

Presentation

Regulation of VoIP services

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Introduction

- Briefly outline proposals
 - How regulations (e.g. PATS/ECS) relate to VoIP services
 - Consumer protection, monitoring and enforcement
 - Not primarily aimed at operators using VoIP in core
- Contents
 - September 2004 consultation and subsequent developments
 - Key policy objectives
 - Proposals in this consultation
 - Related Ofcom consultations/projects
- Questions and answers

Disclaimer

This presentation

- Does not form part of the proposals
- Should be read in conjunction with the consultation document
- Is not meant to be comprehensive
- Should it conflict with the proposals, the proposals will prevail
- In particular, whether or not (and, if so, how) a particular service is regulated will turn on the specific facts in each case

Potential for VoIP to deliver consumer benefits

What VoIP offers

- Voice calls using VoIP technology over broadband
- Service innovation e.g. nomadic services
- Lower prices / new packages due to lower underlying costs
- More effective competition
- Step in evolution to NGNs

Ofcom's duties

- “to further the interests of consumers ... where appropriate by promoting competition”
- TSR: shifting consumer interest to more need for choice and rapid innovation / introduction of new services

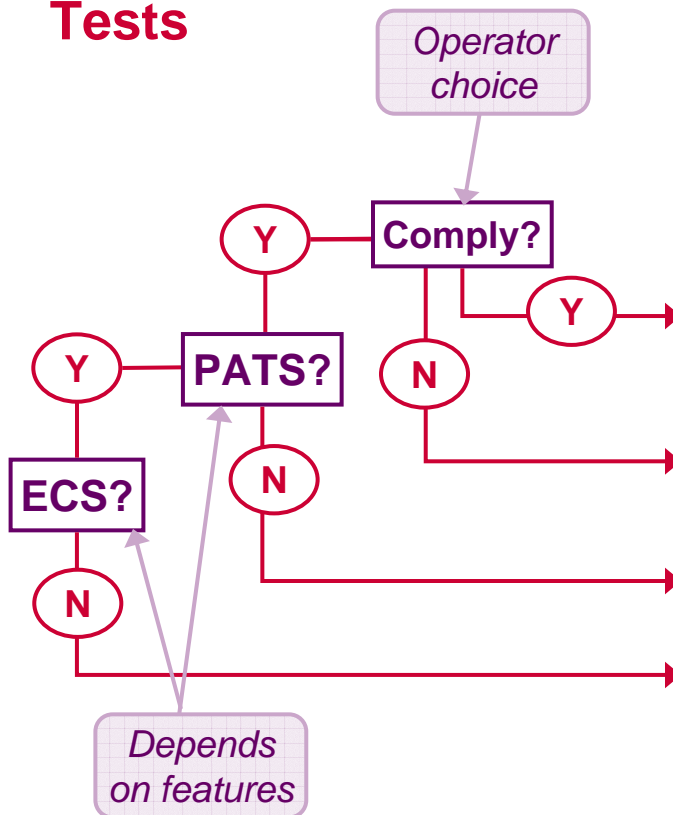
September 2004 consultation on new voice services

- Against backdrop of very nascent market
- Interim PATS forbearance policy
 - A service is PATS if: it is publicly available, provides national calls, uses telephone number and offers 999 access (the '4 criteria')
 - PATS services attract additional obligations
 - Provider could be PATS but Ofcom forbear from compliance
 - Policy reduced disincentive to provide 999
- Only providers complying with additional PATS obligations allowed NP rights
- Proposal to withdraw Essential Requirements Guidelines
- Proposals on consumer information code
- Separate statement making 056 and geo numbers available to VoIP operators

Obligations by service type – Sept 04

Typical / simplified

Tests



Category	Obligations (examples)		
	GC14 – consumer info	GC3 – network integrity	GC18 – NP rights / oblig's
	1, 2, 9, 11, 14, 17, 18, 19, 20, 21	3, 4, 5, 6, 8, 10, 12, 13, 15, 16	
PATS: compliance	✓	✓	✓
PATS: forbearance	✓	✗	✗
ECS	✓	✗	✗
Non-ECS	✗	✗	✗

✓ - obligation ✗ - no obligation

What's happened since ...

