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# Review of mobile donor conveyance charges for the period 2018 to 2021

## Statement

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**STATEMENT**

Publication Date: 28 March 2018

## About this document

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Number portability enables consumers to keep their telephone numbers when switching between communications providers. This document concerns the level of wholesale porting charges that mobile communications providers charge each other in order to recover certain costs associated with the provision of mobile number portability.

General Condition 18 (GC18) places obligations on communications providers to provide number portability. These include, among other things, the requirement that wholesale porting charges are cost-oriented and based on the incremental costs of providing portability.

In September 2014 we published guidance on how communications providers should set charges to meet these obligations, and in March 2015 published a Statement setting out the maximum level of charges for the period 1 May 2015 to 31 March 2018. In July 2017, we consulted on proposals based on updated analysis of the maximum level of charges for the period April 2018 to March 2021. This document sets out our decision on the maximum level of those charges.

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# 1. Summary

- 1.1 Mobile number portability (MNP) enables mobile subscribers, if they so wish, to retain their mobile number when they switch from one mobile provider to another. When the subscriber that has 'ported' their number subsequently receives an incoming call, it is first routed to the network that originally held the number being called (the 'donor provider' or DP). The call is then identified as a call to a ported number and 'onward routed' to the mobile provider to whom the number has been ported (the 'recipient provider' or RP).
- 1.2 The donor conveyance charge (DCC) is a wholesale charge levied by the donor provider for the onward-routing of the call. General Condition 18 (GC18)<sup>1</sup> sets out the principles that mobile providers must comply with in setting porting charges (including when setting a DCC).
- 1.3 DCCs make up an extremely small proportion of overall mobile industry revenue. In 2016/17 the total revenues from DCCs in the UK were around £3.4m.<sup>2</sup> Considering that the total UK retail mobile revenues amounted to £15.3 billion in 2016,<sup>3</sup> DCCs account for around 0.02% of UK retail mobile revenues.
- 1.4 On 17 March 2015, we published a review of DCCs for the period 2015 to 2018 (the '2015 DCC Review'). In this we set the maximum DCCs from 1 May 2015 until 31 March 2018, incorporating several changes to our previous calculation methodology, including the use of the most up-to-date information on mobile network costs and forecast CPI inflation from the 2015 MCT model to set DCCs in nominal terms. We set the maximum DCCs in that period in a direction we refer to as the '2015 DCC Direction'.
- 1.5 On 27 June 2017, we published a consultation on our mobile call termination market review 2018-21 (the '2017 MCT Review Consultation'),<sup>4</sup> where we proposed to use the 2017 MCT model to calculate the proposed efficient level of costs for MCT in that period. The 2017 MCT model was based on the 2015 MCT model (that we used in setting charge controls for MCT in 2015 – 2018), in that it retained the key inputs and had minimal updates.
- 1.6 In July 2017, we published a consultation (the '2017 DCC Consultation')<sup>5</sup> in which we proposed to update the model we used to set DCCs in 2015 (the '2015 DCC model') in a similar way to the way we proposed to update the MCT model in the 2017 MCT Review Consultation. Our approach to updating the 2015 DCC model consisted of using inputs from the recently published 2017 MCT model.

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<sup>1</sup> Ofcom, *Consolidated version of General Conditions as at 28 May 2015 (including annotations)*, <https://www.ofcom.org.uk/advice-for-businesses/knowning-your-rights/gen-conditions>.

<sup>2</sup> On the basis of 2016/17 donor conveyance volumes of 14.76bn minutes and a DCC of 0.023 ppm total industry DCC revenues were a little under £3.4m.

<sup>3</sup> For retail revenues for 2016 see Ofcom, *Telecommunications market data tables Q4 2016*, 27 April 2017, page 15, [https://www.ofcom.org.uk/data/assets/pdf\\_file/0014/101408/telecoms-data-update-q4-2016.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0014/101408/telecoms-data-update-q4-2016.pdf).

<sup>4</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0011/103340/mobile-call-termination-consultation.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0011/103340/mobile-call-termination-consultation.pdf).

<sup>5</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0024/104658/consultation-donor-conveyance-charges.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0024/104658/consultation-donor-conveyance-charges.pdf).

- 1.7 We tested the donor conveyance volumes forecast in the 2015 DCC model against information formally gathered from the four largest mobile providers, and we found the impact of updating the volumes in the 2015 DCC model is not material. As a result of these tests, our provisional view was that the 2015 DCC model continues to be an appropriate basis for estimating the LRIC of donor conveyance for the period from April 2018 to March 2021. We proposed to set the maximum DCCs, by way of a new direction replacing the 2015 DCC Direction, using the 2017 DCC model, which would be updated from the 2015 DCC model only to the extent that it would draw inputs from the 2017 MCT model and use revised inflation forecasts.
- 1.8 One stakeholder responded to this 2017 DCC Consultation, indicating its support. Following on from the proposals we made in August 2017, we have decided to use the 2018 DCC model to set the maximum DCCs from April 2018 to March 2021, by way of a new direction (the '2018 DCC Direction'), as set out in Table 1. We have also decided to withdraw the 2015 DCC Direction.

