



# Making switching easier and more reliable for consumers

Annexes 6 - 8 of consultation on proposals to reform landline, broadband and pay TV switching between different platforms

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Consultation Annexes

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## Annex 6

# Number of Cross-Platform Switches

- A6.1 This Annex explains how we have derived our estimates of the number of cross-platform switches, using data collected from providers.
- A6.2 Cross-platform switches are switches to or from Virgin's cable platform, switches to or from Sky's standalone pay TV service, switches from Sky's triple play package, and switches to or from KCOM's platform. Each of these switches currently involves a C&R process: the consumer needs to contact the losing provider to cancel existing services and arrange the start of the new service with the gaining provider.
- A6.3 There is no central record of the number of cross-platform switches. Instead, we have estimated the number using data from providers on their total number of new customers, the origin of those new customers and the packages they purchase. We have focused on new joiner data as it was considered to give a more reliable indicator of the two providers involved in the switch than leaver data.
- A6.4 Our calculations suggest that there were approximately 884,000 cross-platform switches (excluding home moves) for the year from October 2014 – September 2015.<sup>1</sup>
- A6.5 This Annex is structured as follows:
- First, we outline the data sources used in our estimates;
  - Next, we explain how we limit our analysis to switches within the scope of our proposed reforms;
  - We then explain the methodology behind our estimates; and
  - We conclude by presenting our estimates.

## Data Sources

- A6.6 The main source of evidence used for this analysis is information gathered from BT, Sky, TalkTalk and Virgin. They provided information on the number of new customers and the number of leavers for each package or service as well as joiner

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<sup>1</sup> Throughout, we estimate the number of switches, rather than switchers. There are two reasons why the number of switches may be greater than the number of switchers. A single consumer could undertake more than one switch at the same time. For example, a consumer who previously purchased a dual play package from BT and a standalone pay TV service from Sky, who switches to Virgin's triple play package is effectively undertaking two switches, and similarly if switching in the opposite direction. Furthermore, it is possible that a consumer switches their services more than once during the annual period reviewed.

and leaver surveys that record where these customers are coming from or going to.<sup>2</sup>

A6.7 In addition to provider data, we use BDRC omnibus research to estimate the proportion of cross-platform switches which occur at the same time as moving home, to enable us to exclude these. We also use data from the Ofcom Technology Tracker to derive shares of supply for landline only services.<sup>3</sup>

## Types of switch captured by our estimates

A6.8 We have estimated the number of cross-platform switches to each of BT, Sky, TalkTalk and Virgin for each of the following packages:

- Pay TV only;
- Broadband only;
- Dual play (defined as landline and broadband);
- Triple play (defined as landline, broadband and pay TV);<sup>4</sup> and
- Landline only.<sup>5</sup>

A6.9 We also estimate the number of broadband switches from Virgin to providers other than BT, Sky and TalkTalk which use the Openreach platform.

## Excluding those who are outside of the scope of our proposed reforms

A6.10 In order to estimate the number of switches that would benefit from the proposed reform options, we exclude:

- New joiners who are “new to market” and have not switched from another provider; and
- Consumers that are moving home at the same time as switching as home moves are outside the scope of the reform options.

A6.11 The joiner survey data include a “new to market” category, which allows us to exclude these consumers from our analysis.<sup>6</sup>

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<sup>2</sup> Based on information provided to us under section 135 of the Act and information provided to us for the purposes of Ofcom’s review of the pay TV wholesale must-offer obligation. Where we received monthly survey data only to April 2015, we use data from April 2015 as the value for Q1 15/16 for that provider, and use the weighted average of all available monthly data for the period for that provider for the Q2 15/16 value. Where we received quarterly data for each quarter except Q1 15/16, we assume that the data in Q1 15/16 was the same as Q2 15/16 for that provider.

<sup>3</sup> Ofcom Technology Tracker 2015 H2 July-August 2015. The Technology Tracker factors the cable coverage of an area into the sample design, and it is therefore likely there is a stronger representation of non-cabled areas in the sample than in other Ofcom residential surveys.

<sup>4</sup> Where we received data on new joiners to quad play packages, we have included these within the estimates of switching to triple play packages.

<sup>5</sup> Our estimate includes switches where the consumer ports their landline number and where they do not. There would be benefits to consumers from the proposed reforms in both scenarios.

- A6.12 BDRC omnibus research found that 34%<sup>7</sup> of cross-platform switches occurred at the same time as moving home (29% for all switches, including those within the Openreach platform).
- A6.13 Ofcom's Switching Tracker suggests that the proportion switching at the same time as moving home are 23% for landline; 26% for broadband and 26% for pay TV.<sup>8</sup> These findings are not statistically different to the 29% home moves figure for all switches from the BDRC omnibus research. We believe that the larger sample size in our BDRC omnibus research means it provides our best estimate of the proportion of switches occurring at the same time as home moves, and so use an assumption of 34% home moves when estimating the number of cross-platform switches.
- A6.14 This estimate is, however, towards the upper end of a range suggested by data received from providers that between [3<] and [3<] of those leaving were home moves.<sup>9</sup>
- A6.15 We note that the effect of a higher proportion of home moves is to reduce the number of cross-platform switches benefitting from the proposed reforms and so we consider that an estimate of 34% leads to a conservative estimate of the number of cross-platform switches.

## Methodology

- A6.16 Below we outline the methodology used to calculate the number of cross-platform switches.
- A6.17 In order to estimate the number of cross-platform switches, we need to know both the identity of a consumer's old provider, as well as the service(s) they switched. This is because whether a switch is cross-platform or not depends on both the identity of the new and old providers and the services switched.
- A6.18 For example:
- All switches to Virgin are cross-platform; and
  - Switches to the Openreach platform are cross-platform if they are from Virgin; or if the customer is switching pay TV from Sky.
- A6.19 We first outline the methodology used to calculate the number of cross-platform switches to BT, Sky, TalkTalk and Virgin by package joined:
- Pay TV only, broadband only or dual play packages;
  - Triple play packages; and
  - Landline only.

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<sup>6</sup> Where a survey did not include a separate category for new to market, we have assumed that the new to market proportion is equal to the average new to market in the equivalent surveys received from other providers.

<sup>7</sup> Confidence interval 27-40%

<sup>8</sup> Confidence intervals are 17-29% for landline, 19-33% for broadband, and 17-35% for pay TV.

<sup>9</sup> [3<]

A6.20 We then explain how we estimate switching to other providers using the Openreach platform.

A6.21 Finally, we discuss the types of cross-platform switches within the scope of our proposed reform options which we have not captured in our analysis, and why we believe this is unlikely to significantly affect our estimates.

## **Cross-platform switches to BT, Sky, TalkTalk and Virgin**

### Switches to pay TV only, broadband only or dual play packages

A6.22 To calculate the number of cross-platform switches to i) pay TV only services, ii) broadband only services, or iii) dual play services, we use the total new customer numbers for each of these services for each provider, exclude home moves and 'new to market', and apply the breakdown of joiners' previous provider from the relevant joiner survey. This allows us to estimate how many of the new joiners to each of these packages have switched cross-platform, for example switches to BT dual play from Virgin.

### Switches to triple play packages

A6.23 We have estimated the number of cross-platform switches to triple play packages using a similar approach.