- Increased propositions in market
 - Wide range of services / devices and business models
 - Range of providers including mainstream
- ~500,000 active users, increasing awareness / interest
- NGN deployment much closer
- Incidences of problems (in US) over lifeline services
- Operators seeking additional clarity
- Expected EC clarification to support forbearance policy not forthcoming



**Critical that
regulation
reflects changed
conditions**

Ofcom's objectives

- Not stifle innovation
 - Let market pick service/device proposition, business models
 - Technology neutral / level playing field
- Well informed customers
 - VoIP services may offer different / less features
 - Expectation that “if looks like a phone will behave like a phone”
 - Critical to have universal and effective information for customers
- Widespread availability of 999 access
 - Key aspect of telecoms, significant consumer and citizen benefits
 - PATS framework can disincentivise providers to offer 999 access
 - Unclear if customers can fully evaluate benefit of 999 at purchase
 - Individuals' choices alone may not deliver optimal social outcome

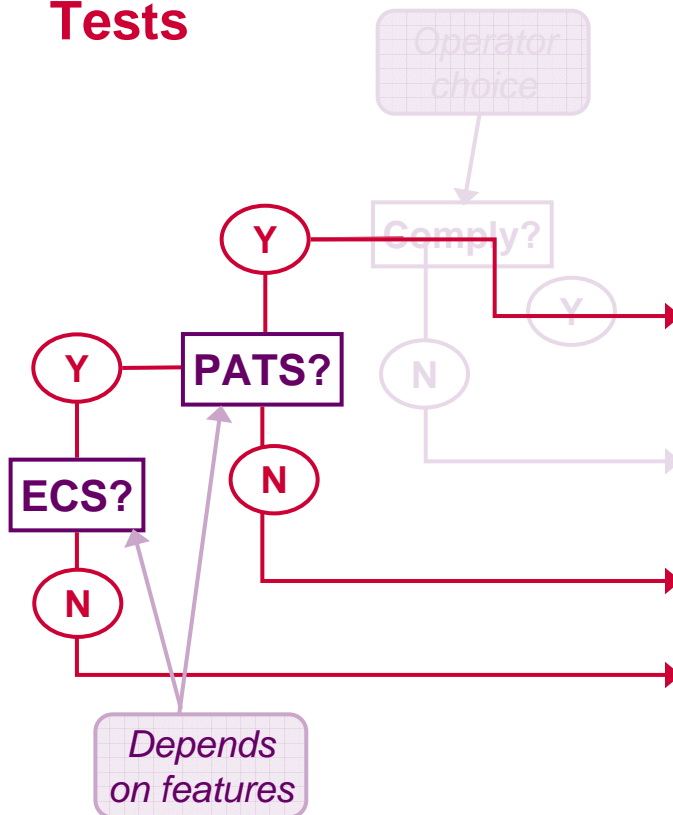
Key proposals

- End of interim forbearance policy
 - If meet 4 criteria, the service is automatically PATS and must comply with PATS obligations
 - This can act as disincentive to offer 999 access
- More clarity given on how can comply with PATS obligations (particularly General Condition 3 – GC3)
 - Withdraw Essential Requirements Guidelines
 - Guidance on how to comply with GC3 and GC4, and
- Number portability (NP) changes
 - End of interim NP policy
 - Proposed clarification to PATS definition used in GC18
- Detailed proposals on consumer information code

Obligations by service type – this consultation

Typical / simplified

Tests



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Guidance on meeting GC3 / GC4 obligations

- GC3 requires for example:

“The Communications Provider shall take all reasonably practicable steps to maintain, to the greatest extent possible ... uninterrupted access to Emergency Organisations as part of any Publicly Available Telephone Services offered at fixed locations.”

