regulations evidence is formally gathered to support an enforcement action that may ensue; and,
 - c. **Enforcement Phase** – upon completion of its investigation and sufficient evidence has been gathered to form the opinion that an enforcement action is warranted the Commission may impose, and subsequently monitor, any remedy deemed appropriate to bring an operator into compliance.

² <https://www.ioncc.im/media/1215/investigation-and-enforcement-procedures-guidelines.pdf>

11. As part of the Enquiry Phase staff contacted MTR and requested that it provide information in relation to its SIP Trunking offering, including an Economic Replicability Test (ERT) to ensure there is no margin squeeze, details in relation to MTR's transparency obligations, and MTR's views in relation to the appropriate markets within which the SIP Trunking falls. MTR was also requested to cease taking orders on its SIP Trunking offering until the Commission had considered the matter further.
12. Manx Telecom Wholesale (MTW) was also contacted to ascertain if there was any basis to the claim that MTR was being afforded access to a wholesale product to connect to the PSTN that was not offered to other operators.
13. During this period further clarifications were also sought from Sure in relation to the matters it raised.

4. Investigation – Evidence Provided

14. The Commission notified MTR that based on the initial information received the Commission held the preliminary view that the SIP Trunking offering could fall within the Retail Fixed Access³ and Retail Calls from a Fixed Location⁴ markets as defined. Furthermore, the Commission held the preliminary view that, based on the evidence provided, the SIP Trunking offering may have constituted a new product on the market unless evidence could be provided to the contrary. Please see Annex 2 for further details.
15. In its response MTR provided its views and supporting evidence that:
 - a. MTR implicitly agreed that the SIP Trunking offering fell within the Retail Fixed Access and Retail Calls from a Fixed Location markets as defined;
 - b. It was of the view that the SIP Trunking offering did not constitute a product and provided evidence that 'SIP Trunking' is a marketing term for a managed Voice Over Internet Protocol (*VOIP*) product and that existing wholesale products are being used to provide the service. The products in question being Point-to-Point Carrier Ethernet, VDS products, or Fibre to the Premises Broadband in the Retail Fixed Access and its Global Choice product in the Retail Fixed Access and Retail Calls;
 - c. It was of the view that the existing products being used had already been subject to an ERT margin squeeze assessment and been notified to the market so no further action was required in this regard; and,

³ The **Retail Fixed Access** market is a market for the provision of a physical connection from a fixed location to the public telephone network. This market is separate from the services carried over the physical connection. It includes access from homes and offices.

⁴ There is a market for the provision of **Retail Voice Calls from a Fixed Location**. This market includes all calls from a fixed line, including calls to Isle of Man mobiles and landlines, and calls off-island to fixed and mobile numbers. The market also includes VoIP calls. Calls from both business and residential customers are included in the market, but calls from mobiles are excluded.

- d. Standard wholesale inputs were used in the provision of the service with the implication that MTR was not being afforded access by MTW above and beyond what other operators could obtain.

MTR's full response is provided in Annex 3 for consideration.

16. As stated above, the Commission also sought specific information from MTW in relation to the matter. The Commission again outlined that it held the preliminary view that there was sufficient evidence put before it to consider the matter further and requested that MTW provide information in relation to the wholesale inputs that could be used to provide the SIP Trunking offering and whether any additional products were being used to facilitate access to the PSTN. Please see Annex 4 for further details.

17. In its response MTW provided its views and supporting evidence that:

- a. SIP Trunking falls within the Retail Calls from a Fixed Location market only, and that it did not fall within the Retail Fixed Access market. MTW held this view as it was of the opinion that the SIP Trunking product is substitutable for existing Integrated Services Digital Network (*ISDN*) or PSTN voice services;
- b. SIP Trunking uses standard VOIP services and that a call placed through a VOIP service will transit across the MTW network to the host provider via the IPStream Central service; and,
- c. MTW provide transparent and non-discriminatory services to all operators and as such it is implied that no additional connections or services are being provided to MTR as alleged.

MTW's full response is provided in Annex 5 for consideration.

18. There were some further clarifications sought on the information provided but the Commission was satisfied that it had sufficient evidence to fully assess the merits of the complaint made and make a determination on whether further action was required.

5. Commissions Analysis and Findings

19. Given the highly technical nature of this issue as part of its analysis the Commission was required to break down the claims into discrete components to ascertain if a breach of licence conditions or regulations had occurred. In this regard the Commission had to determine:

- a. If the SIP Trunking offering in question was a new product to the market;
- b. If it was, had the prescribed notification process been adhered to;
- c. If it was not a new product on what basis was this finding to be made; and,
- d. Whether there were likely to be any competition issues as a result of this offering such as market foreclosure, cross-subsidisation, preferential treatment, etc.