**Table 1: Current and maximum DCCs (pence per minute, nominal prices)**

	2017/18	2018/19	2019/20	2020/21
Current DCC	0.022			
Maximum DCC		0.022	0.021	0.021

Source: 2018 DCC model.

## 2. Background and legal framework

### Introduction

- 2.1 Mobile number portability (MNP) is a facility that enables mobile subscribers, if they so wish, to retain their mobile numbers when they change from one mobile provider to another. When the subscriber that has ported their mobile number subsequently receives an incoming call from an originating network, it is usually routed first to the network that originally held the number being called (the 'donor provider' or DP). The call is then identified as a call to a ported number and 'onward routed' to the network to which the number has been ported (the 'recipient provider' or RP). The donor conveyance charge (DCC) is levied by the DP for the onward-routing of the call to the RP.

### Implementation of Portability

- 2.2 DCCs are based on the costs incurred in the onward routing of off-net calls to ported mobile numbers. Off-net traffic refers to calls to ported numbers that do not originate on the DP's own network. Calls to ported numbers that do originate on the DP's own network are known as on-net traffic. However, industry practice is to levy the DCC on all traffic to (on- and off-net) ported-out mobile numbers. As a result, the DCC is adjusted so as to be lower than if it were levied on just off-net traffic to ported mobile numbers.
- 2.3 Calls to ported numbers that originate with a RP can be connected without routing via the DP where the RP has installed a 'Call Trap' facility. All the four largest mobile providers<sup>6</sup> have now implemented Call Trap. Call Trap facilities allow the RP to 'trap' calls that it originates to numbers that have been ported into its network. Call Trap removes the previous requirement for a call to be routed (sometimes described as 'tromboned') to the DP and then back to the RP in circumstances where the call originates on the RP's network. Calls that are effectively trapped do not incur a DCC (since routing via the DP is avoided).

### Porting Charges Guidance

- 2.4 On 29 September 2014, we published a statement providing guidance to telecoms providers on the setting of wholesale porting charges in compliance with GC18 (September 2014 Porting Charges Guidance).<sup>7</sup> In the light of our guidance, which moved to a Long Run Incremental Cost (LRIC) standard and 'recipient provider pays' charging model, we also consulted on the model used to estimate the incremental costs of donor conveyance.

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<sup>6</sup> EE, H3G, Telefónica and Vodafone.

<sup>7</sup> Ofcom, September 2014. *Porting charges under General Condition 18: Guidance on the setting of porting charges in compliance with GC18 and consultation on a new mobile donor conveyance charges Direction*, <http://stakeholders.ofcom.org.uk/consultations/gc18-sep14/>.

- 2.5 The September 2014 document included a consultation on withdrawing the 2014 DCC Direction and replacing it with a new direction which would take account of the guidance and include the most up-to-date information on mobile network costs from the 2014 MCT model to estimate the LRIC of donor conveyance.<sup>8</sup> Similar to our approach in the 2014 DCC Direction, we proposed a forward-looking DCC, setting DCCs in nominal terms for each financial year (using forecasts of CPI inflation rates).

## 2015 DCC Review

- 2.6 On 17 March 2015, we published our review of mobile donor conveyance charges for the period 2015 to 2018<sup>9</sup> (the '2015 DCC Review'), where we adopted the proposed changes. In this, we withdrew the 2014 DCC Direction and gave a new direction (the '2015 DCC Direction') on setting the maximum DCCs from 1 May 2015 until 31 March 2018, using the figures from the 2015 MCT model.<sup>10</sup>
- 2.7 Further, we decided to link the timing of future reviews of DCCs to that of our periodic reviews of the market for mobile call termination (MCT) and therefore to review the maximum DCC every three years in line with the current framework.

## 2017 MCT Review Consultation

- 2.8 On 27 June 2017, we published our 2017 MCT Review Consultation, where we proposed using the 2017 MCT model to calculate the efficient level of costs for MCT.
- 2.9 In particular, we consulted on maintaining the approach taken with the 2015 MCT model. We considered that the 2015 MCT model continues to provide a reasonable approximation of reality that would be the basis for estimating the unit costs of MCT for the next market review period (2018-2021). As updating the key input data and assumptions would not materially affect the 2015 MCT model outputs, we proposed to use the model to calculate the MTR cap for the 2018-21 review period. As a result, the 2017 MCT model was based on the 2015 MCT model, retaining the key inputs and having minimal updates.
- 2.10 Having carefully considered the responses to the 2017 MCT Review Consultation, on 28 March 2018 we decided to adopt the proposed approach to cost-modelling for MCT. The MCT model adopted was by then known as the '2018 MCT Model.'

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<sup>8</sup> The MCT model is a cost model developed by Ofcom in order to estimate the costs incurred by an efficient mobile provider in providing MCT. The 2014 MCT model was published as part of our consultation on the 2015 MCT Review on 4 June 2014 and is available at <http://stakeholders.ofcom.org.uk/consultations/mobile-call-termination-14/>.