A6.24 However, in some cases this task was complicated as, although the joiner survey for new triple play customers stated the old provider of broadband and pay TV services, the survey did not capture whether the consumer previously had a standalone pay TV or triple play package. This raised a risk of double-counting switches from triple play, as all those who previously took a triple play package would be counted in both the survey of previous broadband provider and the survey of previous TV provider, i.e. they would be counted as two switches.

A6.25 To avoid this double counting, we have distinguished between those joining a triple play package from standalone pay TV and those joining from triple play. As switches from triple play are already counted in the switches from broadband number, we subtract the number of those joining from triple play from the number of those joining from all of the old provider's broadband packages. This allows us to correctly estimate the total number of switches.

A6.26 In cases where an old provider does not offer a standalone pay TV service, estimating switches from triple play is straightforward as all those who took TV services with the old provider have switched from a triple play package. Where the old provider offered both standalone pay TV and triple play packages, we use data from the old provider on package cancellations and surveys on the destination of these leavers to estimate the original package for these new joiners.

A6.27 In addition to the double-counting risk, where we received data on the previous pay TV provider for new triple play customers, but not the previous broadband provider for new triple play customers, we risk not capturing those who upgrade from broadband services with one provider to triple play services with a new provider. We have estimated this group by using the pay TV "new to market" proportion for triple play joiners, and assuming that their origins are similar to broadband joiners.

## Switches to landline only<sup>10</sup>

A6.28 Landline only switches are cross-platform if they are between the Openreach and Virgin platforms. We have therefore sought to estimate these switches.

A6.29 In contrast to broadband switches, we do not have reliable survey data on the old provider of landline only services. Instead, we have assumed that switching to landline only services occurs in proportion to the share of supply for landline only services.<sup>11</sup> We have estimated these shares of supply using data from Ofcom's Technology Tracker. We have used the result of this to identify cross-platform switches.

## **Cross-platform switching to providers other than BT, Sky and TalkTalk using the Openreach platform**

A6.30 We have also estimated the number of switches from Virgin's broadband only or dual play packages to broadband packages with providers other than BT, Sky and TalkTalk which use the Openreach platform. To estimate this, we used data from Virgin on package cancellations and surveys on the destination of these leavers.

## **Switches within scope which are not captured by our analysis**

A6.31 We capture the majority of cross-platform switches. However, there are some types of cross-platform switches we have not captured:

- Switches which downgrade from Sky triple play to BT or TalkTalk dual play;<sup>12</sup>
- Switches where consumers upgrade from landline only;<sup>13</sup>
- Switches to packages of landline with pay TV or broadband with pay TV;
- Some cross-platform switches to providers which use the Openreach platform other than BT, Sky and TalkTalk; and
- Cross-platform switches to or from KCOM.

A6.32 These omitted categories suggest we are likely to under-estimate the total volume of cross-platform switches. However, we consider that the omitted categories are likely to be a relatively small proportion of the total volume of cross-platform switches.

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<sup>10</sup> TalkTalk does not offer a landline only service to new customers.

<sup>11</sup> We rebase these shares to exclude the new provider, KCOM, and respondents who answered don't know. We have not adjusted these shares of supply to exclude new to market as we have excluded home moves and the nature of these services is that they are unlikely to be used by new to market. This may lead us to slightly overestimate the number of cross-platform switches to BT, Sky or Virgin landline only services, but given the relatively low level of switching to landline only services as a proportion of the total volume of cross-platform triple play switching, we do not believe this will have a significant impact on our results.

<sup>12</sup> We expect the benefits of our proposed reforms would be lower for these switches.

<sup>13</sup> We estimate using the previous broadband provider.

## Estimates of the total number of cross-platform switches

A6.33 The estimates for the total number of cross-platform switches estimated, split by package switched to, and by new provider, resulting from the above methodology, are shown in Table 1 below.

**Table 1: Total number of cross-platform switches**

By package switched to	Cross-platform switches by new provider				
	Total	BT	Sky	TalkTalk	Virgin
Pay TV only	[<]	[<]	[<]	[<]	[<]
Landline only	[<]	[<]	[<]	[<]	[<]
Broadband only	[<]	[<]	[<]	[<]	[<]
Dual play	[<]	[<]	[<]	[<]	[<]
Triple play from broadband only or dual play	[<]	[<]	[<]	[<]	[<]
Triple play from pay TV or triple play	[<]	[<]	[<]	[<]	[<]
<b>Total</b>					
To broadband packages of other providers using the Openreach platform from Virgin	[<]	n/a			
<b>Total</b>					
Total	884k	[<]	[<]	[<]	[<]

## Annex 7

# Consumer difficulties and deterrents beyond cross-platform switching arrangements

A7.1 In this Annex, we explain some of the other key difficulties consumers said they experienced when switching provider or that deterred them from starting or progressing their switching journey. We also set out what action Ofcom and, where relevant, other parties are taking to reduce these.

## Engaging with the market and service quality concerns

A7.2 The quantitative BDRC research suggests that a significant proportion of all switchers have difficulty engaging with the market.<sup>14</sup> In particular:

- 27% said they had a difficulty “finding time to research the market”,<sup>15</sup> and
- 21% said they had a difficulty “comparing what different providers are offering”.<sup>16</sup>

A7.3 Addressing these types of issues is one of the key strategies set out in Ofcom’s 2016 Digital Communications Review (the “DCR”), namely, focusing on consumer empowerment so that people can understand the array of choices available to them and make informed choices.<sup>17</sup>

A7.4 Our workplan to help deliver this strategy includes (but is not limited to):

- working with third parties, such as price comparison websites (PCWs), to improve the information available to consumers before they buy. For example, Ofcom runs an accreditation scheme for such websites which aims to provide consumers with assurance that the comparisons offered by accredited providers are accessible, accurate, transparent and comprehensive. We are also working with UKRN on a report on online intermediaries, in particular PCWs.<sup>18</sup> It aims to consider the benefits and potential risks of PCWs for consumers and competition, develop a common understanding of issues encountered and approaches taken by regulators in different sectors. It will also be useful for this report to contribute to the forthcoming Competition and Markets Authority’s study on PCWs.
- considering whether a standard cost comparison measure, such as the average monthly cost of the core elements of a service over the contract period, may be useful to consumers to compare different products more easily.

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<sup>14</sup> This includes those switching within the Openreach platform and those switching between different platforms.

<sup>15</sup> 3% major, 23% minor. Slide 22 of BDRC published slide pack.

<sup>16</sup> 2% major, 19% minor. Slide 23 of BDRC published slide pack.

<sup>17</sup> Ofcom *Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications*, February 2016.

<sup>18</sup> UKRN: UK Regulators Network, formed by 13 of the UK’s sectoral regulators.

We will consider potential options in light of the Advertising Standard Authority's new advertising guidelines (in force from 31 October 2016) that, among other things, will require providers to include the price of line rental in the broadband price, and advertise upfront charges more clearly.

- publishing from early 2017 an annual Service Quality Report showing, in a clear and accessible way, how providers compare on a range of quality measures. We expect this to help consumers make informed purchasing decisions and hold providers to account for the service quality they deliver. Separately, we also plan to ensure that consumers have access to more detailed information on fixed/mobile service availability and broadband speeds.
- identifying what more can be done for consumers who are not responsive to this type of information, for example, through stronger triggers to consider other deals when contracts expire.

