

WORLD TELECOMMUNICATIONS POLICY FORUM (WTPF)

UNITED KINGDOM COMMENTS ON SECOND VERSION OF THE SECRETARY GENERAL'S REPORT ON IP TELEPHONY

i) General comments

1. The revised structure of the report

The UK considers that the second version of the Report is a significant improvement on the first version. The reordering of the sections serves to provide a better balance in the report between setting out the benefits of IP telephony (for consumers, operators and the wider economy) and describing the regulatory challenges, particularly for developing countries yet to liberalise their ICT sectors, which need to be addressed in order create the kind of light touch regulatory framework which will allow those benefits to be realised.

2. The importance of establishing clear definitions

We think that a clear understanding of the terms VOIP, IP telephony, Internet telephony and Public Voice Telephony would help clarify the issues raised in the body of the report (e.g. technological neutrality, functional equivalence, service quality) and ensure that there is consistency in the policy approaches taken by national administrations. Although some brief description of the terms VOIP, IP telephony and Internet telephony are provided in the summary part 1.2 of the Version 2 report, it would be beneficial if perhaps a more focused text could be added as a sub-section somewhere up front. for instance immediately following the Introduction of section 2. The paper submitted by Typhon (John Horrocks) dealing with definitions is a good starting point to thinking about the definition issues as well as providing some ideas for possible new text.

3. Regulation of services, not technologies.

We believe i) that the report should be consistent throughout in promoting the concept that any reference to regulation should be in relation to services, not technologies and ii) the principle of applying equal regulatory treatment to roughly equal services (as given in para. 4.26) should be introduced in the summary.

4. No extension of existing regulation to take account of new technologies

Similarly the report should not promote the idea of extending existing regulation into parallel markets with new technology platforms. This would be particularly dangerous in acting as a disincentive to investment.

5. The Opinions

We are not clear what the precise intentions are with regard to linking the Report and the Opinions as combined outputs of the WTPF. The Summary is the key part of the report and it should serve to identify all the key issues. Our view therefore is that the key elements of the Opinions should be incorporated in summary, with the full texts of the Opinions attached as some form of Annex.

ii) Specific comments on the text

Summary

The entire summary focusses on IP telephony. The broader reasons as to why IP technology is being driven by telecommunication players in competitive markets is not prominent in the summary section. We consider these reasons should be described and propose an additional paragraph as follows:

"Para 1.6 bis: In competitive markets established PTOs are evolving their networks towards IP not necessarily to provide cheaper voice services (competition has already forced down prices of traditional circuit switched services) but to offer a much wider and diverse range of multi-media services and innovative applications and particularly to be able to compete effectively in the future e-commerce markets".

2. Technical and Operational Aspects of IP Networks .

Para 2.6 *Evolution of network infrastructures* Replace "represents an ever diminishing percentage" which suggests an ultimate reduction to zero, with "a decreasing percentage".

Para 2.8 should make the point that each voice packet in an IP telephony call can take a different route through one or more networks before being re-packaged, i.e. a given circuit is not tied up as in traditional telephony.

Para. 2.15 Quality of service (QoS) and Capacity. Last sentence. Our view is that increasing capacity would require co-ordinated action across Internet service providers as a call may be routed over several providers networks. If any of these are congested then the end-to-end call quality will be degraded.

3. Economic Aspects of IP Telephony and Its Impact on member States and Sector Members

Para 3.16: Only Internet Telephony, in the specific case where the user places the call from an Internet enabled device (eg PC), would make access to the Internet more popular. It is arguable whether this would increase the demand for second lines as the additional use of the single line is not for a new application. Internet Telephony will not make access to the Internet popular if it is adopted in the form where the call originates from a normal telephone and then is converted to a VoIP call by a gateway.

4. Policy and Regulatory Issues for IP Telephony

Para 4.19 *Quality of service*: VOIP is usually referred to as private managed IP networks. However VOIP also applies to incumbents migrating to managed IP platforms and therefore VOIP applies also to public telecommunication networks.

This paragraph should also make clear that in future Internet telephony may be offered at equivalent quality to PSTN

Para 4.23 *Functional equivalence*: the example of “transmission networks used” is not a functional criterion. The functionality of a service offered is not necessarily affected by the mechanism used to implement it. Therefore “the PSTN is involved at some point” is not relevant, and point 3 in Para 4.24 is not a factor for determining functional equivalence.

Similarly, "transport and switching" (para.4.26) are not functional criteria.

Para 4.26- 4.27 *Technological Neutrality*: There are two definitions of technology neutral. We agree with the first definition in para 4.26, i.e. if it looks like a voice service, it is a voice service. The UK generally supports this principle: regulation should be based on services, not technology and therefore there would be no automatic requirement to impose regulations on new technology.

However we believe there may be specific instances where regulation might have to be technology dependant. For example, an incumbent operator may use IP for its own traffic and achieve a lower cost base, while not offering IP interconnection to competitors, or doing so at a higher price, and thereby disadvantaging them. This might well satisfy the non-discrimination terms of the interconnection requirement under the WTO basic agreement because it does not specify cost under non-discriminatory terms and conditions.

The second definition in para 4.27 is technological non-neutrality which favours new technologies by providing a ‘window’ of no/light regulation.

These definitions are inconsistent in our view. (This 'window' approach was one taken by the UK with regard to cable companies and was a policy specifically aimed at the need to stimulate competition, a rationale which does not apply however with regard to IP telephony).

Para 4.28 Opening sentence: We do not consider it appropriate within the increasingly competitive telecommunications community to think in terms of concerted "efforts to develop a common approach". We would recommend the following rewording:

"Efforts to develop a greater understanding of the concept of technology-neutral regulation or treatment within the ITU membership as it applies to the provision of functionally equivalent public voice telephony services, would be a positive step towards the development of a global market environment conducive to the use of IP-based networks and applications".

Para 4.31 *Local Loop Unbundling*: We believe there is a need to include in this section the likely impact of more new players being able to offer customers broadband data services (eg fast Internet access) including voice over the incumbent's unbundled local loop. The EU has a regulation for the provision of unbundled local loops and this has already started to happen in a number of countries. New operators are likely to offer both DSL data services and voice telephony over the incumbent's unbundled access line. This opens up the possibility for new competing operators in the next couple of years to offer IP telephony in conjunction with DSL broadband data. Furthermore it seems likely that the voice service will be integrated into the PC and that the market for diverse service packages by new operators using IP as the delivery mechanism will increase.

We do not understand the last sentence of para 4.31 which appears to suggest a need to co-operate internationally on local loop unbundling, an essentially domestic policy issue. We would of course support sharing knowledge and experience in addressing the difficult challenges which local loop unbundling presents for policymakers.

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