



Ofcom's decision on switching landline, broadband and/or pay TV between different platforms

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Statement

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About this document

This document sets out our decision not to intervene to require changes to the process for switching landline, broadband and/or pay TV services between the Openreach, KCOM, Virgin cable and Sky satellite platforms.

On the basis of the evidence currently available, we no longer consider it proportionate and justified, overall, to pursue reform in this area.

We consider that we will be better able to further consumers' interests by increasing our focus on helping consumers to engage with and navigate communications markets with greater confidence, and ultimately obtain the best deals to match their needs.

We are therefore publishing a Call for Inputs alongside this document, to inform a new project on consumer engagement. This will look at other aspects of the consumer purchase journey, outside of switching processes, where there may be barriers preventing or hindering consumers from engaging in communications markets and benefitting from the choice available.

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Section 1

Summary

- 1.1 As set out in Ofcom's Annual Plan 2017/18, we aim to promote competition and ensure that markets work effectively for consumers.¹ We want to ensure that consumers are empowered to obtain the best communications deals available to meet their needs, whether by switching provider, or by agreeing a new deal with their current provider.
- 1.2 This encompasses a broad programme of work, including projects to help ensure consumers can switch provider without unnecessary difficulties. We have already simplified and improved the process for over one million consumers switching landline and broadband services within the Openreach and KCOM networks; and earlier this year we consulted further on proposals to improve mobile switching processes.
- 1.3 Last year we consulted on proposals to make the process easier for consumers to switch one or more of their landline, broadband and/or pay TV services between the Openreach, KCOM, Virgin cable and Sky satellite platforms ("cross-platform switching").
- 1.4 Specifically, we proposed changing the process so that the consumer would only need to contact the provider they were switching to, and the new provider would then coordinate the switch with the consumer's existing provider. We proposed that this would reduce key difficulties and deterrents faced by some consumers, including suffering loss of service, paying two providers at the same time, and difficulties contacting their existing provider(s)/cancelling their old service(s).
- 1.5 We received a number of responses to our proposals, which were mixed in their views. Most providers said the cost of our proposals would be much greater than we had initially estimated. We have considered these responses, and carried out further information gathering and analysis to understand the differences between our original estimates and cost figures submitted by some providers.
- 1.6 In light of this, we now consider that the proposed changes would be significantly more complex and costly than originally anticipated. This is mainly because:
 - a greater number of providers' systems and internal processes would be affected than was initially allowed for. This reflects, for example, the need for greater inter-linkages between systems, and providers having multiple legacy systems and sales channels; and
 - the changes that are required to be made to systems and processes would be harder to implement than we originally assumed and would require a greater number of IT consultant / technical expert days to develop.
- 1.7 These costs of our proposed changes would initially be borne by industry. We take them into account in our impact assessment as they represent resource costs to society, and in turn they might have an impact on consumers (such as being passed through into higher prices or affecting providers' incentives to invest).

¹ Ofcom's *Annual Plan 2017/18* available [here](#).

- 1.8 In addition, we now consider that the quantified benefits to consumers are likely to be lower than we originally estimated. Since publishing our consultation document, we have gathered further evidence, including a new lower value for the time consumers save by not having to cancel their old service, and considered the potential overlap with other, more recent, Ofcom proposals. Together, this updated evidence suggests that the costs of our proposed changes would be likely to significantly exceed the quantified benefits to consumers that switch.
- 1.9 We have considered the wider benefits to consumers if process reform encouraged other consumers, in particular those who are considering switching, to switch or agree a better deal with their existing provider; and if this in turn enhanced competition between providers. We consider that these broader benefits are likely to be material. But, considering the evidence in the round, we are not confident that benefits necessarily exceed costs in this case. This revised assessment of costs and benefits feeds into our overall conclusions on cross-platform switching process reform.
- 1.10 We have also considered consumers' overall interests more broadly. The proposed changes would only benefit two fifths of consumers switching one or more of their landline, broadband or pay TV services; the majority of such switching occurs entirely within the Openreach platform and so does not involve cross-platform switching.² Furthermore, we note that other recent interventions proposed by Ofcom may help reduce loss of service for cross-platform switchers.³
- 1.11 We also recognise that the formal switching process is only one part of the consumer purchase journey. For consumers to obtain the best communications products and deals to meet their needs, they also need to understand when to effectively engage with the market, and evaluate the choices available.
- 1.12 We consider that, at the present time, it may be more cost-effective to further consumers' interests by increasing our focus on improving consumer engagement outside of the formal switching process. We are therefore publishing a Call for Inputs alongside this document, to inform a new project on promoting consumer engagement. This will look at other aspects of the consumer purchase journey, outside of the switching processes, where there may be barriers preventing or hindering consumers from engaging in communications markets and benefiting from the choice available.
- 1.13 Considering the issues and evidence in the round, we have concluded that it would not be proportionate and justified overall, to impose changes to the cross-platform switching process at this present time. This decision does not, however, preclude us from taking action in the future, and we will keep this under review.

² Switching within the Openreach platform already follows a gaining provider-led process where the consumer only needs to contact their new provider who will co-ordinate the switch for them.

³ These are our proposals for automatic compensation and for improving Openreach's installation and other targets, which may help consumers switching to Openreach providers.

Section 2

Background

Introduction

- 2.1 One of our key policy objectives is that switching processes should be easy and reliable for consumers and should not create unnecessary difficulties or deterrents. This in turn helps promote effective competition and furthers consumers' interests.
- 2.2 Ofcom has carried out a wide range of work to improve switching processes for consumers, including measures to simplify and improve the process for switching landline and broadband services within the Openreach and KCOM networks.^{4,5} Also, in May 2017, we consulted further on proposals to improve mobile switching processes – we are proposing to make switching easier and simpler by allowing consumers to send a text message to obtain the authorisation code needed to enable a switch.⁶ We expect to publish a policy statement on mobile switching in the autumn of 2017.
- 2.3 This document is about the process for consumers switching one or more of their triple play (landline, broadband and/or pay TV) services between the Openreach, KCOM, Virgin cable and Sky satellite platforms (“cross-platform switching”). It follows our consultation in July 2016 (the “July 2016 consultation”) that set out proposals to address the difficulties that some consumers face when switching, or considering switching, these services between the different platforms.⁷

Consumer experience of current cross-platform switching arrangements

- 2.4 Currently, if consumers wish to switch triple play services between different platforms they need to follow a “cease and re-provide” process whereby they have to contact their losing provider to cancel their old service(s) and arrange the start of the new service(s) with the gaining provider. When doing so, they may attempt to co-ordinate the start of their new service(s) with the end of their old service(s). Alternatively, they may have a break or overlap in their services.⁸
- 2.5 Our July 2016 consultation set out our research suggesting that most (81%) consumers switching triple play services between platforms found it easy to do so.⁹ However, when prompted, almost three fifths (58%) said they experienced at least

⁴ We use the terms “platform” and “network” interchangeably in this statement to refer to an electronic communications network, as defined in the Communications Act 2003.

⁵ We also added consumer protection measures to enhance the changes in process. [Consumer Switching: A statement on the GPL NoT+ elements](#), December 2013; and [Consumer Switching: A statement on modifications to General Conditions to effect changes to switching processes for fixed voice and broadband on the KCOM Access Network](#), March 2015.