A7.5 We expect initiatives such as our new Service Quality Report to also help reduce some of the service quality and trust concerns reported by consumers in our BDRG research who had considered switching but decided not to.<sup>19</sup>

A7.6 The government has also set out its intention to facilitate the introduction of a switching guarantee – similar to that in current accounts – for the communications sector, to be in place “as soon as possible”.<sup>20</sup> This could help give consumers the confidence to switch and assurance that they will be protected if things go wrong.

## **Loss of service when switching within the Openreach platform**

A7.7 Our quantitative BDRG research suggests that consumers switching providers within the Openreach platform experienced significant, unwanted loss of service (21%).

A7.8 As noted in Section 2, in June 2015, Ofcom completed implementation of a new switching process on the Openreach platform (the “June 2015 reforms”). This included measures to help reduce loss of service when consumers switch dual play services (landline and broadband combined). As the quantitative BDRG research was conducted in October and November 2015 and considered consumers’ experiences of switching in the previous 24 months, most of the sample switched before the new loss of service protections were implemented.

A7.9 We have considered what the research and other evidence, including complaints and industry data, suggest might be causing loss of service on the Openreach platform. We have identified three possible drivers of the loss of service: consumers cancelling their service first; delays in activation; and dual play bundles being provisioned on separate days.<sup>21</sup> These issues, which we discuss further below, are different in nature to the loss of service issues noted for cross-platform switching.

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<sup>19</sup> 77% said a factor in their decision to stay with their current provider was that they “prefer to stay with trusted/known provider” (37% major factor, 40% minor), while 74% reported as a factor being “worried service wouldn’t be as good with new provider” (39% major, 35% minor). Slide 78 of BDRG published slide pack.

<sup>20</sup> See page 4 of [BIS Switching Principles: Next steps – action plan](#) document, May 2016.

<sup>21</sup> We plan to look further at the impact of the June 2015 reforms in 2017.

## **Cancelling services first when switching within the Openreach platform**

- A7.10 The quantitative BDRC research suggests that around one third of consumers switching within the Openreach platform still cancel with their losing provider. This may be driven by a lack of understanding of the steps needed to switch given the existence of multiple switching arrangements (although we note some consumers may have done so by choice).
- A7.11 One particular risk of Openreach switchers cancelling their service first, rather than only contacting their new provider, is loss of service. Once the cancellation request is received by the old provider, an automatic restriction may be placed on the line. This restriction prevents the new provider from taking it over as part of the normal GPL switching process and this can lead to unwanted complications.
- A7.12 The Office of the Telecommunications Adjudicator (OTA) has raised this issue with relevant industry groups.<sup>22</sup> Openreach is now planning to introduce a change that will enable new providers to switch a consumer's service, even if a restriction has already been placed on the line as a result of the consumer calling the old provider to cancel. This is due to be implemented in November 2016.

## **Delays in provisioning and errors/faults when switching**

- A7.13 The quantitative BDRC research suggests that a key cause of loss of service is a delay in the installation/activation of services.<sup>23</sup> It also identified faults on the line as a reported reason for an unwanted loss of service.<sup>24</sup>
- A7.14 Ofcom is looking to reduce issues connected with delays and faults – this includes:
- introducing tougher minimum standards for Openreach (e.g. on installation and repair times) with rigorous enforcement and fines for underperformance; and
  - establishing (where required) minimum standards in new areas, such as for faults and incomplete orders.

## **Staggered provisioning of landline and broadband services**

- A7.15 Ofcom has previously noted that switches involving more than one service at a time (e.g. landline and broadband) are treated as separate orders by providers.<sup>25</sup> This means that a consumer's broadband service potentially starts later than the landline service, and the consumer would be left without access to broadband for a period of time.
- A7.16 As part of the June 2015 reforms, providers on the Openreach platform are required, where applicable, to link orders of landline and broadband services

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<sup>22</sup> The OTA is an independent organisation tasked by Ofcom to oversee co-operation between providers and enable a competitive environment in the telecommunications sector. It is independent of both the regulator and industry. Its primary task is to deal with major or strategic issues affecting the rollout and performance of products provided by Openreach.

<sup>23</sup> Slide 41 of BDRC published slide pack. Low base size for Openreach switchers. There are indications from the BDRC findings that consumers switching to an Openreach provider are more likely to experience an unwanted loss of service (21%) than those switching to Virgin cable (15%). Slide 38 of BDRC published slide pack.

<sup>24</sup> Slide 40 of BDRC published slide pack.

<sup>25</sup> [Ofcom statement on the GPL NoT+ elements](#), December 2013. Paragraph 3.138.

together to minimise the risk of loss of service. The solution is called “SIM 2”. As explained above, given the timing of the fieldwork for the BDRC research, the SIM2 requirements would not have been implemented in time to benefit most of the switchers in our sample.

- A7.17 We understand from the OTA that there had been some initial implementation issues but Openreach and providers had worked together to reduce these. We have asked the OTA to continue to monitor industry adoption of SIM2 and to advise if any further issues arise.
- A7.18 Ofcom will also continue to monitor consumer complaints and take action where appropriate.

## Billing issues

- A7.19 Around one in five (19%) switchers in our quantitative BDRC research reported having a difficulty with resolving billing issues with their previous provider.<sup>26</sup> It is important that consumers have access to clear and accurate bills, and that any errors are resolved quickly.
- A7.20 We will monitor complaints about billing and take action where appropriate. We have rules in place to ensure that all providers must issue accurate bills to their customers.<sup>27</sup> Where providers fail to comply with the rules, we can take enforcement action – this can result in customers affected by a provider’s non-compliance being directly compensated, the provider being issued with a fine or both. To provide extra assurance, all providers with a turnover of more than £40 million a year for providing landline (and mobile) voice services must have their billing systems audited and approved by independent auditors. Smaller companies can also have their billing system approved voluntarily.

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<sup>26</sup> 11% major, 8% minor. Slide 22 of BDRC published slide pack.

<sup>27</sup> General Condition 11 on metering and billing, available [here](#).

## Annex 8

# Provisional Option Assessment: Calculation of quantifiable benefits

## Introduction

- A8.1 In Section 5, we set out our provisional option assessment for our proposed reforms to switching processes. As part of that assessment we estimated the quantifiable benefits of our proposed reforms. This Annex explains in more detail the methodology and assumptions used to produce these estimates of quantified benefits.
- A8.2 We provisionally estimated the benefits of each of our proposed reforms from:
- reduced loss of service due to better co-ordination;
  - reduced double paying due to better co-ordination and by ensuring that the old service and the switcher's liability end on the switch date; and
  - time savings due to an easier switching process.
- A8.3 In line with regulatory best practice we have sought to quantify benefits where feasible.<sup>28</sup> There are some uncertainties with estimating these benefits, arising from our reliance on consumer research, data from providers and the need to make certain assumptions, and we have used sensitivity analysis to take account of these. We consider our provisional estimates reasonable; even on a narrow quantification of benefits, i.e. excluding the unquantifiable benefits, we find that the consumer benefits substantially exceed the likely costs to providers.
- A8.4 Option 1 (EC&R) and Option 2 (GPL) propose to introduce a mandated switching process. We begin by assessing the extent to which consumers would make use of these switching processes. For those that use the process, we then assess the extent to which each option would benefit consumers in each of the ways set out above.