20. In relation to whether the SIP Trunking offering constituted a new product on the market and taking into account the different views provided by both Sure and MTR the Commission considered that:
- a. SIP is not in and of itself a regulated telecoms product. It can be considered analogous to an Over the Top (*OTT*) service as it is simply the protocol that initiates the call or session; the data is transported using existing IP based products. In this regard SIP is a complementary service to ISDN/PSTN rather than a substitutable one;
 - b. No regulated market exists for SIP services;
 - c. The wholesale inputs utilised in providing the product are standard wholesale inputs and substantive new infrastructure is not required for the provision of services;
 - d. SIP Trunking consisted of up to three discrete components, the SIP component, the Access component, and for voice services the Call component. As outlined above the SIP component is not a regulated product and the Access and Call components are provided by products already available on the market; and,
 - e. The pricing and substantive terms of the existing products have not been varied to allow for the provision of SIP Trunking.
21. Given the foregoing the Commission is of the opinion that SIP Trunking does not constitute a new product rather it should be considered a rebranding of existing products. As such there was no requirement to notify the product to the market.
22. Furthermore, the Commission is satisfied that there are unlikely to be any competition distortions as a result of the SIP Trunking offering. This is on the basis of the ERT that was provided by MTR and that there is no evidence of any discriminatory behaviour on the part of MTW. The fact that MTR is actively migrating ISDN customers to the SIP Trunking offering can be considered normal commercial behaviour given the imminent discontinuation of the ISDN services. This is further supported by the fact that Sure currently offers a similar service⁵.
23. While there were some issues that required some clarification, particularly in relation to transparency of pricing, the Commission saw no reason to prevent MTR from fulfilling orders for its SIP Trunking offering and confirmed that MTR should re-commence offerings to customers. In relation to transparency, MTR now provides pricing on its website for its SIP offering⁶ in line with the Commission's recommendation. Please see Annex 6 for further details.
24. The Commission considers this matter closed and does not intend to investigate it any further.

⁵ <https://international.sure.com/products-and-services/voice/next-generation-voice>

⁶ <https://www.manxtelecom.com/business/voice/access/sip-trunking>

Annex 1 – Complaint from Sure

From: Mike Phillips [mailto:mike.phillips@sure.com]
Sent: 13 August 2018 09:13
To: Kiely, Ivan; Strang, Sue
Subject: MT New SIP trunking service

Dear Ivan & Sue,

As promised please find below some additional background into my concerns that I hope will help. I am happy for this to remain informal but request your feedback by the end of the week as I'm conscious that MT are actively moving customers to this new service.

MT's website and there marketing of it: <https://www.manxtelecom.com/business/voice/access/sip-trunking>

It is clear from the wording used that they consider this to be a new retail fixed access service. I note that they confirm that call charges are the same as those that apply to ISDN services (but not set out on the SIP Trunking page).

MT currently has SMP in two markets directly relevant to its SIP Trunking service. The wording from the CC's 2012 'Notification of Market Power Determination: Retail Fixed Markets' (<https://www.iomcc.im/media/1149/notificaiton-of-market-power-and-decision-notice-retail-fixed-markets-2012-01.pdf>) is:

- The **retail fixed access market** is a market for the provision of a physical connection from a fixed location to the public telephone network. This market is separate from the services carried over the physical connection. It includes access from homes and offices.
- There is a market for the provision of **retail voice calls from a fixed location**. This market includes all calls from a fixed line, including calls to Isle of Man mobiles and landlines, and calls off-island to fixed and mobile numbers. The market also includes VoIP calls. Calls from both business and residential customers are included in the market, but calls from mobiles are excluded.

MT's SIP Trunking service is a two part service - Access and Calls – but neither aspect has been notified to the market under MT transparency obligations. As the CC states on p4 of its Retail fixed markets Determination:

- 'xxi. Without prejudice to the generality of this obligation, Manx Telecom Limited is directed to make publicly available, and keep updated, information as described in Conditions 8 and 9 of its licence.'
 - [Condition 8 includes a requirement for contractual related aspects to be specified, but it appears from MT's website that it has not provided Terms and Conditions for its new SIP Trunking service.]
 - [Condition 9 includes a requirement for MT to provide notification of its intended 'applicable prices and tariffs', which includes 'placing a copy of such information on any relevant website operated or controlled by the Communications Provider.' It appears that MT has not provided such advance notification, nor has it provided any published pricing now that the service has been launched.]
- 'xxii. Any proposed changes to price and non-price terms and conditions should be published 30 days in advance of their coming into effect.'