⁶ [Proposal to reform switching of mobile communications services](#), May 2017.

⁷ See July 2016 consultation documents [here](#).

⁸ Our July 2016 consultation also detailed the steps consumers need to take when switching services between providers on the Openreach network. Here, the consumer contacts the new provider they want to switch to, and the new provider then contacts the old provider and arranges the transfer of the service(s). For further details, see pages 19 to 20 [here](#).

⁹ Slide 65 of BDRC published research slide pack [here](#).

one process-related difficulty.¹⁰ We also found that almost four fifths (79%) of consumers who had considered switching but decided not to do so were put off by at least one process-related concern.¹¹

2.6 Our provisional view was that the difficulties and deterrents experienced by cross-platform switchers and those who considered switching but decided not to (“considerers”) were predominantly related to:

- **loss of service**, particularly due to delays in service(s) being installed or activated when switching, and difficulties co-ordinating the stop/start of the service(s);
- **double paying for services that overlap**, to avoid a loss of service or due to difficulties co-ordinating the stop/start of the service(s); and
- **difficulties contacting their old provider / cancelling the old service(s)**, particularly due to restricted and, at times, lengthy methods of cancellation.

July 2016 consultation – options for reform of the cross-platform switching process

2.7 Our July 2016 consultation set out two options for reforming the cross-platform switching process to reduce the key difficulties and deterrents identified:

- **Option 1: Enhanced cease and re-provide (EC&R).** Here, consumers would still need to contact the old provider to cancel their existing service(s). However, they would have greater flexibility about how to do this, e.g. using an online account or webchat. The new provider would be required to offer to organise the switch on the consumer’s behalf to ensure that stop/start dates coincide. If the consumer agrees to this, it should reduce loss of service and double paying for overlapping services.
- **Option 2: Gaining provider led (GPL) process.** Here, consumers would only need to contact the provider they wanted to join. The new provider would then contact the old provider to cancel the old service(s) and work to ensure the stop/start dates of the services coincide, which should reduce loss of service and double paying.

2.8 Both options would rely on the old and new providers being able to easily share timely information about the switch. This would require a “**back-end**” **communications channel**. We included two examples, to help with our cost estimates:¹²

- extending the existing Openreach EMP platform;¹³ or
- a new direct communications channel (DCC) for providers.

¹⁰ 20% major, 52% minor. Slide 29 of BDRC published slide pack.

¹¹ 45% major, 49% minor. Slide 81 of BDRC published slide pack.

¹² However, we said we did not intend to specify exactly what this would look like to provide industry with some flexibility on any potential implementation.

¹³ The EMP (equivalence management platform) is the transactional platform that underpins all Openreach’s interactions with providers. It is already used in the GPL NoT+ process for landline and broadband switching within the Openreach platform.

Our provisional assessment

2.9 Our provisional assessment included a cost-benefit analysis of these two options.

Costs of implementation

2.10 We appointed consultants, Cartesian Limited (“Cartesian”), to help us develop detailed process maps and cost estimates for our proposals. Cartesian drew on standard industry frameworks¹⁴ to prepare the cost model and cost estimates, as set out in its overall report, which was published as part of the consultation.¹⁵

2.11 To develop industry costs and the cost model, we sent specifications of our options to providers and asked them to provide cost estimates of the impact of changes to their **systems**¹⁶ and **processes**.¹⁷ However, none were submitted, and the model was developed without the benefit of provider-specific cost information.

2.12 Cartesian’s report also set out the major changes it considered providers would need to make to their own systems and processes under each option.¹⁸ It suggested both options would result in the following categories of costs for providers:

- One-off set-up costs to establish the back-end channel for providers to communicate with each other.¹⁹ Also, existing “back-end” systems and processes would need to be changed to capture and use the information exchanged.
- One-off set-up costs to ensure their own “front-end” business systems had the required functionality to implement the proposals – including, for example, new processes to enable consumers to place orders and switch, and to trigger cancellation of their old services.
- Costs associated with ongoing maintenance of these systems.

2.13 The two most significant cost drivers were the delivery effort required to implement the system and process changes, along with the training required for customer service agents. The scale of these costs varied mainly by provider size, so larger providers would incur significantly greater system and process costs than smaller ones.²⁰ Larger providers also have more customer service agents and so would incur more training costs.

2.14 However, there was also the potential for synergies as some systems and processes would be affected by multiple changes. We accounted for these by reducing the

¹⁴ The TMForum TAM and eTOM frameworks.

¹⁵ See process maps [here](#), Cartesian cost report [here](#) and cost model [here](#).

¹⁶ Software and hardware applications.

¹⁷ Operational activities, including staff training.

¹⁸ See Appendix A of the Cartesian cost report [here](#).

¹⁹ For example, to validate the service(s) a consumer currently has, co-ordinate stop/start dates and confirm disconnection of the old service(s).

²⁰ Cartesian also recognised that all large providers except for Virgin had already implemented a GPL process to manage switches within the Openreach platform. Therefore, Virgin’s set-up costs may be higher compared to other large providers as it would need to implement a greater number of changes. For example, it may need to make more changes to its processes and systems to keep durable records of the consumer’s consent to the provision of new service for 12 months, a requirement that already exists for Openreach switches. An allowance was made for this.

overall development effort required where there were overlapping tasks (in some cases by a factor of up to 70%). We also recognised that providers may enjoy some cost savings under both options because fewer consumers would be likely to call providers, so fewer customer service agents would be needed.²¹

- 2.15 The table below sets out our initial overall estimates of the net cost to industry for both options in the July 2016 consultation, and how these might vary depending on how providers chose to implement the back-end communications channel:

Figure 1: Net industry cost of EC&R and GPL options (10 year NPV estimate)

	EC&R	GPL
Openreach EMP	£29.9m	£23.9m
DCC	£31.7m	£25.7m

- 2.16 We estimated that EC&R was likely to cost more than GPL for two main reasons: (1) providers would incur additional set-up costs under EC&R because they would need to offer consumers a range of channels to cancel their services;²² and (2) GPL offered greater potential cost savings since consumers would no longer have to call the losing provider when switching.²³ We further explained that the cost of EMP was lower than DCC, because Cartesian had estimated a lower effort to develop the EMP back-end processes.

Benefits of process reform

- 2.17 Our provisional view was that both options would reduce the difficulties and deterrents experienced by cross-platform switchers and help make the switching process easier and more reliable for consumers. However, we proposed that GPL would provide more benefits to consumers because it would be more effective at reducing loss of service and double paying. We expected more consumers to use the process and it would also remove the need for consumers to contact their old provider, whereas EC&R would only reduce it.
- 2.18 Overall, we provisionally estimated that the quantified benefits to switchers of GPL would be approximately £90m, and of EC&R approximately £55.0m – £81.1m.
- 2.19 We also considered that there would be several further benefits that we could not quantify to considerers. An easier and more reliable switching process should reduce some of the process-related worries that deter considerers from switching. We also proposed that reducing the barriers to switching should increase consumers' inclination to switch, and therefore enhance competition between providers, and ultimately lead to better, innovative products at lower prices. Our provisional view was that GPL would bring greater benefits in these regards.

²¹ E.g. to cancel their service(s).

²² This would require them to develop a new cancellation channel that consumers could, use e.g. Interactive Voice Response (IVR) or an online portal to end their service.