## Number of switchers using the new process

- A8.5 Annex 6 sets out that we estimate that there are approximately 884,000 cross-platform switches per year. An important driver of the benefits that would result from Options 1 and 2 is the extent to which cross platform switchers make use of the new process.<sup>29</sup>

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<sup>28</sup> See for example, *The Green Book, Appraisal and Evaluation in Central Government*, The Treasury. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

<sup>29</sup> Our definition of cross-platform switches includes switches from Sky triple play to Openreach, however only the pay TV element of their service will switch across platform (from Satellite to Openreach). The landline and broadband elements of this package are switched within the Openreach platform using the GPL NOT+ system and so should see no change as a result of our

## Proportion of switchers using Option 2 (GPL)

- A8.6 As set out in Section 4, under Option 2 (GPL) consumers that contact their new provider and are identified as switchers would have their switch managed by the new provider automatically. However, switchers could still choose not to go through the GPL process by cancelling their existing service and then signing up for a new service as a new customer.
- A8.7 There is already a GPL process in place for switches within the Openreach platform and we propose that the extent to which Openreach switchers use the GPL process available on Openreach provides a useful guide to the proportion that are likely to use a GPL process for cross platform switches.
- A8.8 We used our quantitative BDRC research to identify Openreach switchers that switched using the GPL process. Our estimate is based on those consumers that told us that “I contacted my new provider to start the switch. My new provider then arranged the switch for me” and/or did not answer “to cancel/give notice” when asked for the reason they contacted their previous provider.<sup>30</sup> The research suggests that 68% of Openreach switchers did not cancel their previous service themselves and made use of the GPL process.
- A8.9 We are minded to consider this to be an underestimate of the number of cross-platform switchers that will use the GPL process under Option 2.
- A consumer may still have followed the GPL process, even if they contacted their old provider with an intention to cancel or give notice. For example, some may have called for reassurance that their service would be cancelled or they might have learnt that because they were switching within the Openreach platform they did not need to cancel their old service.
  - Our reforms would require providers to give clear and accurate information about the switching process and Ofcom would expect to work with providers and consumer stakeholders to develop and promote consistent switching messages. In addition, under Option 2, both cross-platform and Openreach switches would follow a similar process (i.e. GPL). We would therefore expect more consumers to be aware of and understand the steps they need to take to switch and this should increase the proportion of switchers using the GPL process over time.
- A8.10 Based on this evidence we assume that approximately 70% of cross-platform switchers will use the GPL process under Option 2. For the reasons set out in A8.9 we think that this is a conservative assumption and that in practice the number of switchers that would use GPL will be greater than 70%.

## Proportion of switchers using Option 1 (EC&R)

- A8.11 As set out in Section 4, under Option 1 (EC&R), switchers would be given the option to have their switch co-ordinated on their behalf by their new provider. This type of process in the context of switching triple play services between platforms does not currently exist in the UK. Therefore, it is difficult to predict the proportion of

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reforms. We estimate that this applies to less than [x<] switches, about [x<]% of the total number of cross-platform switches.

<sup>30</sup> Slide 8 of BDRC published slide pack.

switchers that would choose to allow the new provider to co-ordinate and this introduces some uncertainty as to the proportion of switchers that would make use of the EC&R process under Option 1.

A8.12 We expect that fewer consumers would use the EC&R process under Option 1 than would use the GPL process under Option 2.

- First, under Option 1 (EC&R) the consumer has the choice to hand over responsibility for organising the stop/start of services to the new provider. This contrasts with Option 2 (GPL) where once the consumer has been identified as a switcher the new provider would automatically co-ordinate the switch.
- Second, Option 1 (EC&R) would involve more steps and necessitate more action on the part of the consumer. A consumer would need to ensure that they cancel their service with their old provider. Our evidence suggests that around two thirds (64%) of cross-platform switchers recall contacting their new provider first when they have made a decision to switch.<sup>31</sup> For the new provider to be able to process the transfer for these consumers, they would need to cancel their service with the old provider within two working days. If the consumer fails to do so they would revert to the current C&R arrangement.
- Third, under Option 2 (GPL), the type of process for switching between platforms and within the Openreach platform would both be based on GPL. Therefore, compared to Option 2 we consider EC&R would be less effective at reducing consumer confusion and explaining to consumers what they need to do to switch.

A8.13 To reflect the greater uncertainty associated with the proportion of switchers that would use Option 1 (EC&R) we have used a range of values in our benefits calculation (high, central and low respectively). Because we propose that fewer switchers would use Option 1 the high scenario is based on 65% of switchers using EC&R (i.e. just below the proportion that would use GPL under Option 2). However, Option 1 (EC&R) may be used by a much lower proportion of switchers than Option 2 (GPL), so to reflect this we base the bottom of our range on a much lower figure of 45%. Finally, for our central scenario we take a midpoint of 55%.

## Reduction in loss of service

A8.14 As set out in Section 3, a loss of service results in a range of harmful effects on consumers. We found that 17%<sup>32</sup> of cross platform switchers experienced an unwanted<sup>33</sup> break in service in the last 2 years; losing their landline, broadband and/or pay TV services on average of eight days.<sup>34</sup>

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<sup>31</sup> Slide 55 of BDRC published slide pack.

<sup>32</sup> Slide 38 of BDRC published slide pack.

<sup>33</sup> We focus on unwanted loss of service as there are likely to be a number of scenarios where a consumer actively chooses a break in service and is unlikely to suffer harm as a consequence. For example, some switchers may not need their services for a period of time and so may choose to cease and re-provide with a gap in service to save money.

<sup>34</sup> Eight days is based on an average across all services (slide 39 of BDRC published slide pack). This includes indicative analysis of loss in service in the pay TV market, derived from bespoke analysis using findings from both the BDRC research and the loss of service research. This analysis suggested a loss of pay TV service duration of around 7 days.

- A8.15 As set out in Section 4, under Options 1 and 2 the new provider would take responsibility for organising the co-ordination of old and new services and would ensure that old services would not be stopped until new services are up and running. The new provider would also take responsibility for any changes necessary to account for delays during the switch. We propose that providers would be much more effective at co-ordinating the switching process compared to consumers and consequently fewer switchers will experience a loss of service.<sup>35</sup>
- A8.16 Our provisional calculation of the benefits to switchers as a result of Options 1 and 2 is based on three steps. First, we assess the number of consumers that will make use of Option 1 (EC&R) and Option 2 (GPL) respectively. For those that use the process we calculate the extent to which we expect the incidence of loss of service to reduce. We then calculate the value of some of the benefits to those switchers that will avoid a loss of service.

**Figure 1: Steps to calculate benefit from reduction in loss of service**

Number of switches		Step 1		Step 2		Step 3	
Number of CPS (HH)	X	Proportion of switchers using process (%)	X	Reduction in incidence of LoS (%)	X	Cost avoided from not experiencing LoS (£)	

- A8.17 Step 1 is covered in paragraphs A8.5 to A8.13 above. We provide further detail on steps two and three below.