The evidence suggests that MT has failed to meet its regulatory obligations in relation to the access part of its new SIP Trunking service, but Sure believes that MT may have also failed to comply with the requirements regarding the calls aspect of the service. Just because MT's SIP call charges happen to be the same as its ISDN charges (i.e. the charges for a previous service – soon to be withdrawn from the market) does not lessen the requirement for MT to notify and set out clearly on its website what its SIP Trunking call charges actually are.

In addition to the above, as per Section 3.2 of the Commission's 'Guidelines on assessment of margin squeeze' (<https://www.iomcc.im/media/1218/guidelines-on-assessment-of-margin-squeeze.pdf>):

'Any launch of a new retail or wholesale product in a market where MT has been designated with SMP [which includes the retail fixed access market and hence MT's new SIP Trunking Service] should therefore be accompanied by a statement of compliance with the ERT provided in writing to the Commission.' We are not aware whether MT has fulfilled this regulatory requirement. It would be helpful for the Commission to confirm to Sure whether this obligation was met by MT, considering MT's directly related regulatory deficiencies.

Based on MT's current non-compliance with its regulatory requirements Sure (along with OLOs and ISPs) is unable to ascertain whether, for example, MT's prices are anti-competitive, include any form of cross-subsidisation or are likely to create a margin squeeze. We would therefore welcome the Commission's engagement and investigations of this matter.

It may also help if I provide additional context to the 'Access' service delivering 'the provision of a physical connection from a fixed location to the public telephone network'.

- MT state they are using standard wholesale DSL and Ethernet services for the Access and therefore access notification is covered under those existing products and services
- This CANNOT be the case as these services DO NOT provide connection to the 'public telephone network'
- Therefore the Access of this service itself comprises of TWO parts
 - DSL from the HOME to the Internet OR Ethernet private circuit to the MT network
 - PLUS: Access and Connection into the public telephone network via a NEW SIP Trunking Service

In addition to above, additional areas of concern include the following which are also compounded by complete lack of transparency of this new product launch and adherence to notification obligations:

- MTs apparent attempt to 'foreclose' the Business Voice market by 'migrating' customers to new, non-notified, SIP trunking services on a new contract
- The Public Telephone Network is an MT Wholesale / Core device – how is MT Retail connecting to it which their new SIP Trunking service; are there other new products being used that other licensed operators could utilise to connect to the MT Public Telephone Network and therefore mitigate/reduce interconnect costs?

Kind regards,
Mike.

Mike Phillips
Chief Executive
Isle of Man



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Sure. The Isle of Man's best mobile network. Fact.

Sure provides faster data, better call quality and better coverage. And that's a fact. Find out more at www.sure.com/best

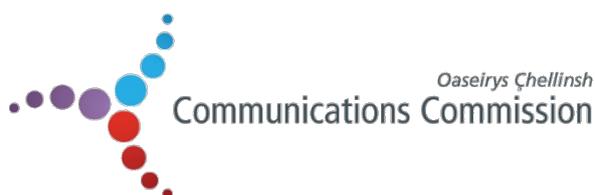
The
Best
NETWORK

INDEPENDENTLY VERIFIED

*Source: Systemics Group - Q4 2017, The Isle of Man's best network.

The advertisement is a yellow rectangular box. On the left, it contains the headline "Sure. The Isle of Man's best mobile network. Fact." followed by a paragraph of text and a URL. On the right, there is a stylized logo for "The Best Network" with "The" in a script font, "Best" in a large, bubbly font, and "NETWORK" in a bold, blocky font. Below the logo is a ribbon that says "INDEPENDENTLY VERIFIED". At the bottom left of the box, there is a small line of text providing the source of the claim.

Annex 2 - Letter to MTR – Seeking relevant information



Chief Executive: Ivan Kiely
Ground Floor, Murray House,
Mount Havelock,
Douglas, Isle Of Man, IM1 2SF
Tel: +44(0)1624 677022
Fax: +44(0)1624 626499
ivan.kiely@iomcc.im

Stephen Kane
Head of Retail
Manx Telecom
By Email

Our Ref: 2324/SS

16/08/2018

Dear Stephen,

Information Notice

I am writing to you regarding the SIP Trunking product offering which Manx Telecom Retail (MTR) is currently offering to customers as a replacement for ISDN30 which is in the process of being withdrawn.