<sup>9</sup> Ofcom, March 2015. Review of mobile donor conveyance charges for the period 2015 to 2018, [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0028/62965/dcc\\_direction\\_statement.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0028/62965/dcc_direction_statement.pdf)

<sup>10</sup> The model we decided to adopt on conclusion of the 2015 MCT Review.

## 2017 DCC Consultation

- 2.11 On 19 July 2017, we published a consultation in which we proposed to take a similar approach to updating the model we used to set DCCs in 2015 (the ‘2015 DCC model’) to determine the maximum DCC for the new review period (the ‘2017 DCC Consultation’).<sup>11</sup> This approach is explained in Section 3 below.
- 2.12 We received only one response to the 2017 DCC Consultation.<sup>12</sup> This supported our proposals. Considering the absence of opposition to our proposals, and the decision we made in our statement on the mobile call termination market review 2018-2021 (the ‘2018 MCT Review’), in addition to the analysis set out in Section 3 below, we have decided to adopt our proposed approach to updating the 2015 DCC model to determine the maximum DCC for the new review period.

## Scope of statement

- 2.13 This statement sets out our decision to give a direction (the ‘2018 DCC Direction’) setting a new maximum DCC across the mobile industry on a forward-looking basis for the period from April 2018 to March 2021. We have decided that it continues to be appropriate to use the 2015 DCC model to calculate the maximum DCC for the new review period, subject to a few minor alterations.

## Legal Framework

- 2.14 Article 30(2) of the Universal Service Directive of the EC (USD)<sup>13</sup> imposes a duty on Ofcom to ensure that pricing between telecoms providers and/or service providers related to the provision of number portability is cost-oriented.
- 2.15 In 2006 the European Court of Justice (ECJ) held that, subject to the requirement for cost-orientation, Article 30(2) of the USD confers a discretion on national regulatory authorities (NRAs) to define the methodology which appears to them to be the most suitable to make portability fully effective, in a manner which ensures that consumers are not dissuaded from making use of that facility. In principle, therefore, NRAs may adopt a national measure that lays down the specific method to be used in calculating costs under Article 30(2) of the USD and which fixes maximum ex ante prices in respect of all mobile providers on the basis of an abstract model of costs.<sup>14</sup>
- 2.16 General Condition 18.5 (GC 18.5) implements Article 30(2) of the USD. It provides that any charges for the provision of portability shall be reasonable and cost-oriented, and that

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<sup>11</sup> Ofcom, July 2017. Review of mobile donor conveyance charges for the period 2018 to 2021, [https://www.ofcom.org.uk/data/assets/pdf\\_file/0024/104658/consultation-donor-conveyance-charges.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0024/104658/consultation-donor-conveyance-charges.pdf)

<sup>12</sup> [X] sent a brief response, only stating that it agreed with our proposals.

<sup>13</sup> Directive 2002/22/EC as amended by Directive 2009/136/EC.

<sup>14</sup> Case C438/04 *Mobistar v IBPT* (Mobistar case), paragraphs 32 to 37. Although the case specifically concerned set-up costs incurred by mobile operators in implementing requests for number portability, we consider that the ECJ’s comments apply equally to any costs recovered through wholesale charges for number portability.

charges must be based on the incremental costs of providing portability – unless either the donor provider and recipient provider have agreed another basis for the charges or Ofcom has made a direction under GC 18.5(a)(ii) that another basis for charges should be used.

- 2.17 Any decision by Ofcom to direct that another basis for charges should be used under GC 18.5(a)(ii) is subject to the statutory safeguards set out in sections 49 to 49C of the Act. In particular, these sections impose a requirement for consultation where the proposal would have a significant impact on the market and requirements that the giving or withdrawal of the Direction is proportionate, not unduly discriminatory and transparent in relation to what it is intended to achieve. We also consider whether any direction would be objectively justified.

## Impact assessment

- 2.18 The analysis presented in the 2017 DCC Consultation was an impact assessment, as defined in section 7 of the Communications Act 2003.

## Equality Impact Assessment

- 2.19 Annex 4 of the 2017 MCT Review Consultation<sup>15</sup> sets out our Equality Impact Assessment (EIA) for that review. In our assessment, similar considerations also apply in this review.
- 2.20 We are also required by the Equality Act 2010 to assess the impact of our functions, policies, projects and practices on particular groups such as those identified by age, race, religion, disability, maternity, gender and sexual orientation. EIAs also assist us in making sure that we are meeting our principal duty of furthering the interests of citizens and consumers.
- 2.21 For the same reasons as those set out in Annex 4 of the 2017 MCT Review Consultation, we do not consider that the impact of our decisions here will be to the detriment of any such group within society. In particular, we do not consider that they will have a differential impact on consumers in different parts of the UK or consumers with low incomes. This is because they will primarily affect wholesale payments between telecoms providers. Therefore, we do not consider it necessary to carry out a full Equality Impact Assessment.

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<sup>15</sup> Ofcom, June 2017. *Mobile call termination market review 2018-21*, <https://www.ofcom.org.uk/consultations-and-statements/category-1/mobile-call-termination-market-review>.