²³ So there would be fewer customer calls to handle.

Provisional assessment and preferred option

2.20 Accordingly, our overall provisional assessment was that GPL would better achieve our policy objectives, in line with our duties, and produce benefits to consumers in excess of the costs to providers. We proposed that it would be an objectively justifiable and proportionate intervention. We invited interested parties to comment on the matters set out in the consultation.

Save activity

2.21 In the July 2016 consultation, we also considered our approach to reactive save activity in the context of switching triple play services. Broadly, that activity involves the old provider making counter-offers to customers it is aware, as a result of information it receives as part of the switching process, intend to switch. We cited evidence that some consumers may welcome save offers from their provider and this was part of the reason why we did not propose to prohibit such activity.

2.22 While outside the scope of this work, we note that we have previously had concerns about the effects of reactive save activity and introduced consumer protection rules (in General Condition 22.15) prohibiting it in relation to switching services within the Openreach and KCOM platforms.²⁴ As part of Ofcom's broader review of the General Conditions, we have proposed to remove this rule noting that we are now generally less concerned about the effects of reactive save activity than was previously the case.²⁵ Ofcom expects to issue a decision on this (and other changes to the consumer protection rules in the General Conditions) later this year.

2.23 Another part of our rules (General Condition 1.2) has been found by the UK courts to be sufficiently broad as to apply to certain switching scenarios where customer information is passed onto the old provider from the new provider. However, we consider this has limited application where a customer is switching between different platforms. Insofar as General Condition 1.2 applies to reactive save activity generally, we do not plan to make the enforcement of this an administrative priority in the absence of evidence of consumer harm.

²⁴ [General Conditions of Entitlement](#) (consolidated version), as at May 2015

²⁵ [Review of the General Conditions of Entitlement: consultation on the general conditions relating to consumer protection](#), December 2016, pp. 108-109.

Section 3

Consultation responses and Ofcom's revised assessment

Introduction

- 3.1 We received 27 responses to the July 2016 consultation from a mix of industry, consumer and other stakeholders. All non-confidential responses are published on Ofcom's website.²⁶
- 3.2 Most respondents either expressed a preference for the GPL option, or considered it better than EC&R.²⁷ One respondent (KCOM) expressed support for the EC&R option; others, including Sky and Verastar, did not support either option.
- 3.3 In general, those who supported the GPL option considered it would provide a smoother, more efficient and consistent consumer switching experience and/or agreed with the consumer benefits we had identified.²⁸
- 3.4 BT²⁹ and Virgin³⁰ emphasised the importance of implementing solutions that can be future-proofed. Virgin and SSE³¹ alluded to the development of other services and networks that the same switching process could eventually apply to. Some respondents also commented on the growing importance of quad-play bundles³² and thought that mobile phone services should be included in the scope of our proposed changes.³³
- 3.5 There was significant disagreement from certain industry stakeholders with our impact assessment, particularly in relation to the costs of our proposed changes which they considered would be much higher than our estimates. The key points are set out below.

²⁶ Available [here](#).

²⁷ BT, Virgin (which supported a GPL process in principle, but not one that would cause it to incur disproportionate implementation or operational costs), the Communications Consumer Panel, Entanet International Limited, Freesat, ISPA, MoneySuperMarket, Ombudsman Services, SSE, TalkTalk, Verastar Limited (which supported GPL processes in principle but had concerns with the proposals), Which?, Vodafone (which supports GPL processes for fixed services only), [redacted], [redacted], uSwitch, Consumer Forum for Communications, Digital UK.

²⁸ TalkTalk, SSE, uSwitch, the Communications Consumer Panel, Consumer Forum for Communications, Ombudsman Services, uSwitch, Which?, MoneySuperMarket, [redacted], and Freesat.

²⁹ BT said there was a compelling case for Ofcom to design and implement switching processes capable of handling all services that are likely to be sold as part of a bundle on a consistent GPL basis.

³⁰ Virgin agreed with the scope of services covered by our proposals but said we should have an analytical framework in place to allow us to consider inclusion or omission of a service in the future, e.g. ultra/superfast broadband networks in specific geographic locations and over-the-top (OTT) services.

³¹ SSE said a strategic plan should be developed by Ofcom and the industry that establishes the vision for comprehensive retail switching arrangements in communications – across all platforms; all networks offering 'mass market' retail products; all technologies; in all situations.

³² TalkTalk.

³³ ISPA, [redacted], [redacted].

- 3.6 Given the new information and evidence provided in relation to costs, and the differences between our estimates of the proposals and providers', this has been the focus of our revised assessment.
- 3.7 In contrast, there was less information and new evidence provided to suggest the benefits of our proposed changes would be higher than our estimates. Only BT submitted evidence to suggest they could be higher. All other respondents either agreed with our estimates or argued they should be lower. We have, nonetheless, taken into account relevant developments since the July 2016 consultation, including new evidence on consumer harm.

Many providers said we underestimated the costs of our proposals

- 3.8 A common theme across many of the consultation responses was that our proposals would cost significantly more to implement than we had estimated. This was true of responses by providers that supported the proposals (with the exception of TalkTalk who said it agreed with the assessment of the likely costs) as well as those who opposed them.
- 3.9 Where providers gave us cost estimates, they varied considerably, ranging from around £1m – £14m for systems costs.³⁴ These compared to our estimates of approximately £450,000 – £525,000 for a large provider and £225,000 for a medium sized provider or third party integrator for the GPL option in the July 2016 consultation.³⁵ Providers' systems cost estimates were around three to 30 times higher than our original estimates.³⁶
- 3.10 Various reasons were given by providers to explain why they thought the costs would be significantly higher, including that:
- The number of systems and processes affected would be far greater than estimated. Sky and Virgin said we had taken an over-simplified approach to assessing providers' systems that did not consider individual provider complexities, including necessary updates to legacy systems, or the use of multiple front-end and sales channels.
 - The changes required, for example to order management processes and systems and bill management, would require significantly more effort to deliver than we had anticipated. Sky and Virgin considered that we had underestimated the integration effort required to synchronise systems across the providers and that the changes required were complex and could require more testing than had been anticipated. Sky and Virgin did not agree that there was scope for synergies to the extent we had estimated, while BT questioned the reduction applied to account for synergies between the different development areas.
 - The costs associated with developing the communications channel itself could be higher. For example, Openreach estimated that it would cost [£<] to develop

³⁴ Based on providers' best estimates.

³⁵ Specifically, these estimates are for GPL and DCC rather than extending EMP. In comparison, for EC&R and DCC, the cost estimates of systems changes are approximately £475,000 – £550,000 for a larger provider and £235,000 for a medium sized one or third party integrator.

³⁶ Based on providers' best estimates.

the existing EMP platform to support cross-platform switching,³⁷ which is much higher than our original estimate of approximately £220k.³⁸

- A greater proportion of a provider's customer service agent base would need to be trained, according to Sky and Virgin.
- Additional training, staff and/or time should be factored in for the manual resolution of cases which do not follow the planned consumer journey/process, as we had not properly considered "unhappy paths".³⁹

3.11 There was a general lack of support from providers for extending the Openreach EMP so that it could act as the back-end communications channel for providers to co-ordinate cross-platform switches. BT said EMP was not designed to pass messages between providers; Virgin said EMP is an ageing complex system, which would require significant reworking to ensure compatibility with its own and other networks, and that it would not be appropriate to use EMP for switching between competing networks. Vodafone said it could not support the use of the Openreach system for the switching of services that are not relevant or related to Openreach.