### **Step 2: reduction in the incidence of loss of service**

- A8.18 For switchers that would choose not to co-ordinate under Option 1 (EC&R) or would not use the GPL process under Option 2 we assume no benefit from reduced loss of service.
- A8.19 For those switchers that would choose to use the proposed co-ordination process we expect a reduction in the proportion that suffers a loss of service. Switchers reported a range of different causes of the loss of services they experienced:
- 42% said their loss of service was caused by delays with service activation or installation;
  - 31% said their loss of service was due to difficulties co-ordinating the switch;
  - 17% said their loss of service was caused by issues with equipment; and
  - 16% said their loss of service was due to a fault with the line.

<sup>35</sup> For example, we would expect providers to comply with any regulatory obligations to co-ordinate switches. In addition, with a dedicated communications channel for switches, providers would be better able to adjust start and stop dates easily to avoid a loss of service if there is a delay in service activation or installation. We also think trained staff would have a better understanding of the switching process and so problems caused by switchers' understanding or inability to co-ordinate their switch would no longer arise.

- A8.20 We propose that the transfer of responsibility for co-ordinating the switch to the switchers' new provider will significantly reduce the incidence of loss of service. In particular, this would avoid loss of service caused by delays in service activation, switchers finding it difficult to co-ordinate the switch and many of the issues associated with equipment and faults on the line.
- A8.21 However, we do not expect all instances of service loss to be resolved by our reforms. In particular, there are some potential causes of loss of service that may not be avoidable even where switchers make use of the co-ordination that would be offered by Option 1 (EC&R) and Option 2 (GPL). For example, a small proportion (around [3<]) of new lines on Openreach experience early life failure within 90 days of installation. In these instances the service is initially working correctly but fails soon after the service has started. In any system there may also be human error or unforeseeable events that could lead to a loss of service or consumers experience difficulty using equipment that is in working order. We do not have any direct evidence as to what proportion of loss of service is attributable to human error or unforeseen events. We consider it prudent to make some provision for these factors and so have made a working assumption that around 15% of loss of service would still occur due to these factors. Accordingly, we assume that, for those switchers that use the co-ordination service provided by Options 1 and 2, there would be an 85% reduction in the incidence of loss of service.
- A8.22 Consequently, for Option 1 (EC&R) we propose that the incidence of loss of service would reduce from 17% to between 10% and 8% depending on how many switchers make use of the option to have their switch co-ordinated on their behalf. In other words, between 7% and 9% of switchers would benefit from reduced loss of service under Option 1.<sup>36</sup> For Option 2 (GPL), we propose that there would be a reduction in the incidence of loss of service from 17% to 7% and that 10% of switchers would benefit by avoiding a loss of service.<sup>37</sup>

### **Step 3: value of benefit to switchers that avoid a loss of service**

- A8.23 As set out in Section 3, a loss of service can result in a range of harmful effects on individual households:
- the household is denied the use of a service they value and may have paid for;
  - there can be a range of consequential impacts on households including the inconvenience of not having their service, impacts on their ability to work or study and in some cases direct financial costs; and
  - members of the household must spend time and effort arranging for their service to be restored.
- A8.24 Our provisional view is that our reforms would reduce loss of service and so many consumers would avoid these harmful effects. We are unable to quantify many of the harmful effects on households, for example it is very difficult to put a value on

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<sup>36</sup> The number of switchers that avoid a loss of service is given by the pre-reform rate of loss of service (17%) multiplied by the proportion of consumers that use the process (between 45% and 65%) multiplied by the effectiveness of the co-ordination process (85%).

<sup>37</sup> The pre-reform rate of loss of service (17%) multiplied by the proportion of consumers that use the process (70%) multiplied by the effectiveness of the co-ordination process (85%).

the stress, frustration and inconvenience caused by a loss of service. However we are able to place a value on the following:

- **Denial of service.** In principle, the harm to a consumer as a result of the denial of service is equal to their willingness to pay for that service. We can observe part of this in the price paid by the consumer for the service, but we propose that nearly all consumers will in practice value the service much more than the price they are required to pay for it.<sup>38</sup>
- **Direct financial costs.** Our loss of service research asked consumers that had experienced a loss of service whether they had incurred any direct financial costs as a consequence of their loss of service. Respondents told us that on average the household incurred direct financial costs of £18 as a result of their loss of service.<sup>39</sup>
- **Time unable to work.** Our loss of service research asked consumers that had lost service whether they had been unable to work for a period of time due to the loss of their services. On average respondents told us that they were unable to work for 4 hours.<sup>40</sup>
- **Time spent to restore service.** Our loss of service research asked consumers that had lost service what they had to do to restore their service. On average respondents told us that they had to spend 4 hours trying to get their services restored.<sup>41</sup>

A8.25 In order to calculate the value of the benefit to switchers that would avoid a loss of service as a result of our reforms (see step 2) we sum the values of each of these harms leading to a provisional reckoning of around £83 on average for the damage to a household that suffers a loss of service. This is calculated as follows.<sup>42</sup>

- To calculate the harm as a result of denial of service we would ideally base our estimate on the value that consumers place on their services over and above the price they pay.<sup>43</sup> We do not have access to detailed evidence on this. Instead we make the assumption that, on average, this is equal to the weighted average daily price paid; which we recognise is a simplification. This results in a daily value of £1.52<sup>44</sup> which we then multiply by the average duration of a

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<sup>38</sup> It may be the case that the provider will waive any charges until the service is up and running, or offer a refund in the event of a loss of service. Where this is the case this should be subtracted from the value of the harm as a result of denial of service.

<sup>39</sup> Slide 9 of the Loss of service slide pack.

<sup>40</sup> Slide 10 of the Loss of service slide pack.

<sup>41</sup> Slide 11 of the Loss of service slide pack.

<sup>42</sup> The loss of service research also included questions about consumers' 'willingness to pay' to avoid a loss of service and appropriate levels of compensation following a loss of service. Few respondents were able to answer these questions. Further, responses relating to 'compensation' appear to take account of 'responsibility' i.e. a £0 value stated where there is a perception that the loss was not the providers fault. As such responses to this type of questioning do not necessarily reflect the 'harm' as a result of a loss of service.

<sup>43</sup> We make the assumption that, in the event of a loss of service during a switch, the new provider would not start charging for the new service until the service is up and running.

<sup>44</sup> We collected information from providers on the monthly average expenditure by consumers on landline, broadband and pay TV products (including dual and triple play products). We used data on the products that cross platform switchers 'switch to' in order to calculate a weighted average daily price for a cross platform switcher.

loss in service of 8 days.<sup>45</sup> This results in an average harm of £12 per switcher that has lost service as a consequence of denial of service.