## 3. Analysis of the maximum level of the DCC

- 3.1 In this section we set out our analysis of the maximum level of the DCC for the period from 1 April 2018 to 31 March 2021. In order to calculate the efficient level of costs for the provision of donor conveyance we have used a cost model (the '2018 DCC model') which is published alongside this statement. The 2018 DCC model is based on the 2015 DCC model, but has been updated so as to use inputs from the recently published 2018 MCT model.<sup>16</sup> It is the same model that we published in July 2017, as part of the 2017 DCC Consultation, with updates to inflation.
- 3.2 We first explain the approach we have taken to modelling, which is similar to the approach we have taken in the 2017 MCT Review Consultation, and then set out the results of our analysis.

### Approach to modelling

#### The 2015 DCC model

- 3.3 Our analysis of DCCs for the period 2015 to 2018 was informed by the 2015 DCC model, which implemented the decisions made in the September 2014 Porting Charges Guidance. This meant that, among other things, it:
- a) calculated the costs of donor conveyance on the basis of a LRIC cost standard (as opposed to the LRIC+ cost standard used in the 2014 DCC Direction); and
  - b) used a recipient provider pays charging rule, so 100% of the calculated conveyance costs were included in the DCC (as opposed to the 50:50 split of costs between donor and recipient that had previously prevailed).
- 3.4 The 2015 DCC model drew on cost information and other inputs from the then recently published 2015 MCT model, and took the form of an additional module appended to the 2015 MCT model.<sup>17</sup> The modelling required some modifications to the 2015 MCT model, for example to allow the relevant increment of output to be flexed from mobile call termination to donor conveyance. It also required us to gather information under our formal powers on the volume of donor conveyance traffic and make some assumptions in relation to inputs specific to donor conveyance traffic.
- 3.5 We consider the 2015 DCC model to be an appropriate starting point for our analysis of the maximum level of DCCs for the period April 2018 to March 2021, and explain how we have updated the model below.

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<sup>16</sup> See the 2018 MCT Review, Annex 9.

<sup>17</sup> See the 2015 DCC Review.

## Approach to updating the 2015 DCC model

3.6 Our approach to updating the 2015 DCC model is similar to the way we have updated our MCT modelling.<sup>18</sup> Having found the 2015 DCC model an appropriate basis for estimating the LRIC of donor conveyance and setting DCCs for the 1 May 2015 to 31 March 2018 period, we have considered whether it continues to provide a reasonable approximation of reality that is appropriate as a basis for estimating the LRIC of donor conveyance for the April 2018 to March 2021 period.<sup>19</sup>

### 2017 DCC Consultation

3.7 The key inputs to the 2015 DCC model comprised network parameters sourced from our MCT modelling and information on traffic volumes gathered under our formal powers. Our approach to updating the 2015 DCC model for the 2017 DCC Consultation therefore had two key aspects:

- a) First, we drew inputs from the then recently published 2017 MCT model, which represented our most up-to-date view of the costs of mobile networks, rather than those from the 2015 MCT model.
- b) Second, we tested the donor conveyance volumes forecast in the 2015 DCC model against updated information gathered from the mobile providers under our formal powers, in a manner similar to the way we tested the inputs to the our MCT modelling.<sup>20</sup>

3.8 Figure 2 below compares the historic and forecast donor conveyance volumes from the 2015 DCC model against an updated set of actual data. The outturn data show variation over the past two years, and have both exceeded the 2015 DCC high case, and dipped below the 2015 DCC low case.

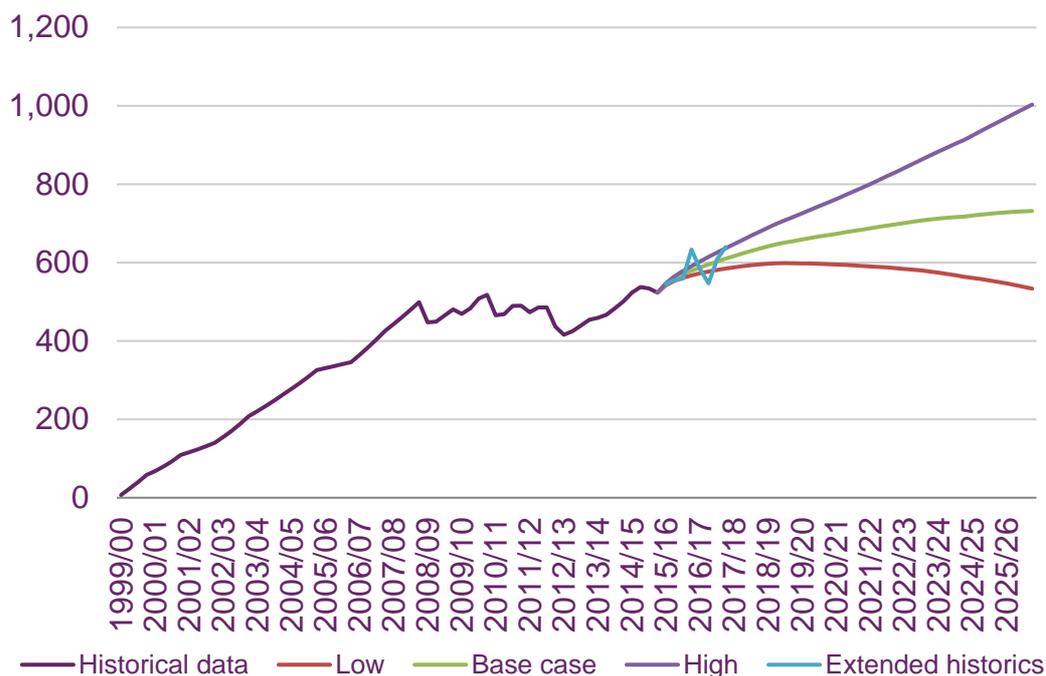
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<sup>18</sup> As summarised in Section 5 and set out in further detail in Annex 9 of the 2018 MCT Review.