3.12 As an alternative, BT and Virgin suggested a third party independent hub would be a more efficient and cost-effective solution for providers to communicate with each other under a GPL cross-platform switching process (instead of providers trying to communicate with each other directly). However, they did not provide any estimates for the set-up costs of the hub, though Virgin estimated that an independent hub might reduce their cost estimates by 20%. Vodafone also said it supported the introduction of a new system to facilitate non-Openreach switches (for all fixed services, i.e. landline, broadband and pay TV).

Our revised assessment of costs

3.13 We have considered stakeholder responses carefully and carried out a further assessment of costs. In doing so, our focus has been on the GPL option which was our preferred option at the time of consultation. We have maintained our focus on this option because those who opposed our proposals said we had under-estimated their costs and overstated the benefits of this option, and the EC&R option appeared to involve higher costs and lower benefits.

3.14 We have reviewed the cost estimates from providers and sought to test them as far as possible. In particular, we used our statutory information gathering powers to require providers to give us further information⁴⁰ to understand the significant differences between the provisional cost estimates in our consultation, and the

³⁷ These costs include the design, development and end-to-end testing as well as provider testing. The costs also take account of the likely need for further iterations and releases, which are often needed for complex developments (e.g. they were needed for landline and broadband switching on the Openreach platform in June 2015), but exclude any ongoing operational costs to manage provider queries related to their messages or the cost of developing a message tracker which might be needed.

³⁸ Based on our cost estimate for the system changes required to implement GPL.

³⁹ For example, where a consumer is not able to provide the relevant details of their old provider or services to their new provider to coordinate the switch, or where the losing provider cannot identify the customer from the details provided.

⁴⁰ E.g. on the structure, function and update cycles of their customer service, acquisition and billing systems and any assessment they had carried out of the costs of changing those systems (generally and to implement our proposals).

figures submitted by some respondents. As well as issuing further information requests, we also held follow-up meetings with the main providers and a smaller provider, and worked with Cartesian to better understand the likely costs and how they might vary across providers.

The costs are likely to be significantly higher than estimated in the July 2016 consultation

- 3.15 There remains some uncertainty over the precise scale of the changes and the effort needed to introduce a new GPL switching process for cross-platform switching. Even so, based on the evidence currently available, it is clear that providers employ a range of different systems and processes, and the implementation of a cross-platform switching process would involve changes across many of them. It is likely therefore that implementation would be significantly more complex than originally anticipated.
- 3.16 We place weight on the fact that even stakeholders that were in favour of our reforms told us that the estimates of costs set out in our consultation were a significant underestimate.⁴¹
- 3.17 We accept that the delivery effort needed to implement the system and process changes at both the front- and back-ends could be significantly higher than originally estimated because:
- A greater number of systems would be affected than was initially allowed for. This reflects, for example, greater inter-linkages between systems, that providers use more legacy systems, and the operation of multiple front-end and sales channels by some providers compared to those included in the Cartesian cost model.
 - The changes that are required to systems and processes would be harder to implement than anticipated and require a greater number of IT consultant / technical expert days to develop. For example, it is likely to be more complex, and therefore costlier, to develop the back-end communications channel, which was central to the proposed reform.
 - There would be fewer significant synergies between the changes than we allowed for.
- 3.18 The greater effort needed, and reduced synergies, mean that the costs to implement the proposed changes could be substantially higher for all providers. Furthermore, of the large providers, two are likely to incur higher development costs than the other large providers:
- Virgin is not integrated into the current GPL NoT+ process for switches within the Openreach platform. The changes required across its processes and systems are likely to be greater than those required by a provider that already enables a GPL process. While we made some allowance for this in our cost estimates, on the basis of the further information it provided to us in its responses to our consultation we may have underestimated the additional costs Virgin would incur.

⁴¹ Except for TalkTalk who agreed with the cost estimates in our consultation.

- Sky offers broadband and landline services using the Openreach platform and pay TV services over its own separate satellite platform. Taking account of the information it provided to us in its consultation response, integrating both these into the cross-platform switching process means that Sky is likely to incur greater costs than BT and TalkTalk. No allowance was made for this in the original cost estimates.
- 3.19 As more systems and processes would need to be changed and the complexity of these changes is larger than originally estimated, ongoing maintenance costs are also likely to be higher.
- 3.20 Given these points, the costs of implementing our proposed changes are likely to be significantly higher than we set out in our consultation. We therefore have assessed the likely scale of that understatement and updated our view of the likely costs.

Further assessment of costs

- 3.21 As noted at paragraph 3.9, some providers submitted their own estimates of the costs they would incur to implement our process reforms. Providers are better able to understand the impact of our reforms on their systems and processes and to assess the likely costs. We therefore used these estimates as the starting point on which to base our updated view, while recognising that those providers who opposed our proposed changes may have had an incentive to maximise their cost estimates (and vice versa).
- 3.22 We have sought to verify, where possible, the accuracy and relevance of the cost estimates submitted⁴² (as well as taking into account that those who supported our proposals also thought we had underestimated the costs). In some cases, we have updated the provider estimates to reflect new evidence gathered as part of this exercise.
- 3.23 Not all providers responded to our consultation and some who did provided costs that only covered part of the costs of implementing the reforms. Where no new evidence was available, we have based our estimates on the GPL-DCC⁴³ costs from the July 2016 cost model.
- 3.24 The total one-off set-up costs of the changes required cover three categories:
- Cost of back- and front-end **systems** changes;
 - Cost of back- and front-end **process** changes; and
 - Cost of **training** customer service agents or other staff involved in the changes.

Providers' own estimates of set-up costs

- 3.25 Our assumptions for providers' set-up costs, which have the biggest impact on our cost estimates,⁴⁴ are based on the following:

⁴² Including through use of information requested from providers under our statutory powers.

⁴³ We have used the GPL-DCC costs as the majority of providers that submitted cost estimates did so on the basis of GPL-DCC and as explained in paragraph 3.11 there was a lack of support for the EMP solution.

⁴⁴ However, our conclusion on costs is robust to small changes in individual providers' cost estimates given the factors set out at paragraph 3.33.

- In its consultation response, BT estimated a cost range of [£<] to [£<]. This excluded the shared costs for testing, as well as its process development and training costs. In follow-up discussions, BT noted that costs for testing would be about an additional [£<].⁴⁵ We have also added the costs for process development based on the July 2016 consultation model and revised training costs.⁴⁶ These adjustments slightly increase the BT cost estimate from [£<] to a range of [£<]. We assume the latter range for the purposes of our assessment.
- The report prepared by Moorhouse for Sky's consultation response said that Sky's total systems cost would be [£<].⁴⁷ This was based in part on an estimate of [£<] per day for the cost of its systems development experts. Sky subsequently told us the average external day rate for a contractor involved in the development of systems was [£<]. We have reduced the systems cost to [£<] to reflect this.⁴⁸ We have also used Sky's estimate for process development costs including training, which brings the total set-up costs to [£<]. Sky did not provide a range for its estimate but said its estimate was a lower bound, and we have used this.
- TalkTalk did not provide cost estimates in response to our consultation, but said it agreed with our estimate generally. Therefore, for systems and process costs we used the 2016 model estimates. Consistent with BT, we have assumed that customer service agents would need [£<] of training.⁴⁹ We assume a cost to TalkTalk of [£<] for the purposes of our assessment.
- Virgin provided an estimate of [£<] +/- 15% for the total set-up costs, in its consultation response. As this excluded hardware costs, we have added in hardware costs based on the July 2016 consultation model, bringing Virgin's total costs to [£<].⁵⁰ We have used these figures in our assessment.
- Vodafone provided a best estimate of [£<] for its total systems costs, within a range of [£<]. This excluded process development and training costs. We have included our estimates of process costs, based on the July 2016 consultation model, and also assumed [£<] of training per agent,⁵¹ which increases Vodafone's total set-up costs to [£<]. We have used these figures for the purposes of our assessment.