- Direct financial costs of £18 are taken from our loss of service research.<sup>46</sup> We use the average direct financial costs to all consumers (switchers and non-switchers) as a result of a loss of service excluding two outliers that reported very high values and disproportionately impact the average.
- To calculate the value of the time that householders were unable to work we use a value of average hourly wages of £13.50 based on ONS data.<sup>47</sup> On average, consumers that had lost service told us that they were unable to work for 4 hours. We assume that where an individual was prevented from working they substitute leisure time for working time. We therefore value this time lost based on the difference between average hourly wages and the value of leisure time (£6.93)<sup>48</sup> resulting in a value of £6.57. Where an individual has lost service and is unable to work they are likely to have much reduced leisure opportunities as some or all of their services will be unavailable and they may also be confined to their home. This assumption is therefore conservative as the value of this time is likely to be lower than the average value of leisure time. This results in a loss of £28 per household that suffers a loss of service as a result of lost working time.<sup>49</sup>
- In response to our loss of service research consumers told us that they spent 4 hours trying to resolve their loss of service. We assume that households spend a portion of their leisure time undertaking this activity. To calculate the value of time spent to restore service we use the value leisure time of £6.93; which gives a value of £25 for the harm per household that suffers a loss of service as a result of the time spent to restore their service.

## Summary – loss of service

A8.26 Overall, steps 1, 2 and 3 result in a provisional calculation of the annual benefit from reduced loss of service as summarised in Figure 2.

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<sup>45</sup> Slide 39 of BDRC published slide pack, see footnote 34 above for further detail.

<sup>46</sup> Slide 9 of the Loss of service slide pack.

<sup>47</sup> ONS average weekly wages / ONS average hours worked per week.

<sup>48</sup> DfT non work commuting time, which provides the closest available proxy for the value of leisure time.

<sup>49</sup> £6.45 multiplied by 4.2.

**Figure 2: Benefit from reduced loss of service**

	EC&R (low)	EC&R (mid)	EC&R (high)	GPL
No of CPS	884k	884k	884k	884k
Step 1: % using co-ordination service	45%	55%	65%	70%
Step 2: % of switches that no longer have a loss of service	6.5%	7.9%	9.4%	10.1%
Step 3: Value of avoided harm per switcher	£83.03	£83.03	£83.03	£83.03
Total annual benefit	£ 4.8m	£ 5.8m	£ 6.9m	£ 7.4m
Total benefit (10 year NPV)	£41.1m	£50.2m	£59.3m	£63.9m

A8.27 Based on the analysis set out above we provisionally assess that Option 1 (EC&R) would deliver benefits to consumers of between £41m and £59m, based on a 10 year net present value (NPV).<sup>50</sup> We provisionally assess that Option 2 (GPL) would be more effective at reducing loss of service and to deliver benefits to the value of around £64m.

## Reduction in double paying

A8.28 Double paying occurs when a consumer incurs a period of contract overlap during switching in which they pay both their old provider and new provider at the same time. We consider that in the vast majority of cases, such contract overlap is not desired as a positive benefit in itself and represents a switching cost as it is a cost incurred in changing provider that would not be incurred by remaining with the current provider.

A8.29 As set out in Sections 2 and 3, currently many cross-platform switchers find it difficult to arrange their start and stop dates; notice periods are typically 30 to 31 days and some providers advise switchers not to give notice until their new service is up and running. There are also some switchers that incur a contract overlap to avoid a potential loss of service. Consequently, a significant proportion (21%) of cross platform switchers report double paying for more than one day, with an average contract overlap of 14 days.<sup>51</sup>

A8.30 We use the reported incidence of double paying in our provisional calculation of benefits; however, it is likely that switchers under-report double paying. For example, in order to avoid a loss of service it is necessary to double pay for a minimum of 1 day (i.e. the day of the switch), however only 22% of cross platform switchers (including those with a 1 day overlap) report double paying and only 17%

<sup>50</sup> We use a real discount rate of 3.5% to calculate the net present value based on HM Treasury guidance: The Green Book [here](#).

<sup>51</sup> Slide 43 and 47 (respectively) of BDRC published slide pack

report an unwanted loss of service. There is also evidence that consumers are confused by or unaware of notice periods. Around three in ten (29%) cross platform switchers could not recall whether they had a single notice period for all their services, separate notice periods for individual services or whether a notice period applied at all.<sup>52</sup> Our qualitative BDRC research also found that many respondents reported a lack of clarity with respect to contract terms and notice periods; there was a mixed understanding both on whether they were required to give notice and on the length of the notice period.<sup>53</sup>

A8.31 Where cross-platform switchers make use of the process that would be put in place by our reforms, we propose that both of our options would reduce double paying. Both would transfer responsibility for the co-ordination of the start of the new service and the stop of the old service from the consumer to the new provider. Both would also prevent the switcher from being charged by the old provider after the date on which they start receiving their services from the new one. This should result in double paying for no more than one day (on the day of the switch). Where cross-platform switchers choose not to use any process put in place, we would expect no change in the amount of double paying.

A8.32 We provisionally calculate the total benefits from a reduction in double paying as set out in figure 3 below.

**Figure 3: Steps to calculate benefit from reduction in double paying**

Number of switches		Step 1	Step 2	Step 3	Step 4			
Number of CPS (HH)	X	Proportion of switchers using process (%)	X	Incidence of double paying (%)	X	Reduction in number of days double paid (days)	X	Amount double paid (£/day)

A8.33 The number of cross-platform switchers that would make use of Option 1 and Option 2 is discussed above at paragraphs A8.5 to A8.13. Based on an average incidence of double payment of 21% we estimate that between 9.5% and 13.7% of cross-platform switchers would benefit from reduced double paying under Option 1 (EC&R) and 14.7% under Option 2 (GPL).

A8.34 We propose that those using either process would benefit from an average reduction in the duration of their double payment of 13 days.<sup>54</sup> Based on the analysis set out above in paragraph A8.25, we estimate that the average payment is £1.52 per day.<sup>55</sup>

A8.35 This would result in a total annual benefit of between £1.7m and £2.4m for Option 1 (EC&R) (£14.4m to £20.8m based on a 10 year NPV) and £2.6m (£22.4m based on a 10 year NPV) for Option 2 (GPL) as a result of reduced double paying.

<sup>52</sup> Slide 49 of BDRC published slide pack

<sup>53</sup> As set out in Section 3.

<sup>54</sup> i.e. from an average of 14 days to 1 day.

<sup>55</sup> Ideally we would use weightings based on the services consumers had switched from to assess the size of the double payment. We used weightings based on the services cross platform switchers had switched to because the 'switching to' survey data provided to us was more detailed than the 'switching from' data. We expect that most switchers will be moving to a better deal and so our approach will understate the value of double paying for most switchers. For those switchers that have switched to a triple play service and did not previously take pay TV we may overstate the double payment.

## Summary – double paying

A8.36 Overall, steps 1, 2, 3 and 4 result in a provisional calculation of the annual benefit from reduced loss of service as summarised in Figure 4.

**Figure 4: Benefit from reduction in double paying**

	EC&R (low)	EC&R (mid)	EC&R (high)	GPL
No of CPS	884k	884 k	884 k	884k
Step 1: % using co-ordination service	45%	55%	65%	70%
Step 2: % of switches benefiting from reduction in double paying	9.5%	11.6%	13.7%	14.7%
Step 3: Reduction in number of days double paid	13	13	13	13
Step 4: Value of double paying per day	£1.52	£1.52	£1.52	£1.52
Total annual benefit	£1.7m	£2.0m	£2.4m	£2.6m
Total benefit (10 year NPV)	£14.4m	£17.6m	£20.8m	£22.4m

## Time savings from an easier switching process

A8.37 Our proposals are designed to reduce the time and effort needed to switch by making the switching process easier for consumers. Our benefits quantification focuses on one part of this: the time savings that would be delivered by our proposals. Our provisional quantification does not measure all of the benefits of making the process easier and therefore our quantitative assessment would understate the benefit.