<sup>19</sup> See the 2017 DCC Consultation, Section 3

<sup>20</sup> See the 2017 MCT Review Consultation for further details, paragraphs 5.5 to 5.26 and Annex 9.

Figure 2: Donor conveyance volumes for the modelled operator (million minutes per quarter)



Source: Ofcom analysis based on 2015 DCC model and s135 data.

- 3.9 In the 2017 DCC Consultation we investigated this variation in the outturn volumes and found that it does not appear to be anomalous. The focus of our information request to providers was donor conveyance volumes sent by each of the four main mobile providers to each other. Although there are some notable jumps in the volumes sent for some of these bilateral relationships, the structure of our s.135 request allowed us to cross-check against donor conveyance volumes received by the counterparties in each case. This check shows precisely corresponding changes, and we also note that the historical data show considerable variation from one quarter to the next. As a result, we did not consider the evolution of the donor conveyance volume data to be anomalous, and our 2015 base case forecast of continued gentle growth appears reasonable.
- 3.10 We tested the impact of updating the volumes in the 2015 DCC model to replace them with the updated outturn figures shown in Figure 1 above for the period Q1 2015/16 to Q4 2016/17 and return to the 2015 base case forecasts from Q1 2017/18 onwards. The impact of this on the results is very limited, with an impact in 2020/21 of increasing the proposed DCC by less than 0.00003 pence per minute, a change of 0.1%.
- 3.11 Our provisional view was therefore that the 2015 DCC model was an appropriate starting point for our analysis, and that updating the donor conveyance traffic volumes would not have a material impact on the results of the model. Consequently, we consulted on a model which was updated from the 2015 DCC model only to the extent that it drew inputs

from the 2017 MCT model and was updated to reflect outturn inflation and updated inflation forecasts to present the results in nominal terms.<sup>21</sup>

### Our decision

3.12 Since the 2017 DCC Consultation we have considered whether further data collection, analysis and testing are necessary or appropriate. Noting that our only consultation response agreed with our overall approach and did not engage with the details, and that nothing in the evidence we have suggests that further analysis would lead to a different answer, we have decided not to test or update the inputs to our DCC modelling further.

## Results

3.13 The results of our analysis are presented in Table 3 below and include the ‘on-net adjustment’ to derive the maximum DCC. As noted in Section 2, the on-net adjustment accounts for the fact that although DCCs are only applicable to off-net originated traffic, in practice mobile providers do not distinguish between on-net and off-net originated donor conveyance traffic, and hence apply it to total donor conveyance traffic.<sup>22</sup>

3.14 Our results for maximum DCCs are presented in nominal terms. The inflation forecasts we have used are taken from the Office for Budget Responsibility and have been updated since the 2017 DCC Consultation so as to be consistent with those in the 2018 MCT model.<sup>23</sup>

**Table 3: Blended LRIC of donor conveyance (nominal ppm)**

	2018/19	2019/20	2020/21
LRIC	0.032	0.032	0.031
With on-net adjustment	0.022	0.021	0.021

Source: 2018 DCC model.

3.15 In order to test the sensitivity of our results to the volume assumptions we have produced low and high volume scenarios, as shown in Figure 4 below.