⁴⁵ We have made some minor adjustments to the systems cost estimate provided by BT but these do not have a material impact on the overall set-up cost estimate. We have included £56k of systems costs associated with putting implications of switching information on bills, based on the July 2016 consultation model, because BT did not include these in its system cost estimates. We have excluded [£<] of costs associated with "sales/commercial". We made this change because some of the costs were defined as "save opportunities", which as we explained in our July 2016 consultation we considered were voluntary. We recognise that the costs associated with save opportunities may have been more than [£<] or less than [£<] of the "sales / commercial" category.

⁴⁶ We assume BT would provide about [£<] customer service agents, based on information provided in a formal request, with [£<] of training. [£<].

⁴⁷ This is the sum of its estimate for costs to make changes to its systems and testing.

⁴⁸ We scaled down its systems costs by a factor of [£<].

⁴⁹ We have assumed the same [£<] training as BT for TalkTalk, Vodafone and the medium and smaller providers as few providers provided their own estimates. However, this could be an underestimate as we do not know if other providers [£<]. For TalkTalk we assume the same number of agents as in the July 2016 consultation model require training.

⁵⁰ We also added hardware costs for BT and Sky, but these had a smaller impact on the total estimates compared to the other changes.

⁵¹ For the same number of agents as in the July 2016 consultation model.

Small and medium providers' and third party integrators' set-up costs

- 3.26 We have also made changes to the cost estimates for small and medium providers, and third party integrators. We did not receive any detailed cost estimates from them, apart from Vodafone, as set out above.⁵² Based on our analysis of the cost estimates from other providers and our conclusions that costs are likely to be higher than estimated in the consultation, we consider it likely that the complexity and cost of implementing our reforms would also be higher for these categories of provider than originally estimated.
- 3.27 To estimate the increase in systems costs for these providers, we have taken into account changes to the systems costs of other providers since the July 2016 consultation. For TalkTalk, as we used the July 2016 model there was no change, but for those that provided system cost estimates the change ranges from four to 27 times higher, in the central case. We consider that small and medium providers are likely to have fewer systems than the larger ones, and therefore changes to their costs are likely to be at the lower end. We have given particular consideration to Vodafone's estimates, who in this context we consider a medium-sized provider.
- 3.28 Vodafone's cost estimate was [\times] times our original estimate for a typical medium-sized provider. As Vodafone is likely to be a more complex medium-sized provider (because they have systems that integrate with their mobile service), we have considered scaling factors of two (low scenario), three (central scenario) and five (high scenario).⁵³
- 3.29 As to the process costs for small and medium providers and third party integrators, we did not receive any new evidence from them. We have therefore used the July 2016 consultation estimates. As with BT, TalkTalk and Vodafone, we have assumed that agents would need [\times] of training.⁵⁴ The total set-up cost estimates for small and medium providers and third party integrators are set out in Table 1 below.

Total industry costs

- 3.30 On the basis of the above, we estimate that the total industry set-up costs could be about £40m, within a range of £34m – £50m.

⁵² We also met with a medium sized provider to discuss the potential impact of our proposals but no overall cost estimate was acquired/provided.

⁵³ A scaling factor of 5 is still at the lower end of the range. Therefore, it is possible that costs could be even higher for these types of providers.

⁵⁴ We assume the same number of agents as in the July 2016 consultation model require training.

Table 1: Summary of set-up costs per provider

	N° of providers	Total set-up cost per provider (£m)		
		Low	Central	High
BT	1	[<]	[<]	[<]
Sky	1	[<]	[<]	[<]
TalkTalk	1	[<]	[<]	[<]
Virgin	1	[<]	[<]	[<]
Vodafone	1	[<]	[<]	[<]
Medium providers	10	0.5	0.7	1.2
Small providers	50	0.01	0.01	0.01
Third party integrators	5	0.5	0.7	1.2
Total industry set-up costs		33.5	39.5	49.7

- 3.31 In addition, we have calculated ongoing maintenance costs, modelled as 20% of the set-up costs, using the same methodology as for the July 2016 consultation. In other words, very broadly, around £8m a year. We also took into account, as before, that providers would enjoy some cost savings from fewer calls from consumers to customer service agents.
- 3.32 Some providers submitted their own estimates for additional ongoing costs that would be incurred as a result of our proposed reform. Some said sales call times would increase beyond our July 2016 estimate, or extra agents would need to be hired. We have not used these estimates, however, partly to avoid any risk of double counting ongoing costs.⁵⁵
- 3.33 Taking the one-off set-up costs, annual ongoing maintenance costs and cost savings into account, the results of this assessment indicates a total industry cost over ten years in the region of £110m (10 year NPV).^{56,57} It is possible the costs of implementing our reforms may be higher still. For example, we have not increased the systems costs of medium providers to the same extent as estimates provided by other providers, so the costs to these providers could be higher. Sky said its estimate was a lower bound, so its costs in the central and high scenarios in Table 1 above, could be higher. We also consider that the systems costs of implementation to TalkTalk are likely to be higher than estimated in the July 2016 consultation in light of the feedback received from other large providers.

⁵⁵ We estimate that ongoing maintenance costs would be about 20% of the set-up costs, as in the July 2016 consultation. Therefore, as we estimate that the set-up costs may be higher than previously estimated, we have also factored in that the ongoing maintenance costs may be higher too.

⁵⁶ Most providers gave us a range for the costs that they expected to incur. This estimate is based on our central case. Depending on these ranges and our assumptions about the costs incurred by providers that did not submit a cost estimate, the costs could range from £91m to £138m, with a central case of £109m.

⁵⁷ Discounted using the Spackman method, WACC of 8%, as per July 2016 consultation model.

- 3.34 Accordingly, we estimate that the net costs (10-year NPV) of GPL would be in the region of £110m, compared to the provisional estimate of £23.9m – £25.7m at the time of consultation.
- 3.35 These costs of our proposed changes would initially be borne by industry. We take them into account in our impact assessment as they represent resource costs to society, and in turn they might have an impact on consumers (such as being passed through into higher prices or affecting providers' incentives to invest).