The Communications Commission (the Commission) has received a complaint from a Licensed Operator (LO) regarding the fact that the SIP Trunking has not been notified to the market as a new product. The Commission has decided that it will accept the complaint as a case, because the evidence so far suggests that the subject of the complaint indicates a possible enforcement issue which is within the Commission's legal powers to remedy. The Commission is considering the complaint in line with its Investigation and Enforcement Procedure Guidelines⁷. Currently, the Commission is gathering information as part of the Enquiry Phase, during which the Commission must decide whether or not to launch a full investigation. The Commission is considering three aspects of the matter raised, which are dealt with separately below:

Market Definition

The Commission's preliminary view is that SIP Trunking should fall into the **retail voice calls from a fixed location**, and potentially that of **retail fixed access market**. MTR has been designated as having Significant Market Power (SMP) within both markets. The definitions of these markets, as per Decision Notice 2012/01 are:

*"The **retail fixed access market** is a market for the provision of a physical connection from a fixed location to the public telephone network. This market is separate from the services carried over the physical connection. It includes access from homes and offices."*

*"There is a market for the provision of **retail voice calls from a fixed location**. This market includes all calls from a fixed line, including calls to Isle of Man mobiles and landlines, and calls off-island to fixed and mobile numbers. The market also includes VoIP calls. Calls from both*

⁷ <https://www.iomcc.im/media/1215/investigation-and-enforcement-procedures-guidelines.pdf>

business and residential customers are included in the market, but calls from mobiles are excluded.”

As part of its deliberations on this matter the Commission would welcome MTR’s views with regard to which market or markets it sees the SIP Trunking product falling within.

Transparency Obligations

Manx Telecom Retail has an obligation of transparency contained in Decision Notice 2012/01 Retail Fixed Markets:

Obligation of transparency

xx. In accordance with Condition 43.2.3 of its Licence, Manx Telecom Limited shall have an obligation of transparency.

xxi. Without prejudice to the generality of this obligation, Manx Telecom Limited is directed to make publicly available, and keep updated, information as described in Conditions 8 and 9 of its Licence.

xxii. Any proposed changes to price and non-price terms and conditions should be published 30 days in advance of their coming into effect.

The Commission notes that MTR is currently promoting its SIP Trunking services on its website⁸ and is promoting this as an alternative option to the ISDN services which Manx Telecom Wholesale has notified to the market as being withdrawn from new supply with a confirmation of end of support from 31 December 2018 and End of Life of all ISDN services 30 June 2019⁹. The Commission cannot see that any prices have been published and as such would be grateful if Manx Telecom Retail provide its rationale for not publishing prices for the SIP trunking service in line with obligation xxii within Decision Notice 2012/01¹⁰.

The Commission’s preliminary view is that SIP Trunking is a new product unless MTR is able to provide sufficient evidence to demonstrate otherwise.

Margin Squeeze Obligations

In March 2018 the Commission and MT agreed a final version of the Requirements for Margin Squeeze Testing which sets out that identification of wholesale inputs is an important part of the margin squeeze test. The margin squeeze obligation contained in Decision Notice 2012/01 is provided below for reference.

Obligations relating to price controls and cost accounting

xxvii. Manx Telecom Limited is directed not to cause a margin/price squeeze. This is a proportionate measure designed to address the circumstances outlined in Condition 44.3, and therefore justifies the obligation imposed under Condition 44.2.1

In the absence of any margin squeeze test being submitted by MTR for the SIP Trunking, the Commission cannot determine whether the pricing is compliant with the obligation not to impose a margin squeeze. The Commission therefore must insist that MTR put any orders received, including for the migration of existing customers, after the date of this letter on hold until the Commission can assess that pricing is compliant. To progress this matter with as little delay as possible please submit

⁸ <https://www.manxtelecom.com/business/voice/access/sip-trunking>

⁹ Email to Licensed Operators from Manx Telecom Wholesale 23/07/2018

¹⁰ <https://www.iomcc.im/media/1149/notificaiton-of-market-power-and-decision-notice-retail-fixed-markets-2012-01.pdf>

a margin squeeze assessment no later than **24th August 2018** for the Commission's review; the assessment should be in the format agreed in March 2018.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sue Strang', written in a cursive style.

Sue Strang
Chief Operating Officer

Annex 3 – Response from MTR

manx telecom

Isle of Man Business Park, Cooil Road, Braddan, Isle of Man IM99 1HX
Call +44(0)1624 624624 Fax +44 (0) 1624 636626 Email products@manx-telecom.com
manxtelecom.com

Ivan Kiely
Chief Executive, Communications Commission
Ground Floor, Murray House
Mount Havelock
Douglas
IM1 2SF



Re: Response to SIP Trunking Complaint

16th August 2018

Dear Ivan,

Further to your letter on the 16th of August, MTR can confirm that in relation to any advance notification of MTR SIP trunking services we have not considered these products to be new products or services and thus have not provided any additional notification or ERT analysis to the Commission. SIP Trunking is a marketing term for a VoIP service.

More specifically, MTR SIP trunking services use and/or mirror existing MTR access products and call service tariffs that, in the past 12 months, have been reviewed with ERT modelling supplied to the Commission. It is also worth noting that MT's existing VOIP service, marketed as "Intelligent Voice," has been available in the market since August 2011 using the same Global Choice call tariffs and a Broadband Access circuit.