A8.38 As a starting point in our analysis we look at the available evidence on how consumers currently switch their services and the time it takes them. We use this as a proxy to measure the benefits to consumers from an easier switching process. We then look at how this would change under Option 1 (EC&R) and Option 2 (GPL) respectively.

### Time taken to switch under current switching arrangements

A8.39 Cross-platform switchers currently use a variety of channels to contact their old provider and tell them that they want to cancel their old service. Our quantitative BDRC research found that 88% of cross platform switchers that contacted their old provider did so by phone.<sup>56</sup> Other means of contacting the old provider included

<sup>56</sup> Slide 63 of BDRC published slide pack.

email (13%), web chat (5%), web form (3%) and letter (2%).<sup>57</sup> This was broadly confirmed by data from providers.<sup>58</sup>

A8.40 Not all switchers contact their old provider in order to cancel their service. Our quantitative BDRC research suggested that 77% of cross-platform switchers contacted their old provider, and those who didn't seemingly used alternative methods of cancelling their service.<sup>59</sup> We were also told by [ ] that "not all customers leaving [ ] contact us to cancel their subscription – [ ] of customers leave [ ] by simply cancelling their direct debit".<sup>60</sup>

A8.41 Data provided by [ ] showed that, on average, 19% of cancellations are due to defaulted payments.<sup>61</sup> This will include both switchers that have chosen to end their old service by cancelling their direct debit as well as people that are not switching to a new service (e.g. people that are unable to pay their bills). Consequently, the number that switch by cancelling their direct debit must be less than 19%.<sup>62</sup>

A8.42 The time it takes a switcher to cancel their old service will vary depending on the communication channel used:

- We asked providers for data in relation to the time spent by consumers calling to cancel their service. On the basis of the data provided we estimate that consumers currently spend an average of 13.8 minutes on the phone to cancel their old service (roughly 1.6 minutes is time spent navigating an IVR or on hold, and 12.2 minutes is time spent interacting with a customer services agent).<sup>63</sup>
- Consumers currently spend an average of 28.6 minutes cancelling by webchat (1.9 minutes is spent connecting to a customer service agent, and 26.7 minutes from connection to the agent to the end of the webchat). However, it is not clear that consumers spend all of this time engaging with a customer service agent as webchat can be undertaken in bursts while undertaking other activities.

A8.43 We have made what we propose are reasonable judgements about the time taken to complete the other elements of a switch for phone and webchat:

- We assume that it takes a consumer roughly one minute to find the old provider's customer services telephone number. Therefore, overall we assume that it currently takes a switcher 14.8 minutes to cancel their service by phone.

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<sup>57</sup> Slide 63 of BDRC published slide pack.

<sup>58</sup> [ ]

<sup>59</sup> 77% is based on individuals who said they contacted their losing provider when they switched as well as those who implied they did so in other responses (based on responses to questions QC1A, QE1, QE3 and QF1 from the quantitative BRDC research).

<sup>60</sup> [ ] <http://stakeholders.ofcom.org.uk/binaries/consultations/consumer-switching-cfi/responses/Sky.pdf>

<sup>61</sup> Simple average of [ ] including ORS, CPS, home moves and cancellations for all triple play services (including pay TV). [ ] has been excluded as we do not have the relevant data.

<sup>62</sup> Some cross-platform switchers can use the porting process to switch and follow a GPL-like process. In this case they do not need to contact their old provider as their old service is automatically cancelled when they port their number. We do not have robust analysis to determine incidence levels.

<sup>63</sup> BT, Virgin, TalkTalk and Sky provided this data. The number is a weighted average based on the proportion of total disconnections of each provider. We have removed [ ] which accounts for the wrap/after-call time of the agent.

- We have added one minute to the time taken to cancel by webchat for the consumer to find the appropriate provider’s webpage. This leads to a final estimate time to cancel by webchat of 29.6 minutes.
- We have added a minute of customer service time for the agent to deal with after-call work after a phone cancellation.<sup>64</sup>

A8.44 We do not have any data on the time it takes to cancel by email, letter or cancelling a direct debit. Some providers told us that they will usually try and contact consumers that have cancelled their direct debit to understand why. Providers do not always offer the option of cancelling by email/letter or will do so only after a verification call with the provider. Consequently, many consumers that cancel by direct debit, e-mail or letter are likely to have a phone conversation in any event. As an approximation we have assumed that it takes as long to cancel by these channels as by phone.

A8.45 In the table below we summarise the assumptions we have made based on the evidence described above. We include the customer service agent time taken as these assumptions are included in the cost model prepared by Cartesian.

**Figure 5: Summary current time taken to cancel**

Channel	Proportion using channel	Customer time taken	Customer service agent call time*
Phone <sup>65</sup>	80%	14.8m	12.2m
Direct debit	15%	14.8m	12.2m
Webchat	5%	29.6m	26.7m
<b>Average weighted time taken (mins)</b>	<b>15.5 m</b>		

\*Not including post call work

### Time saving under Option 1 (EC&R)

A8.46 As set out in Section 4, Option 1 (EC&R) would provide switchers with new alternatives for cancelling their old service in order to switch provider. These include an IVR, online cancellations and more widespread availability of webchat.<sup>66</sup>

<sup>64</sup> This is based on data we received from [3<] that wrap/after-call time lasted for an average of [3<] seconds.

<sup>65</sup> Also includes email and letter as we expect these channels to take a similar time to cancel as phone.

<sup>66</sup> We expect Option 1 (EC&R) to save consumers time in other ways. For example, providing switchers with information about the implications of switching on their bills may avoid the need to call their provider. The option to have the provider manage the switch may avoid the need for consumers to make calls if a problem arises during the switch. We have not quantified these time savings.

A8.47 We would expect some switchers to divert to these new channels in future. There is evidence of demand amongst switchers for a quick and easy communications channel to cancel their service:

- The quantitative BDRC research indicated that 19% of cross platform switchers experienced a major difficulty and 55% experienced at least one major/minor difficulty when either contacting their old provider, cancelling their service and/or as a result of their old provider trying to persuade them to stay.<sup>67</sup> Given these difficulties we might expect these switchers to use the IVR or online web form provided under Option 1 (EC&R).
- We asked switchers about their preferred method of contacting their old provider to cancel. 58% said that they would prefer to cancel by phone and there was demand for channels that do not require interaction with an agent (for example, 30% of switchers said that their preferred method of cancellation would be email or web form).<sup>68</sup>
- The fact that some consumers choose to cancel their service by cancelling their direct debit (see paragraph A8.40) indicates a preference for methods that do not require interaction with an agent or time on the phone.