Alternative option: independent hub

- 3.36 Cartesian has also helped us to assess the possible costs of a GPL cross-platform switching process using an alternative communications channel – an independent third party hub – as suggested by some providers in their consultation responses.⁵⁸ This would entail setting up an independent, standalone messaging platform that provides a common, standard service for all providers. Each provider would set up a new interface with the independent hub rather than direct interfaces with each individual provider.
- 3.37 It does not appear to us, however, that using an alternative communications channel would reduce the costs significantly. An independent third party hub would still require the development of a completely new messaging platform, requiring providers to adapt their existing systems and processes to integrate with it. It would need to support the secure exchange of messages between providers, as well as a way to audit and control the transactions.
- 3.38 Although a provider may incur some cost savings in the development of their own systems and processes under this option, as they would only need to develop them to interface with the independent hub, there would be additional costs for all providers to contribute to the development and maintenance of the hub. Accordingly, we do not think it would be significantly cheaper than the other communications channel options.

Respondents views on the benefits of process reform

- 3.39 A number of stakeholders agreed with our assessment that consumers would see a sizeable benefit from GPL cross-platform switching reforms.⁵⁹ Their responses focused particularly on the need to reduce consumer confusion about differing switching processes and to ensure consistency of processes across the market. Some, including the Communications Consumer Panel, considered that gaining providers are more incentivised to ensure that the switching process goes smoothly.
- 3.40 However, some providers argued that the benefits of our proposals would be lower than estimated for a number of reasons, including:
- Sky and Virgin said the benefits from reduced loss of service would be lower than estimated because, for example, we had not taken into account research findings on consumers' "willingness to pay" to avoid a loss of service and appropriate levels of compensation, both of which suggested a lower value of harm. Sky also said that our approach to measuring the benefit of reduced loss

⁵⁸ See paragraph 3.12.

⁵⁹ The Communications Consumer Panel, Consumer Forum for Communications, Which?, Ombudsman Services, uSwitch, MoneySuperMarket, [3<], Freesat, TalkTalk and SSE.

of service double counted some of the benefits and that we had over-estimated the incidence of unwanted loss of service.

- Sky said that the incidence of double paying may have been overestimated because consumers may have confused double paying with early termination charges.
- Vodafone said the benefits should be reduced as they should take account of our upcoming (at the time of responding) proposals in the Wholesale Local Access market review⁶⁰ and on automatic compensation.
- Sky considered consumers would be worse off under our proposals. For example, they would have to wait longer for their services to be installed, whereas it could currently deliver its pay TV service more quickly. It also argued that consumers would lose out on wanted save activity (i.e. where the provider makes counter-offers to consumers intending to switch), as they would no longer need to call their old provider to cancel. When all unintended consequences were taken into account, it considered that the benefits for consumers could be negative.

3.41 In contrast, BT said we may have underestimated the benefits. It considered that there may be additional competition benefits from having the same GPL process in place for cross-platform switching as on the Openreach network. It submitted a report by Oxera, which suggested that Ofcom's rules on the GPL process for switches within the Openreach platform made it more difficult for BT to engage in save activity and dissuade customers from leaving than was the case for other providers. It described this as "asymmetric save activity." Oxera presented data on cancelled broadband switches as evidence of the effects of asymmetric save activity, and a theoretical model which, under certain assumptions, suggested that a situation where some firms can make save offers to customers who want to switch away, and some cannot, may lead to higher prices.

The benefits are likely to be lower than our original estimate

3.42 In our July 2016 consultation, we set out a number of benefits to consumers from our proposed GPL changes. In particular, our quantitative assessment⁶¹ of the benefits to cross-platform switchers focused on:

- **Reducing loss of service**, with an estimated benefit of £63.9m (10-year NPV). Our estimate was based on our quantitative research that found 17% of cross-platform switchers experienced a loss of service, the average duration of loss of service was 8 days, and we estimated that switchers would avoid approximately

⁶⁰ Ofcom proposals were published in March 2017: *Wholesale Local Access Market Review Volume 1: Consultation on the proposed market, market power determinations and remedies* and *Wholesale Local Access Market Review Volume 2: Consultation on proposed charge control designs and implementation* – available [here](#). These proposals could, among other things, impose tough installation standards on Openreach and, if implemented, could reduce loss of service when switching service(s) between platforms to an Openreach provider.

⁶¹ See Annex 8 of the July 2016 consultation for our detailed quantitative assessment.

£83 of harm if they avoided a loss of service.⁶² We estimated that our switching proposals would remove the loss of service in most cases where GPL was used.

- **Reducing double paying for overlapping services**, with an estimated benefit of £22.4m (10-year NPV). Our research showed that 21% of cross-platform switchers double paid and did so for 14 days' duration on average. Our proposed changes would have reduced double paying to no more than 1 day (the day of the switch), where GPL was taken up, reducing double paying by 13 days.⁶³
- **Making cancellations easier and reducing the need to contact the old provider**, with an estimated net benefit of £4m (10-year NPV). The benefit was driven by the net time saved under our proposal from no longer having to contact the old provider,^{64, 65} and the value of that time saved.⁶⁶

3.43 We have considered our assessment of the benefits in light of the consultation responses described above and have also taken into account relevant developments since the July 2016 consultation, as set out below. This takes us to the view that the quantified benefits are likely to be lower than we estimated.

3.44 New consumer research published as part of our work on automatic compensation and quality of service provides further evidence on harm caused by loss of landline and broadband services. Drawing on this, and a range of other evidence, including research that considers consumers' willingness to pay,⁶⁷ we formed a provisional judgment that £10 per day is a reasonable point estimate for the average harm from a loss of one or both of these services.⁶⁸ This is of a similar magnitude to the value set out in our July 2016 consultation for the harm from a loss of one or more triple play services.⁶⁹

3.45 While we have not conducted further research on the value of harm caused by loss of pay TV services, there is some evidence that suggests it is lower than for broadband. For example, in our loss of service research, 40% of pay TV consumers reported that a pay TV loss of service had no impact on them compared to only 23% of consumers that experienced a loss of broadband.⁷⁰

⁶² We used our loss of service research, among other information (e.g. on the value of time), to calculate the value here.

⁶³ We calculated a weighted average daily expenditure for a cross-platform switcher of £1.52.

⁶⁴ In calculating the net benefit, we also accounted for the fact that parts of our proposal, for example validating the services the consumer currently has, would increase the time taken to switch because the consumer's call to switch to the new provider would be longer.

⁶⁵ Approximately 16 minutes, i.e. the average amount switchers currently spend cancelling their services.

⁶⁶ The value of time taken to switch was based on the difference between average hourly wages and the value of leisure time. We considered that the Department for Transport (DfT) value for non-work commuting time provided the closest proxy for the value of leisure time, see Annex 8 of the July 2016 consultation [here](#).

⁶⁷ See *Automatic Compensation: Protecting consumers from quality of service problems*, March 2017, Annex 4 [here](#).

⁶⁸ We are currently considering responses to our consultation on Automatic Compensation.

⁶⁹ In our July 2016 consultation, we estimated that the typical duration of a loss of service was 8 days and that the value of harm for a typical episode of lost service was £83.

⁷⁰ Published alongside our July 2016 consultation [here](#). These findings are statistically significantly different.