The "retail fixed access market products" that MTR currently utilises to provide its SIP trunking service include:

- P2P Carrier Ethernet (ERT modelling supplied Dec. 2017) or,
- VDSL, VDSL+ & VDSL vPlus Broadband (ERT modelling supplied Oct. 2017) or,
- FTTP Broadband (ERT modelling supplied Oct. 2017)

The "retail voice calls from a fixed location" product that MT currently utilises to provide its SIP trunking voice service is:

- Global Choice – Call Tariff (ERT modelling supplied Mar. 2018) – *For reference see Appendix 1.*

MTR SIP Trunking is an application carried over the above standard MTR access services and charged separately to the access service. There is no reduction in the access service charge and no service bundling of MTR SIP Trunking services with the MTR access services. Standard MTW product inputs are used. SIP Trunking call charges are aligned with the existing Global Choice call tariffs. SIP Trunking can therefore, not be considered to create any margin squeeze on existing wholesale access services nor fixed call origination where, in all cases, existing product/service inputs are being utilised that have been recently modelled for ERT.

As there is currently no relevant call traffic volume over SIP Trunking, in our view it is logical to assume traffic patterns, call revenues and costs will align with current traffic over POTS/ISDN. Again this traffic, revenue and cost mix has been tested above and has been proven not to create a margin squeeze. Moreover, taking into account the higher revenues associated with the higher bandwidth fixed access products required to deliver SIP, such as Carrier Ethernet, VDSL and FTTP any margin will be higher than the equivalent traditional ISDN2 or ISDN30 service with Global Choice.



We understand we have competition in these markets. It is anticipated that other P2MP Carrier Ethernet services, when they arrive, will increase circuit optimisation and thus margins further.

With the above in mind and following earlier high-level discussions with the Commission with respect to MTR's regulated product input methodology for SIP services, MTR naturally assumed that no further ERT analysis or notice was required to be provided.

Given MTR has already supplied the relevant component input ERT tests for the products and tariffs it employs within its SIP solution, MTR believes it is compliant with any notification and transparency obligations. I can confirm that a notification has been issued to MTR staff to hold the issue of any further SIP service order forms and migrations until the Commission have completed their review. Can the Commission please confirm when MTR may resume sale of its services? A significant amount of pre-sales activity has been undertaken in relation to the withdrawal of ISDN services, turning back orders at this stage will clearly create customer service issues, which we wish to minimise as much as possible.

MTR SIP Trunking component pricing is provided in Appendix 2

I am on annual leave from the 20th of August to the 4th of September and would request that the Commission provide copies of any further correspondence to Al Lugton, Product Development Manager, in my absence.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Kane', with a horizontal line extending to the right.

Stephen Kane
Head of Products Manx Telecom Retail (MTR)
Manx Telecom+44 (0)1624 636612

Appendix 1: Re: Global Choice ERT Test

Fixed Line Tariff Economic Replicability Test (ERT)

Please find below an ERT analysis using the new Communications Commission proposed model, supplied in your File note 5 January 2018 – “Requirements for margin squeeze test”.

Table 3 - ERT Analysis of Fixed Price Change

Proposed Fixed Price Change - ERT Analysis - Submission to Communications Commission Jan 2018								
Product Group	Product	Current Retail Price p.m.	New Retail Price p.m.	Retail Revenue p.a.	Wholesale Line Cost p.a.	Retail Cost p.a.	Gross Margin p.a.	MT Net Margin p.a.
Name	Name	Price of the Product ex. VAT	New Price of Product ex. VAT	Total term revenue (line rental + avg. call revenue)	Cost of input(s) for term (Line Rental)	Retail costs for term	Retail rev- wholesale cost/retail rev	Retail rev- wholesale cost-retail cost/retail rev
Fixed Line Rental	Global Choice	£ 22.88	£ 23.83	£ 328.82	£ 132.24	£ 125.02	60%	28%
Fixed Line Rental	Island Choice	£ 18.71	£ 19.50	£ 331.68	£ 132.24	£ 127.45	60%	22%
Fixed Line Rental	Standard Choice	£ 16.21	£ 16.88	£ 261.82	£ 132.24	£ 81.13	49%	19%
Fixed Line Rental	Choice	£ 14.34	£ 15.17	£ 208.80	£ 132.24	£ 44.72	37%	15%
Fixed Line Rental	Low User Choice	£ 4.48	£ 4.48	£ 95.40	£ 132.24	£ 85.19	-29%	-90%
Product Group	Product	No. Customers	New Retail Revenue p.a.	Retail Revenue p.a.	Wholesale Line Cost p.a.	Retail Cost p.a. **	Gross Margin p.a.	MT Net Margin p.a.
Name	Name	Total Customer Lines (Product Type)	New Price of Product ex. VAT	Total term revenue (line rental + avg. call revenue)	Cost of input(s) for term (Line Rental)	Retail costs for term	Retail rev- wholesale cost/retail rev	Retail rev- wholesale cost-retail cost/retail rev
Fixed Line Rental	Global Choice	8,007	£ 328.82	£ 2,681,386	£ 1,058,896	£ 1,081,148	60%	28%
Fixed Line Rental	Island Choice	7,537	£ 331.68	£ 2,495,228	£ 998,692	£ 988,624	60%	22%
Fixed Line Rental	Standard Choice	20,825	£ 261.82	£ 5,495,182	£ 2,755,220	£ 1,690,432	49%	19%
Fixed Line Rental	Choice	11,460	£ 208.80	£ 2,392,788	£ 1,515,470	£ 512,457	37%	15%
Fixed Line Rental	Low User Choice	663	£ 95.40	£ 65,251	£ 87,673	£ 32,813	-29%	-90%
Fixed Line Usage	International Call Revenue			£ 228,594				
Fixed Line Rental	Other Revenue - Service Care & Star Services etc.			£ 132,766	£ 112,851			
Total				£ 11,403,145	£ 6,526,755	£ 4,277,277	52%	26%