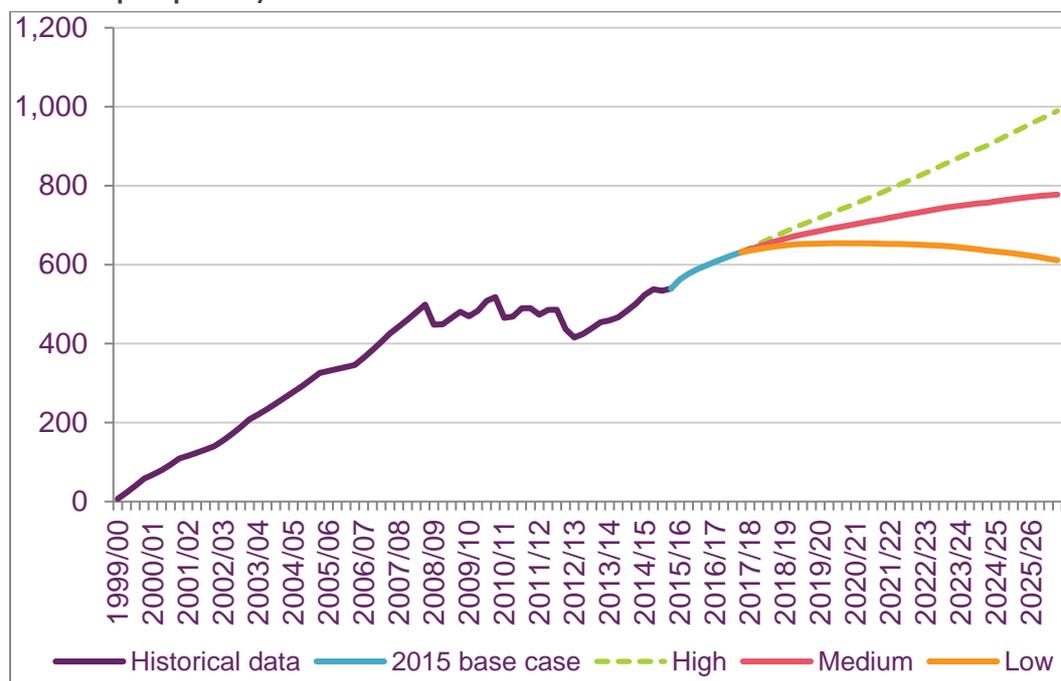
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<sup>21</sup> This means that we also proposed not to update other technical aspects of the model discussed in the 2015 DCC Statement, including routing factors, ‘MSC processor load’ and ‘HLR look-up’ costs.

<sup>22</sup> This issue was discussed in both the September 2014 Porting Charges Guidance and the 2015 DCC Statement. Having cross-checked against the latest market level data in Ofcom’s Telecoms Data Tables we have decided that the level of the adjustment, at 33%, remains appropriate.

<sup>23</sup> See OBR Economic and fiscal outlook, November 2017, available at <http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-november-2017/>. We note that this update has not led to any change in the results presented at three decimal places.

**Figure 4: Updated forecast of donor conveyance volumes for the modelled operator (million minutes per quarter)**



Source: Ofcom analysis based on 2015 DCC model and s135 data.

3.16 The impacts on the blended DCC results of using the high and low forecasts compared to the base case figures are presented in Table 5 below. As we might expect, higher traffic volumes lead to lower unit costs and lower DCCs, and vice versa, but in common with other LRIC models (such as our MCT models) the impact is limited.

**Table 5: Blended DCC volumes sensitivity analysis (nominal ppm)**

	2018/19	2019/20	2020/21
High	0.020	0.020	0.020
Medium (Base case)	0.022	0.021	0.021
Low	0.023	0.023	0.022

Source: 2018 DCC model.

3.17 Taking the above into account, we have decided to set (by way of a new direction) the maximum level of the DCC for 1 April 2018 to 31 March 2021 as set out in the second row of Table 3 above. Doing so will ensure cost-oriented pricing between operators in relation to number portability.

## Legal tests

3.18 As set out in Section 2, we have a duty under Article 30(2) USD to ensure that pricing between operators/service providers related to the provision of number portability is cost-

oriented. We may also set a maximum DCC on an ex ante, industry-wide basis and we have decided a direction under GC18.5(a)(ii) is an appropriate means of doing so.

3.19 We consider that the new direction and the withdrawal of the 2015 DCC Direction satisfies section 49(2) of the Act as it is:

- a) Objectively justifiable, in that it would provide that pricing between mobile providers related to the provision of number portability is cost-oriented as required under the legal framework for number portability;
- b) Not unduly discriminatory, in that it would apply to all mobile providers that levy a charge for the onward conveyance of a call to a ported mobile number;
- c) Proportionate to what it is intended to achieve, in that the direction would ensure that charges for mobile portability remain cost-oriented in line with our policy decisions as set out in the September 2014 Porting Charges Guidance on how mobile providers should set reasonable and cost oriented charges for the provision of portability pursuant to GC18. Moreover, prior to our decision to give the 2014 DCC Direction, we refrained from regulatory intervention for a period of time in order to allow mobile providers to enter into bilateral commercial negotiations with regard to revised DCC(s). However, we were subsequently called upon to resolve disputes between certain mobile providers over the level of the DCC. The making of the direction would do no more than is necessary to ensure that charges for mobile portability remain cost-oriented without such disputes; and
- d) Transparent in what it is intended to achieve, in that the reasons for the direction are explained in this document and the direction is set out in full at Annex 1.

3.20 We also consider that the direction (and the withdrawal of the 2015 DCC Direction) is consistent with our principal duty under section 3 of the Act, and the Community requirements set out in section 4 of the Act. Ensuring that DCCs are capped at a cost-oriented level serves to promote effective competition, and through this furthers the interests of consumers. We have also had regard, as required by section 3(3) of the Act, to the principle that regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed, and to other principles of best regulatory practice. We have sought to ensure a modelling approach that would yield DCCs consistent with the September 2014 Porting Charges Guidance. Where modelling assumptions from previous reviews remain appropriate we have retained these, and our modelling approach reflects stakeholder responses to our September 2014 consultation, the 2017 DCC Consultation and information received since then.