A8.48 Taking account of all these figures, we propose to make the assumption that 25% of switchers would make use of the IVR and web form provided under Option 1 (EC&R). This figure is somewhat lower than the percentage of customers who have stated that those are their preferred options and so we consider that this assumption is conservative. These consumers would make a time saving as we expect the methods to be quicker and easier than cancelling by phone, direct debit or webchat. The IVR and web form are new processes and so it is difficult to predict how much time might be saved by these switchers. We make an assumption that the new methods would take half of the time of existing methods (excluding the minute that we assume all consumers, regardless of switching method, require to find the correct contact details), so that, on average, switchers would save 7.3 minutes if they substitute to IVR or web form. However, given the uncertainty around this parameter, we have assumed a wide range for this value, so that, in our low scenario only a 25% time saving is made and in our high scenario a 75% time saving is made.

A8.49 Option 1 (EC&R) would also make webchat more widely available and the quantitative BDRC research on preferred methods of cancellation suggests that an additional 5-10% of switchers might use this channel. We consider that switchers that divert to webchat would benefit from the use of a method that is better suited to their preferences for interacting with their provider. We do not include a change in time taken for these switchers.<sup>69</sup>

A8.50 Whilst we expect switchers to make time savings using our new cancellations channels, some aspects of Option 1 (EC&R) may add to the time it takes to switch

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<sup>67</sup> Slide 22 of BDRC published slide pack. Bespoke analysis of BDRC research.

<sup>68</sup> Slide 15 of BDRC published slide pack. Bespoke analysis of BDRC research.

<sup>69</sup> We note that the duration of a webchat is greater than that of a phone cancellation. However, we do not include a dis-benefit from those switchers opting for webchat for two reasons. First, time-savings are a proxy for the benefit to consumers of a preferred cancellation channel. As those who opt for web-chat do so because they prefer it to telephone cancellations, it is counterintuitive that they would have a dis-benefit from this change. Second, the total duration of a webchat may overstate the actual time taken as consumers may be able to multi-task during the webchat.

provider. In particular, under Option 1 the new provider must take some time to discuss whether the switcher would like to have the switch co-ordinated on their behalf. For those that make use of this service there will need to be some time taken for the new provider to collect information from the switcher to make sure the right account is switched. We assume that each of these processes takes one minute to complete. As a consequence, under Option 1 (EC&R), the conversation with the new provider is one minute longer for all switchers and two minutes longer for those that make use of the co-ordination service.

A8.51 We assume switchers spend their leisure time arranging their switch. We therefore value the net time savings as a result of our reforms based on a value of non-working time of £6.93 per hour.

A8.52 Figure 6 summarises our methodology for calculating the value of the impact on the time it takes to switch under Option 1 (EC&R).

**Figure 6: Steps to calculate benefit from time savings under Option 1 (EC&R)**

		EC&R (low)	EC&R (mid)	EC&R (high)
No of CPS	Number of CPS (HH)	884k	884k	884k
Step 1	% of switchers using IVR/ online	25%	25%	25%
Step 2	Average time saved (mins)	3.6	7.3	10.9
Step 3 <sup>70</sup>	Weighted average extra time taken to complete joining (mins)	1.45	1.55	1.65
Step 4	Value of time (£/min)	£0.12	£0.12	£0.12
Total annual benefit	£(thousand)	-£55k	£27k	£110k
Total benefit (10 year NPV)	£m	-£0.5m	£0.2m	£0.9m

A8.53 Applying this methodology to the above figures, overall we propose that the changes that would be brought about by Option 1 (EC&R) would result in net time savings for switchers of between -£55 thousand and £110 thousand per year, or -£0.5m and £0.9m based on a 10 year NPV.

<sup>70</sup> This is the weighted average time taken. All switchers will incur an extra minute of time to discuss whether they would like their switch co-ordinated by the new provider, those that say yes will also incur an extra minute for asset validation. This average therefore varies depending on the proportion we expect to make use of the co-ordination service in the scenario.

## Time saving under Option 2 (GPL)

- A8.54 Option 2 (GPL) would remove the need for switchers to contact their old provider to cancel their old service.<sup>71</sup> However, evidence from our quantitative BDRC research suggests that many switchers that have been through a GPL process still call their old provider. As set out above in paragraph A8.8, 68% of Openreach switchers did not cancel their previous service themselves and made use of the GPL process.<sup>72</sup> However, Openreach switchers also contact their old provider for a variety of other reasons, including: to ask their old provider for a better deal, to find out about the implications of switching and/or to ask about the steps they need to take to switch.<sup>73</sup> In total, around 60% contact their old provider when switching.<sup>74</sup> Consequently within the Openreach platform, where a GPL switching process is already available, the evidence suggests that at least 40% of switchers go through the switching process without making contact with their old provider.
- A8.55 We therefore base our assumption regarding the number of calls that would be avoided under Option 2 (GPL) on the c. 40% of Openreach switchers that appear to avoid contact. However, we regard this assumption as conservative because we would expect that a higher proportion than this would avoid a call to their old provider under Option 2 (GPL) in practice. For example, Option 2 (GPL) would include requirements to provide information on consumer bills about the implications of switching, which should avoid the need for many switchers to call to find out this information. Having both cross-platform and Openreach switchers using a similar (i.e. GPL) process may also reduce consumer confusion about the steps they need to take to switch, again removing the need for some calls.
- A8.56 We use the average time switchers currently spend cancelling their service from figure 5 (15.5 minutes) to calculate the amount of time that switchers would save when they avoid a call under Option 2 (GPL).
- A8.57 Some aspects of Option 2 (GPL) may add to the time it takes to switch provider. In particular, under Option 2 (GPL) the new provider would be required to inform switchers that there may be implications of switching and inform them that this information is available on their bill or via their old provider. For those that make use of this process, there would also need to be some time taken for the new provider to collect information from the switcher to make sure the right account is switched. We assume that each of these processes would take one minute to complete. As a consequence, under Option 1 (EC&R) the conversation with the new provider would, we reckon, be one minute longer for all switchers and two minutes longer for those that make use of the GPL process.
- A8.58 As is the case under Option 1 (EC&R), we assume switchers spend their leisure time arranging their switch and value the net time savings based on a value of leisure time of £6.93.

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<sup>71</sup> We expect Option 2 to save consumers time in other ways including through information about implications of switching on bills and time saved due to the provider managing the co-ordination of the switch. We have not quantified these time savings.

<sup>72</sup> Slide 8 of the BDRC published slide pack. Based on bespoke analysis.

<sup>73</sup> Slide 57 of BDRC published slide pack.

<sup>74</sup> Slide 55 of the BDRC published slide pack.

**Figure 7: Steps to calculate benefit from time savings under Option 2 (GPL)**

		<b>GPL</b>
<b>No of CPS</b>	Number of CPS (HH)	884k
<b>Step 1</b>	% of switchers no longer calling old provider	40%
<b>Step 2</b>	Average time saved (mins)	15.5
<b>Step 3<sup>75</sup></b>	Weighted average extra time taken to complete joining (mins)	1.7
<b>Step 4</b>	Value of time (£/min)	£0.12
<b>Total annual benefit</b>	£(thousand)	£461k
<b>Total benefit (10 year NPV)</b>	£m	£4.0m

A8.59 On this basis, overall we provisionally calculate that the changes brought about by Option 2 (GPL) would result in net time savings for switchers of £0.5m per year, or £4.0m based on a 10 year NPV.

<sup>75</sup> This is a weighted average. All switchers incur an additional minute to receive information about the possibility of implications of switching. We assume 70% of switchers would make use of GPL and so would also take an additional minute to go through asset validation.