** Includes all discounted minutes and credit user group discounts.

The broad categories of information supplied to comply with ERT Guidelines are as follows:

- Identification of relevant retail products
 - Fixed Line Rental and Call Tariff Products- Global Choice, Island Choice, Standard Choice, Choice and Low User Choice. With a 4.1% rise proposed to be applied to MTR products (Ex.VAT).
- Identification of wholesale Input & Price
 - Wholesale Direct Exchange Line at £11.02 per line per month
- Retail price
 - Retail Line Rental plus Average Retail Call Usage Revenue by MTR product type
 - International Call Revenue
 - Other Service Revenue – Service Care Revenue and Star Services Revenue
- Retail costs
 - Costs of minutes billed, including all costs per call, based upon call termination rates per minute plus all MTR bottom up cost model costs relevant to the market “retail voice calls from a fixed location – after common cost allocations”
 - Cost per line based upon all MTR bottom up cost model costs relevant to the market “retail fixed access market – after common cost allocations”
- Measure of profitability
 - Profitability is calculated for each product at a gross margin and net margin level
 - Profitability is also calculated for the total basket of products sold at a gross margin and net margin level

Appendix 2 - SIP Core Component Pricing Elements

SIP Standard Connection & Rental Charges

SIP Per Channel – includes Global Choice Tariff

Quantity of Channels	Installation *	Sell each p.u.m.
1-2	£200.00	£12.99
3-30	£200.00	£11.99
31-60	£200.00	£11.49
61-120	£200.00	£10.99
121-180	£200.00	£10.49
181+	£200.00	£9.99