## Conclusions

3.21 This statement sets out our decision on giving a direction which sets a new maximum DCC across the mobile industry on a forward-looking basis and withdrawing the 2015 DCC Direction. For the reasons set out above, we have decided that the maximum DCCs that may be levied by donor providers on recipient providers to recover the conveyance costs associated with calls to ported numbers should be at the levels shown in Table 6 below.

**Table 6: Maximum DCCs applicable for all donor conveyance calls (ppm, nominal prices)**

	2018/19	2019/20	2020/21
Maximum DCC	0.022	0.021	0.021

*Source: Ofcom 2018 LRIC of DC model.*

# A1. Notification of the withdrawal of a Direction and the giving of a new Direction for the purposes of a condition set under section 45 of the Communications Act 2003

## Withdrawal of and the giving of Directions under paragraph 18.5(a)(ii) of General Condition 18 in relation to charges for Mobile Portability

### WHEREAS

1. On 19 July 2017 Ofcom published a notification (the 'First Notification') of its proposals for withdrawing the 2015 DCC Direction and giving a new direction for the purposes of paragraph 18.5(a)(ii) of General Condition 18, in accordance with section 49A(3) of the Act.
2. Ofcom stated in the First Notification that they considered the proposal was not of EU significance pursuant to section 150A(2) of the Act.
3. In the First Notification and the accompanying consultation document, Ofcom invited representations about the proposals therein by 30 August 2017.
4. By virtue of section 49A(6) and (7), Ofcom may give effect to the proposal set out in the First Notification, with any modifications that appear to them to be appropriate, only if –
  - i) they have considered every representation about the proposal made to them during the period specified in the First Notification; and
  - ii) they have had regard to every international obligation of the United Kingdom (if any) which has been notified to Ofcom for this purpose by the Secretary of State.
5. Ofcom received one response to the First Notification and have considered every representation made to them in respect of the proposals in the First Notification.
6. The Secretary of State did not notify to Ofcom any international obligation of the United Kingdom for the purpose of section 49A(6) of the Act.

### THEREFORE

1. Ofcom is withdrawing the 2015 DCC Direction and giving a direction for the purposes of paragraph 18.5(a)(ii) of General Condition 18.
2. The 2015 DCC Direction shall be withdrawn, and the new direction set out in the Schedule to this notification shall enter into force on 1 April 2018.

3. Ofcom's reasons for withdrawing the 2015 DCC Direction and for giving the direction attached to this notification are set out in the explanatory statement accompanying this notification.
4. Ofcom are satisfied that the direction complies with the requirements of sections 49 to 49C of the Act, insofar as they are applicable.
5. In giving this direction, Ofcom have considered and acted in accordance with their general duties under section 3 of the Act and the six Community requirements set out in section 4 of the Act.
6. A copy of this notification and the accompanying explanatory statement are being sent to the Secretary of State in accordance with section 49C(1) of the Act.
7. In this notification:
  - a. "the Act" means the Communications Act 2003;
  - b. "the 2015 DCC Direction" means the Direction under paragraph 18.5(a)(ii) of General Condition 18 in relation to charges for Mobile Portability given by Ofcom on 17 March 2015;
  - c. "General Condition 18" means the General Condition 18 of the general conditions set under section 45 of the Act by the Director General of Telecommunications on 22 July 2003, as amended from time to time;
  - d. "Mobile Portability" shall have the meaning ascribed to that term in General Condition 18; and
  - e. "Ofcom" means the Office of Communications.
8. Words or expressions shall have the meaning assigned to them in this notification, and otherwise any word or expression shall have the same meaning as it has in the Act.
9. For the purposes of interpreting this notification: (a) headings and titles shall be disregarded; and (b) the Interpretation Act 1978 shall apply as if this notification were an Act of Parliament.



**Brian Potterill**  
**Competition Policy Director**

**28 March 2018**

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002.

## Direction under paragraph 18.5(a)(ii) of General Condition 18 relating to charges for Mobile Portability

### WHEREAS:

- A. Paragraph 18.5(a) of General Condition 18 provides that, subject always to the requirement of reasonableness, any charges for the provision of Portability shall be cost-oriented and shall be based on the incremental costs of providing Portability unless the Donor Provider and the Recipient Provider have agreed another basis for the charges, or Ofcom has directed that another basis for charges should be used.
- B. The Donor Conveyance Charge is a charge for the provision of Portability.

### THEREFORE, PURSUANT TO PARAGRAPH 18.5(a)(ii) of GENERAL CONDITION 18, OFCOM DIRECTS THAT:

1. The Donor Conveyance Charge shall not exceed:
  - a. for any Call made during the period beginning on 1 April 2018 and ending on 31 March 2019, 0.022 pence per minute;
  - b. for any Call made during the period beginning on 1 April 2019 and ending on 31 March 2020, 0.021 pence per minute
  - c. for any Call made during the period beginning on 1 April 2020 and ending on 31 March 2021, 0.021 pence per minute;
2. This Direction shall cease to have effect on 31 March 2021.
3. In this Direction:
  - a. "Act" means the Communications Act 2003;
  - b. "Call" means a voice call that originates on a public electronic communications network (whether fixed or mobile) other than the mobile network of the Donor Provider and is terminated to a Mobile Number that:
    - i. is within a number range that has been allocated to the Donor Provider; and
    - ii. has been ported to the Recipient Provider;
  - c. "Donor Conveyance Charge" means the amount charged by the Donor Provider to the Recipient Provider for the conveyance of a Call from the Donor Provider's network to the Recipient Provider's network;
  - d. "General Condition 18" means General Condition 18 of the general conditions of entitlement set under section 45 of the Act by the Director General of Telecommunications on 22 July 2003, as amended from time to time;
  - e. "General Condition B3" means General Condition B3 of the general conditions of entitlement set under section 45 of the Act by Ofcom on 19 September 2017, which will enter into force on 1 October 2018, as amended from time to time;