- Stakeholder expressed uncertainty over how this might be interpreted particularly since
 - GCs were designed in light of PSTN technology – a mature and well-understood technology, which is not the case for VoIP
 - GCs presumed end-to-end network ownership – which is not case for many VoIP business models

Guidance on meeting GC3 / GC4 obligations

- Withdraw Essential Requirements Guidelines
- Clarity of meaning of terms e.g. PATS criteria, “fixed location”, publicly available
- How we might investigate compliance with GC3 and GC4
 - Suggestions on how a provider might deliver good integrity
 - Proposal that all PATS providers do a formal risk assessment to identify possible failure modes
- Aim is not to prescribe a particular technical solution, but to strongly encourage a responsible approach
 - More prescriptive on line powering – line powering ‘not expected’

Consumer information code background

- To ensure that customers are made fully aware when a voice service is different to what they might expect
- Consumer information critical counter-balance to the flexible policy on what services VoIP providers must offer
- Responses to consultation were almost unanimous in support of need for consumer information
- Focus group research reinforced importance of information particularly in relation to 999 access
- NVS Working Group developed code working with Ofcom and consumer groups (note: Ofcom proposals contain some amendments from code developed by group)

Who code applies to

- Mandatory for all providers of ECS providing voice services
 - Implemented through amendment to GC14
 - Question: Should only 999 aspects of code be mandatory?
- Mandatory irrespective of devices used e.g. traditional handset / adaptor or via PC
- Mandatory for providers to domestic and small businesses (not large businesses)
- Other relevant providers strongly encouraged to apply code, e.g.
 - Home-workers in large businesses
 - If non-ECS but if services looks/feels like a telephone
- Comes into force 30 days after statement (expected in August 2006)

What information needs to be provided

Requirement to provide information when feature/capability different to what a PATS PSTN service provides

Feature	During sales process	In terms and conditions	At point of signature	At point of use
Service reliability	✓	✓	✗	✗
999 availability	✓	✓	✓	✓
999 reliability	✓	✓	?	✓
999 location info	✓	✓	✓	✗
Ability to port numbers	✓	✓	✗	✗
Other e.g. DQ, OA, CLI	✓	✓	✗	✗

Positive consent

Labels and announcements

Education and enforcement

Consumer education

- Short consumer guide on VoIP services on website
- On-going development of consumer advice section of website
- Expect/encourage market to provide education/information
- If further education is required may consider other initiatives

Enforcement

- Increasing awareness of obligations e.g. written to industry
- Mystery shopping particularly on compliance with code
- Sanctions for non-compliance can be penalties up to 10% revenue

Does the mix of regulations meet our objectives ?

- Not stifle innovation
 - Flexibility in business models for VoIP providers
 - Reduced uncertainty on obligations but avoided being too prescriptive
- Well informed customers – mandated code plus enforcement should ensure high level of customer information
- Widespread availability of 999 access
 - Services can be offered without 999 access
 - Incentives to offer 999 – e.g. number portability, customer info
 - Reduced disincentives to not offer 999 – e.g. uncertainty on GC3
 - Other factors suggest likely to continue to have high availability e.g.
 - no naked DSL means most VoIP customers keep a PSTN line
 - majority of consumers say prefer services with 999 access

Research and review

On-going research

- Appropriate regulation will depend on market conditions especially:
 - Consumer understanding
 - Uptake of different services
 - Usage of VoIP services
- Planning to expand current research to gain greater depth
- Regulations will be reviewed in light of this evidence

Review of regulations

- Unclear how provision of 999 access will develop e.g. will non-PATS services be used as a primary line?
- If widespread 999 access is at risk may consider other regulations e.g.
 - limit naked DSL to PATS providers
 - Increasing information requirements

Other issues for VoIP providers

- **Other issues raised by stakeholders including operators and consumers**
- **Consultation not prescriptive on these issues**



- VoIP in the *ex ante* framework
- Naked DSL
- Blocking of VoIP calls
- Routing/termination
- Crime detection/prevention
- SPAM
- Extraterritoriality of VoIP service providers
- Privacy and encryption

Other Ofcom projects

- NGN policy
- Review of General Conditions
- Ofcom's input into European Framework Review
- Guidance on fibre access for new build
- Number portability functional specification
- Strategic numbering review

Summary

- Revised policy and regulation to meet consumer interests reflecting changed conditions
- Plan for on-going enforcement, monitoring and review
- Responses to consultation by 5 May
- Questions ...and answers