Carrier Ethernet (P2P) Connection & Rental Charges

Bandwidth	Description	Term - years	Charge Options					
			Connection Charge & Monthly Rental (All ex VAT)			Connection Charge included in Monthly Rental (All ex VAT)		
			Product Code	Connection	Monthly Rental	Product Code	Connection	Monthly Rental
10Mbps	Ethernet 10Mbps Metro - 1 year term	1	E010M1	£1,260.00	£272.23	E010M1CI	n/a	£377.22
	Ethernet 10Mbps Metro - 3 year term	3	E010M3	£1,260.00	£252.06	E010M3CI	n/a	£287.05
	Ethernet 10Mbps Metro - 5 year term	5	E010M5	£1,260.00	£231.90	E010M5CI	n/a	£252.90
	Ethernet 10Mbps Non-Metro - 1 year term	1	E010N1	£1,680.00	£350.62	E010N1CI	n/a	£490.62
	Ethernet 10Mbps Non-Metro - 3 year term	3	E010N3	£1,680.00	£322.58	E010N3CI	n/a	£369.29
	Ethernet 10Mbps Non-Metro - 5 year term	5	E010N5	£1,680.00	£294.62	E010N5CI	n/a	£322.62
100Mbps	Ethernet 100Mbps Metro - 1 year term	1	E100M1	£1,575.00	£465.36	E100M1CI	n/a	£596.61
	Ethernet 100Mbps Metro - 3 year term	3	E100M3	£1,575.00	£425.76	E100M3CI	n/a	£477.25
	Ethernet 100Mbps Metro - 5 year term	5	E100M5	£1,575.00	£386.16	E100M5CI	n/a	£419.43
	Ethernet 100Mbps Non-Metro - 1 year term	1	E100N1	£2,100.00	£784.36	E100N1CI	n/a	£959.36
	Ethernet 100Mbps Non-Metro - 3 year term	3	E100N3	£2,100.00	£712.86	E100N3CI	n/a	£784.16
	Ethernet 100Mbps Non-Metro - 5 year term	5	E100N5	£2,100.00	£641.36	E100N5CI	n/a	£688.02
1Gbps	Ethernet 1Gbps Metro - 1 year term	1	E01GM1	£4,200.00	£954.86	E01GM1CI	n/a	£1,304.86
	Ethernet 1Gbps Metro - 3 year term	3	E01GM3	£4,200.00	£860.31	E01GM3CI	n/a	£998.73
	Ethernet 1Gbps Metro - 5 year term	5	E01GM5	£4,200.00	£777.76	E01GM5CI	n/a	£881.90
	Ethernet 1Gbps Non-Metro - 1 year term	1	E01GN1	£5,565.00	£1,856.86	E01GN1CI	n/a	£2,320.61
	Ethernet 1Gbps Non-Metro - 3 year term	3	E01GN3	£5,565.00	£1,678.11	E01GN3CI	n/a	£1,863.21
	Ethernet 1Gbps Non-Metro - 5 year term	5	E01GN5	£5,565.00	£1,499.36	E01GN5CI	n/a	£1,619.37
10Gbps	Ethernet 10Gbps Metro - 1 year term	1	E10GM1	£10,500.00	£2,120.86	E10GM1CI	n/a	£2,995.86
	Ethernet 10Gbps Metro - 3 year term	3	E10GM3	£10,500.00	£1,915.71	E10GM3CI	n/a	£2,242.21
	Ethernet 10Gbps Metro - 5 year term	5	E10GM5	£10,500.00	£1,710.56	E10GM5CI	n/a	£1,916.66
	Ethernet 10Gbps Non-Metro - 1 year term	1	E10GN1	£13,965.00	£4,276.86	E10GN1CI	n/a	£5,440.61
	Ethernet 10Gbps Non-Metro - 3 year term	3	E10GN3	£13,965.00	£3,856.11	E10GN3CI	n/a	£4,314.14
	Ethernet 10Gbps Non-Metro - 5 year term	5	E10GN5	£13,965.00	£3,435.36	E10GN5CI	n/a	£3,730.57

Broadband Rental Charges

Ultimate Performance		
Product Description	Monthly Rental inc VAT	Cap Release inc VAT
Ultima Broadband Unlimited (up to 40 Mbps)	£31.00	n/a
Ultima Plus Broadband Unlimited (up to 100 Mbps)	£36.00	n/a
Ultima V Plus Broadband Unlimited (up to 200 Mbps)	£45.00	n/a
Lightning Fast - Optimal Fibre services available in selected areas in 2018		
Product Description	Monthly Rental inc VAT	Cap Release inc VAT
Optimal Fibre 20 Mbps Broadband	£42.00	n/a
Optimal Fibre 40 Mbps Broadband	£45.00	n/a
Optimal Fibre 100 Mbps Broadband	£48.00	n/a
Optimal Fibre 200 Mbps Broadband	£58.00	n/a
Optimal Fibre 500 Mbps Broadband	£83.00	n/a
Optimal Fibre 1000 Mbps Broadband	£148.00	n/a

Annex 4 – Letter to MTW – Clarification of inputs



Chief Executive: Ivan Kiely
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Douglas, Isle Of Man, IM1 2SF
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Graham Shimmin
Head of Wholesale and Regulatory
Manx Telecom
By Email

Our Ref: 2323/SS

16/08/2018

Dear Graham,

Information Notice

I am writing to you regarding the SIP Trunking product offering that Manx Telecom Retail (MTR) is currently offering to customers as a replacement for ISDN products which are in the process of being withdrawn.

The Communications Commission (the Commission) has received a complaint from a Licensed Operator (LO) regarding the fact that the SIP Trunking has not been notified to the market as a new product. The Commission has decided that it will accept the complaint as a case, because the evidence so far suggests that the subject of the complaint indicates a possible enforcement issue which is within the Commission's legal powers to remedy. The Commission is considering the complaint in line with its Investigation and Enforcement Procedure Guidelines¹¹. The Commission is gathering information as part of the Enquiry Phase during which time the Commission must decide whether or not to launch a full investigation.