- f. "Ofcom" means the Office of Communications;
  - g. "pence per minute" means the sum in pence charged for a minute of a Call; and
  - h. References to "General Condition 18" shall be read as references to "General Condition B3" from 1 October 2018.
4. Any word or expression not defined in paragraph 3 shall have the same meaning as it has:
- a. in General Condition 18;
  - b. if it has no meaning ascribed as mentioned in paragraph 4a, in the Act.
5. The Interpretation Act 1978 shall apply as if this Direction were an Act of Parliament.

## A2. Glossary

**'2014 MCT model'** The cost model Ofcom proposed to use in order to calculate the charge control for the period of the previous **Mobile Call Termination (MCT)** market review (2015-18), which was published as part of our consultation on the 2015 MCT Review.

**'2015 DCC model'** The cost model Ofcom used to calculate the maximum donor conveyance charge for the period of the previous DCC review (2015-18).

**'2015 MCT model'** The cost model Ofcom used to calculate the charge control for the period of the previous MCT market review (2015-18).

**'2017 DCC model'** The cost model Ofcom proposed to use to calculate the maximum donor conveyance charge for the period of the DCC review (2018-21).

**'2017 MCT model'** The cost model Ofcom proposed to use to calculate the charge control for the period of the MCT market review (2018-21).

**'2017 MCT Review Consultation'** This consultation set out Ofcom's proposals for the regulation of the wholesale MCT market for the period 1 April 2018 – 31 March 2021.

**'2018 MCT model'** The cost model Ofcom decided to use to calculate the charge control for the period of the MCT market review (2018-21).

**'2018 MCT Review'** This document sets out Ofcom's decisions for the regulation of the wholesale MCT market for the period 1 April 2018 – 31 March 2021.

**Call Trap** A facility that allows the recipient provider to 'trap' calls that it originates to numbers that have been ported into its network. This removes the requirement for a call to be routed to the donor provider and then back to the recipient provider in circumstances where the call originates on the recipient's network.

**Communications Act or "the Act"** The Communications Act 2003.

**Consumer Price Index (CPI)** The official measure of inflation of consumer prices in the United Kingdom.

**Donor Conveyance Charges (DCCs)** Wholesale charges for the provision of 'onward routing' of calls to mobile numbers that have been ported (i.e. when a consumer has kept their mobile number but has switched mobile provider).

**Donor provider (DP)** When a mobile number has been ported from one network to another, the donor provider is the network that originally held the number. After a number has been ported, any calls made to the number are usually routed first to the donor provider and it then routes the call to the new network.

**EC** The European Commission.

**EU** The European Union.

**F2M** Fixed-to-mobile, used to refer to a call or traffic originated from a fixed geographic number and seeking to call a mobile number.

**Four largest mobile providers** The four largest mobile providers are EE, H3G, Telefónica and Vodafone. These mobile providers operate a fully-deployed national mobile network, including both a radio access network and elements of core network; they have independent control of spectrum, and operate in both the wholesale and retail markets.

**Long Run Incremental Costs (LRIC)** LRIC is defined as the long run avoidable cost of an operator carrying a particular increment of traffic. The increment in question is treated as the final traffic increment on the network.

**Long Run Incremental Costs Plus (LRIC+)** The long run (average) incremental costs plus an equi-proportionate mark-up for the recovery of shared and common costs. LRIC+ should be taken to mean the same as LRAIC+ (a term used by some other NRAs).

**Mobile Call Termination (MCT)** The wholesale service provided by an MCP to allow an OCP (Originating Communications Provider) to connect a caller with the intended mobile call recipient on that MCP's network.

**Mobile number portability (MNP)** The facility that enables consumers to keep their mobile telephone number whilst switching provider. When a consumer that has 'ported' their number subsequently receives an incoming call, it is first routed to the network that originally held the number being called, before being onward routed to their new mobile network.

**Ported-in numbers** A mobile number that is not allocated to a particular mobile provider, used by an end-user who has since become a subscriber of that mobile provider (and where the subscriber has elected to use mobile number portability to retain their number).

**Ported-out numbers** A mobile number that is allocated to a particular mobile provider, used by an end-user who has since become a subscriber of another mobile provider (and where the subscriber has elected to use mobile number portability to retain their number).

**Recipient provider (RP)** When a mobile number has been ported from one network to another, the recipient provider is the new network that now holds the number. After a number has been ported, any calls made to the number are usually routed to the donor provider first, before being onward routed to the recipient provider.