- 3.46 We also note that the DfT has issued new lower estimates of the value of non-work commuting time, which we had used, for example, to calculate the time saved by consumers from not needing to call the losing provider to cancel their service(s). Using this new lower value for this calculation slightly reduces the quantified benefits of time saved by our proposals.⁷¹
- 3.47 Furthermore, other interventions proposed by Ofcom since publishing the July 2016 consultation document may affect the size of the benefits attributable to any cross-platform switching process reforms:
- We have set out proposals for automatically compensating consumers of landline and broadband services who suffer delayed repairs, delayed provisions or a missed appointment (for repair or installation).⁷² This would incentivise providers to reduce the incidence of these events (some of which also cause loss of service for switchers) and some switchers that lose service will get redress.
 - Similarly, Ofcom proposals for Openreach to improve provisioning appointments should also benefit some switchers moving to, or between, Openreach providers. As more services would be delivered on time, this should make it easier for consumers to coordinate their switch and therefore reduce the likelihood of a loss of service.⁷³
- 3.48 To the extent these other proposed interventions reduce loss of service for switchers, the need for, and benefits of, the proposed switching process reforms would also reduce.
- 3.49 We also note that some providers made additional points (as summarised in paragraph 3.40), to suggest that we had overestimated the benefits in the July 2016 consultation. Some of these points could reduce the quantified benefits of the proposed switching process reforms further still.
- 3.50 As to BT's suggestion the benefits may be greater, the Oxera report it submitted sets out a theoretical approach to analyse the effects of switching processes on average prices. Oxera relies on a model which suggests that under some combinations of parameter values, the average equilibrium price in the market is higher if some firms can make save offers while others cannot, and that prices would be lower under a symmetric switching process (which GPL for cross-platform switches would help achieve). The same model also suggests, however, that under a different combination of parameter values a move from asymmetric to a symmetric switching process can result in a higher average price. Oxera suggests that the first version of the model describes the triple play market.
- 3.51 In our view the evidence is not sufficiently clear to conclude that the parameter values are such that, in practice, a move to a symmetric switching process would necessarily result in a lower average price. Furthermore, the report does not aim to

⁷¹ As set out at paragraph 3.44 we no longer use this value to help calculate the benefit of avoiding loss of service.

⁷² *Automatic Compensation: Protecting consumers from quality of service problems*, March 2017 – available [here](#).

⁷³ *Quality of Service for WLR, MPF and GEA, consultation on proposed quality of services remedies*, March 2017 – available [here](#).

quantify the size of the effect of asymmetry in switching processes on average prices in practice.

- 3.52 The Oxera report also presented data on cancelled broadband switches as evidence that the current switching process results in asymmetric save activity. However, this pattern could also be explained by other factors. For example, other providers may have more loyal customers or more effective sales teams. Quantitative and diary research shows that many customers proactively seek better deals from their providers and that the bulk of all save activity is active rather than reactive.⁷⁴ The GPL switching process does not restrict consumer-led save activity, so in practice any asymmetry in save opportunities may be small.
- 3.53 As the current level of asymmetry in save opportunities is likely to be small, and because of the ambiguous predictions of the theoretical model, it is not clear that moving to a GPL switching process would lead to a reduction in average prices in practice. We have therefore not relied on Oxera's model as a basis to increase our estimate of the benefits of implementing GPL.
- 3.54 Accordingly, based on the evidence available, we consider the quantified benefits of our proposed reforms are likely to be lower than estimated in our July 2016 consultation (i.e. less than £90m on a 10 year NPV basis). Given the significant increase in costs, we have not sought to quantify how much lower we think the benefits would be.
- 3.55 We have also considered the **unquantified benefits of our proposal**. In our July 2016 consultation, we proposed that considerers would benefit from:
- the reduced real and perceived risks of loss of service and double paying which may encourage more of them to switch;
 - the removal of unnecessary time taken to switch, and reduced difficulties associated with contacting the current provider and cancelling (that may be deterring considerers), as it would remove the need to do this; and
 - reduced confusion about differing switching processes.
- 3.56 We also considered that our proposal would reduce switching costs and therefore improve competition between providers.⁷⁵
- 3.57 We continue to consider that tackling the difficulties that deter considerers from switching may encourage more consumers to switch. In addition, there are likely to be benefits for some non-switchers. Providers are likely to improve their save offers because a reduction in switching costs would make a customer's threat of switching more credible and, in turn, increase rivalry between providers as they would have greater incentives to retain customers. Overall, easier and more reliable switching could facilitate more intense rivalry between providers, driving costs down and increasing incentives to innovate.

⁷⁴ E.g. at the customer's request or instigation, rather than following a switch request. See for example slides 76 and 87 of the published BDRC slide pack; sections 1.2.3-1.2.4 of the 2015 Futuresight report *Switching communications provider*, available [here](#); and *Ofcom Triple Play Switching study – qualitative research report*, available [here](#).

⁷⁵ A switching cost is a cost that is incurred by the consumer when changing provider that would not have been incurred if they had stayed with their old provider, e.g. double paying for overlapping services.

- 3.58 As in our July 2016 consultation, we consider that these unquantified benefits are likely to be material. However, their precise extent remains uncertain and we are unable to put a monetary value on them.

Conclusion on costs and benefits

- 3.59 In light of the assessment above, we now consider that the costs of process reform are in the region of £110m (10-year NPV), which is more than four times greater than we estimated in the July 2016 consultation. We expect these costs significantly to exceed quantified benefits to consumers, which we consider are likely to be lower than our original estimate of £90m (10-year NPV).
- 3.60 The unquantified benefits are likely to be material but, considering the evidence in the round, we are not confident that benefits necessarily exceed costs in this case. This revised assessment of costs and benefits feeds into our overall conclusions on cross-platform switching process reform in the following section.

We have also considered an alternative, lighter touch, option

- 3.61 We have also considered an alternative, lighter touch, option to GPL, where the losing provider would hold off from ceasing a service until the customer has taken action to confirm that this should happen. This would enable the consumer to ensure that their old service(s) is only disconnected when the new service(s) is up and running, to minimise the risk of loss of service and double paying.
- 3.62 We have explored how this option would work best for consumers, including making different communications channels available so that the consumer can quickly and easily confirm with their old provider that their services can stop (e.g. by text). Losing providers could also send consumers reminders asking if the service can be ceased, by way of a prompt. Once the losing provider receives confirmation, the old service(s) would cease within 24 hours, limiting any double payment.
- 3.63 Although this option could help reduce loss of service / double paying, it is likely to do so to a lesser extent than GPL. It would not address the difficulty consumers face when cancelling their service and may also increase consumer confusion about different switching processes, particularly as it relies on the consumer taking an additional step to coordinate the switch. As a result, it is unclear to what extent consumers would want to take up this option. On these bases, we do not consider this to be an effective or appropriate alternative option.

Section 4

Conclusion

- 4.1 Consumers need to be able to engage with and obtain the best offers available in the market, whether by switching provider, package or tariff, or by negotiating better rates or services with their current provider. To do so, they need to know when to engage with the market, to be able to navigate the information available to find the best package for them and to be able to exercise that choice simply and effectively.
- 4.2 In relation to switching processes, our policy objective is that they should not create unnecessary difficulties or deterrents for consumers, who should be able to switch using an easy and reliable process. This would support effective competition and further consumers' interests.
- 4.3 When assessing whether an intervention is a proportionate and justified way of achieving our policy objectives, we consider a number of factors including: the likely effectiveness of the measure; the costs of intervention; any quantified and unquantified benefits to consumers, including taking into account wider consumer interests; and whether there are alternative, less onerous ways of achieving our overall objectives.