The Commission's preliminary view is that SIP Trunking should fall into the retail voice calls from a fixed location market and possibly that of retail fixed access. MTR has been designated as having Significant Market Power (SMP) within both markets. The definitions of these markets, as per Decision Notice 2012/01 are:

*"The **retail fixed access market** is a market for the provision of a physical connection from a fixed location to the public telephone network. This market is separate from the services carried over the physical connection. It includes access from homes and offices."*

*"There is a market for the provision of **retail voice calls from a fixed location**. This market includes all calls from a fixed line, including calls to Isle of Man mobiles and landlines, and calls off-island to fixed and mobile numbers. The market also includes VoIP calls. Calls from both*

¹¹ <https://www.iomcc.im/media/1215/investigation-and-enforcement-procedures-guidelines.pdf>

business and residential customers are included in the market, but calls from mobiles are excluded.”

In order to progress its investigation, the Commission is required to consider whether the wholesale inputs used (i.e. broadband and Ethernet private circuits, which includes Carrier Ethernet) provide the physical connection to the public telephone network as part of a standard market offering, or whether this is provided through other means.

If the broadband and Ethernet private circuits are not providing the connection into the public telephone network or the SIP Trunking, could you please clarify what additional wholesale products are potentially being used to provide this connection?

Yours sincerely,

A handwritten signature in black ink, appearing to read "Sue Strang". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sue Strang
Chief Operating Officer

Annex 5 – Response from MTW



Sue Strang
Communications Commission
Ground Floor, Murray House
Mount Havelock
Douglas
IM1 2SF

Re: SIP Trunking Complaint

17th August 2018

Dear Sue,

In responding to your letter relating to SIP Trunking I think it is important to first point out that whilst SIP Trunking maybe a relatively new marketing term in the Isle of Man, Session Initiated Protocol is widely used for voice applications along with video, and other streaming media applications such as desktop sharing, web conferencing, and shared whiteboard. SIP Trunking is another term for VoIP.

As a service that is separate to the physical connection and a substitute/replacement for POTS/ISDN calls, SIP Trunking/VoIP falls within the 'voice calls from a fixed location' market; it does not fall into the fixed access market. In effect, ISDN is two separate bundled access and application services i.e. a number of 64Kbps access channels, along with the ability to use that bandwidth to make voice calls. Prior to broadband services being available and Internet access was only available via dial-up modems, ISDN was used by many people for the additional bonded bandwidth it provided and utilised data applications over the network.

With the introduction of FNP, all Licensed Operators (LO) have the necessary components to compete and innovate in the retail IP voice market. The withdrawal of ISDN and the use of VoIP has been discussed many times at LO forums.

The components required to offer a retail IP voice service consist of:

- Telephone Numbers – Each IoM telco licensed operator has access to new 01624 number ranges via the Commission/Ofcom and access to existing 01624 numbers that have been allocated to end users via Fixed Number Portability. You may recall that, through a request in a 2017 LO forum, the formal withdrawal of ISDN services was delayed until after FNP was introduced.
- IP Network and Voice Application/Platform – Each IoM ISP is licensed to operator an IP network and offer IP services.
- Access Services – the ability to physically connect between an end user site and the LO's network. With regard to access services LOs have a choice of MT Wholesale access services (DSL, FTTP and dedicated capacity), all of which are agnostic to the service applications carried over them. LOs can use alternative access networks.

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It may be useful to give a few routing examples:

- A VoIP call on DSL/FTTP – call will cross the MTW network and pass to the LO via the IPStream Central service (connecting MTW IP network with the Retail LOs IP network).
- A VoIP call on dedicated capacity (fibre or FWA) – the point to point service will connect the end user directly to the LOs IP network, with the call passing over this connection.
- Voice Interconnect – the ability to pass voice calls between different local operators.

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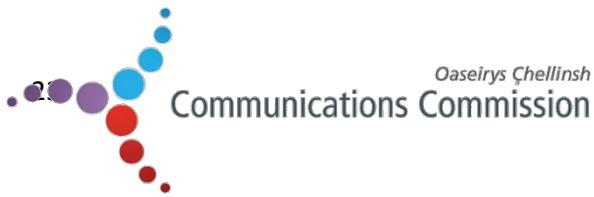
MTW provide transparent non-discretionary services to all relevant licensed operators on the Island who choose to subscribe to them, including MT Retail. The applications provided over those wholesale products, including SIP Trunking, are at the retailers' discretion.

Yours Sincerely,



Graham Shimmin
Head of Wholesale
Manx Telecom
+44 (0)1624 636373

Annex 6 – Letter to MTR



Chief Executive: Ivan Kiely
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Stephen Kane
Head of Retail
Manx Telecom
By Email

Our Ref: 2325/SS

17/08/2018

Dear Stephen

Information Notice

Thank you for providing the requested information. Having considered the matter further we are content that Manx Telecom retail can resume selling and migrating customers to SIP services. In the interests of transparency we would suggest that the pricing information is clearly available on or linked from the SIP page on the website.

Yours sincerely,



Sue Strang
Chief Operating Officer