We have decided not to change the cross-platform switching process now

- 4.4 Based on the evidence currently available our judgment is that, on balance, it would not be proportionate and justified, overall, to require changes to the cross-platform switching process at this time. That would not, of course, preclude change in the future.
- 4.5 In making that judgment, we have taken account of the evidence of difficulties that some consumers face in relation to the switching process, our general duties and the objectives we sought to pursue. In particular, our principal duty is to further the interests of consumers. In light of that duty, we remain of the view that the processes for switching provider should not create unnecessary difficulties or deterrents for consumers. We are also mindful, however, that the costs and benefits of a proposed regulatory intervention are an important factor in the overall assessment of whether or not to proceed with it. Our conclusion on the costs and benefits is set out at paragraphs 3.59 to 3.60 above.
- 4.6 There may be cases in which intervention is judged to be in consumers' overall interests even though the costs and benefits may be uncertain or where the former might exceed the latter. For example, where there are features of a market that indicate it may not operate effectively and a re-distribution of benefits would produce fairer outcomes for consumers as a whole. However, we do not judge that currently to be the case here.
- 4.7 Here, process reform would only benefit two fifths of landline, broadband and/or pay TV switchers. This is because our proposal would only affect those switching between different platforms.⁷⁶ The majority of triple play switching occurs within the

⁷⁶ We estimate there are around 900,000 cross-platform switches (see [Annex 6](#) of the July 2016 consultation) compared to around 2.3m switches in total based on the 2015 Ofcom Switching Tracker (see tables 41/2, 151/2, 205/6, 246/7 [here](#)).

Openreach platform where a GPL process is already in place. Any process reform we would put in place for cross-platform switching would therefore benefit a smaller set of consumers, of whom only a further sub-set suffers problems. Here we note that other interventions proposed by Ofcom since publishing the July 2016 consultation may help reduce loss of service for cross-platform switchers.⁷⁷

- 4.8 We have also taken into account that the formal process under which consumers switch is only the final step in consumers obtaining the best communications products and deals to meet their needs, once they have sought out and decided to switch provider. Before consumers reach this final stage, they also need to understand when and how to search for and evaluate the various offers available in the market before deciding to switch or take other action.⁷⁸
- 4.9 There is evidence to suggest that these other aspects of the consumer purchase journey outside the formal switching process may be preventing or hindering consumers from engaging in communications markets. For example, our recent Pricing Trends report highlighted that tariffs are becoming increasingly complex, potentially making it more difficult for consumers to understand and compare services.⁷⁹
- 4.10 On these bases, we make the judgment that changes to the cross-platform switching process, which risk imposing costs on industry that exceed the benefits to consumers, would not be justified at present.

We will increase our focus on promoting consumer engagement

- 4.11 In light of the above conclusions, we plan to increase our focus on helping consumers to engage with communications services to get the best deal available to meet their needs.
- 4.12 Specifically, we will be focusing on barriers outside the switching process to encourage greater consumer engagement. We have begun a programme of work to:
- help us better understand how and why some consumers may face difficulties engaging in communications markets; and
 - help us identify, develop and implement solutions that enable consumers to engage.
- 4.13 We are today publishing a Call for Inputs to help determine the focus of this work.⁸⁰

Improving consumer awareness of how they can co-ordinate their switch

- 4.14 We will also be exploring further with the main providers what more can be done to let consumers know that they can change the date that their new service(s) starts or their old service(s) ceases, should they need to do so. Greater awareness of such flexibility, where available, may help consumers better co-ordinate the start of their

⁷⁷ These are our proposals for automatic compensation and for improving provisioning appointments for Openreach, as set out at paragraph 3.47.

⁷⁸ CMA's Access-Assess-Act framework (Original paper by OFT (predecessor to CMA)), [*What does Behavioural Economics mean for Competition Policy?*](#), March 2010)

⁷⁹ [*Pricing trends for communications services in the UK*](#), research report, March 2017.

⁸⁰ [*Call for inputs: Helping consumers to engage in communications markets*](#)

new service(s) with the end of their old service(s) and reduce loss of service or double paying for overlapping services.

We will keep our decision under review

- 4.15 While we do not consider it would be proportionate and justified overall to impose changes to the cross-platform switching process at this present time, this decision does not preclude us from taking action in the future, and we will keep this under review.

Annex 1

Glossary and abbreviations

Act: The Communications Act 2003.

Bundle: Where the same provider provides the consumer with more than one triple play service, regardless of how the contracts for each service are set up.

Cancel/cancellation: Where a consumer ends one or more contracts for the provision of triple play services, and this does not fall within the statutory 'cooling off period' of 14 days.

Cease and re-provide (C&R): Where a consumer, as part of the switching process, ceases the contract and service with their losing provider and separately organises the new service and contract with their gaining provider.

Consumer who decided not to switch: A consumer who actively started looking at changing provider in the last 12 months, but decided not to.

Cross-platform switchers: those consumers that switch one or more triple play services between different platforms, e.g. from a provider on the Openreach platform to Virgin cable.

Enhanced cease and re-provide (EC&R): a proposed option for reforming cross-platform switching arrangements. Consumers would still need to contact the old provider to cancel their existing service. However, consumers would have greater flexibility in how they do this, e.g. using an online account or through an IVR. The new provider would be required to offer to organise the switch on the consumer's behalf to ensure that the stop and start dates coincide.

Equivalence management platform (EMP): the transactional platform that underpins all Openreach's interactions with communications providers.

Gaining provider: the new provider to whom the consumer is switching their service(s).

Gaining provider led (GPL) process: a proposed option for reforming cross-platform switching arrangements. The consumer would only need to contact the provider they want to join – they would not have to contact the old provider to cancel, as this would be done by the new provider. The new provider would then be required to ensure that the stop and start dates coincide.

Gaining Provider Led Notification of Transfer (GPL NoT+) process: an enhanced GPL process implemented in June 2015 to the existing GPL Notification of Transfer process for switches on the Openreach platform. The gaining provider informs the losing provider on behalf of the consumer in order to organise the switch. The consumer receives letters from both providers confirming the planned switch before it happens. This provides an opportunity for the consumer to stop the order going ahead where they change their mind, or in cases where they have no knowledge or have not given their consent to the attempted switch.

Interactive Voice Response (IVR): IVR is a technology that allows a computer to interact with humans through the use of voice and touch tones input via telephone keypad.

Losing provider: the provider from whom the consumer is switching their service(s).

Net present value (NPV): The discounted value of a stream of either future costs or benefits.

Openreach: BT's access services division.

Over-the-top: audio-visual content that can be delivered on the 'open' internet rather than requiring a managed IPTV⁸¹ architecture.

Pay TV services: (i) including linear channels and on-demand services offered across a managed hardware platform (e.g. a set-top-box); (ii) transmitted via Freeview, satellite, cable and IPTV (for the avoidance of doubt, the definition of pay TV excludes such services that are delivered over-the-top); and (iii) provided to a consumer by a provider pursuant to the terms of a contract with a minimum contract period⁸² of at least 12 months.

Provider: A person who provides any one or more triple play services to consumers.

Triple play service: any one of landline, fixed broadband and pay TV services (and whether or not provided to the consumer in a bundle or as a standalone service).

⁸¹ Television and/or video signals that are delivered using Internet Protocol, the technology that is used for routing and carrying data across the internet and similar networks.

⁸² The minimum period of time over which a provider and a consumer have agreed that a contract shall last.