



Making Switching Easier: Executive Summary of Ofcom's Statement

A summary of Ofcom's Statement and Consultation on switching
for landline and broadband providers

Introduction

Ofcom and Making Switching Easier

Ofcom is the UK's communications watchdog. We watch over everything from television and radio broadcasting to mobile and landline phone services.

One of our many roles is to protect consumers and encourage healthy competition among phone and internet providers. If there are several companies out there wanting your business, they should want to out-do each other with better services and keener prices. And that's good for us all as customers.

However, there can be problems. Even if you know where you can get a better deal, actually making the move can turn out to be a lot of hassle – and that puts people off changing providers.

At Ofcom we've been looking into the whole process of switching landline and broadband services. To date, these are the two areas where the worst problems have cropped up.

This Statement sets out our views on how we think switching can be improved for consumers and for competition, and asks for your comments on further measures we are proposing.

This document is a summary, but for the full Statement please go to:
<http://stakeholders.ofcom.org.uk/consultations/consumer-switching-review/>

Switching: an overview

The freedom of consumers to take their business where they choose sits at the heart of all healthy competition.

If making a switch isn't a simple process, this harms competition and also puts off new providers from coming into the market.

At Ofcom, we want to make sure that consumers feel able and confident to switch when it comes to their phone and broadband services.

In particular we want to make sure that:

- switching those services is easy and hassle-free;
- the switching processes don't stop providers competing with each other to deliver lower prices, greater choice, innovation and good value; and that
- consumers are protected from being switched against their will.

Ofcom therefore launched a consultation in 2012 to ask everyone involved how things could be improved.

Our focus has been on the switching processes between providers on the Openreach network¹.

This single infrastructure supports the largest number of suppliers, and switches, of phone and broadband services. This is where we have identified that most harm to consumers arises.

Although Openreach is one network, there isn't a uniform system of switching. Different systems have evolved over the years, with some aspects regulated under Ofcom's General Conditions (GCs). Each switch involves a complex technical co-ordination between the 'gaining provider' (the GP) who has won the customer, the 'losing provider' (LP) who has lost the customer, and Openreach.

¹ This is the network used by the vast majority of communications providers in the UK. The aspects of the Openreach network that interest us are the services delivered over the copper telephone lines, including services provided using fibre to the cabinet.

What are the problems?

In the 2012 Consultation we set out our ideas on how to improve the switching process over the Openreach network.

We favoured a gaining provider-led system (GPL) system, together with a third party verifying that each switch had actually been requested by the customer. This was consistent with our strategic review of switching in September 2010. Our conclusion then was that, in general, GPL systems were preferable to LPL systems (where consumers have to contact their losing provider first).

The consultation prompted a wide range of responses and showed that there is no consensus among the industry on a clear way forward. The consultation also led us to analyse certain areas further. This revealed that consumers face some significant problems when it comes to switching. These include:

- **A patchwork of processes.** Different systems are leading to confusion, and often the consumer cannot see or understand why a particular process is used. Also, communications providers (CPs) can find it hard to give their customers definite information on how to switch.
- **Difficulty and unnecessary costs.** Losing providers (LPs) have no incentive to make it simple for a customer to switch away. For some broadband switches, the LP-led Migration Authorisation Code process (LPL MAC) results in delays, increased costs and unwanted pressure on the consumer to change their mind.
- **Leaving consumers in the dark.** There is often a lack of full and unbiased information on the implications of making a switch.
- **Being switched against your will (or 'slamming').** This remains an issue, although a fall in cases (to around 84,300 households in 2012/13) suggests enforcement action is having an effect.
- **The wrong line being switched.** Around 118,700 households were affected by the wrong line being switched in 2012/13, often as a result of the wrong address being targeted in a home move. These 'erroneous transfers' (ETs) account 46% of switches without consent and we have identified various causes and a number of possible solutions.

- **Loss of service.** A significant number (20%)² of people switching suffer a loss of their service for a period. This is mainly where a bundle of fixed line voice and broadband services is involved.
- **System problems.** Different wholesale services can be used to deliver landline and broadband services. Where the wholesale services are incompatible, consumers may be unable to use industry-agreed processes. Consumers can also face problems switching between different networks.
- **'Reactive save'**. In a losing provider-led (LPL) process, LPs can use the fact they know that a customer wants to switch away to offer 'reactive save' inducements to keep them. This risks dampening normal competition.

² This increases to 31% when loss of service due to home moves is included.

Our assessment and conclusions

It is clear that switching currently has a number of problems which make life difficult for the consumer. This risks putting people off switching their services and harms healthy competition.

In our 2012 Consultation we said that finding the right way forward is a question of judgement; balancing the treatment of different issues and evidence of harm against each, and against the costs for consumers and the industry.

We believe that there are broadly three options for addressing switching's problems:

- keeping the existing GPL and LPL processes and making a series of improvements to them;
- moving all processes to a harmonised GPL process, by either:
 - improving the existing GPL Notification of Transfer process (GPL NoT)³, referred to as 'Enhanced NoT' in the 2012 Consultation; or
 - creating a new GPL process based around a hub and database solution (i.e. a new database of consumer data, and a hub to help exchange information between providers);
- or focusing on a new LPL process.

Conclusions

Our first conclusion is that we should move to a single harmonised switching process.

Having multiple processes is a root cause of many of the problems experienced by consumers, and maintaining separate processes does not in itself produce any benefits for them.

The next question is whether this harmonised process should be under a GPL or LPL approach. In making that call, respondents to our consultation

³ The GP informs the LP on behalf of the consumer in order to organise the transfer. The consumer receives notification letters from both communications providers (CPs) 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 of, or have not given their consent to, the attempted switch.

reminded us that many people actually have a good experience when they switch, in a market that is broadly competitive.

Recent Openreach data shows that, of those who use the industry agreed processes, around 90% of switches currently go through the GPL NoT process and around 10% go through the LPL MAC process. The industry is also making efforts to improve the GPL NoT process.

So harmonising to a GPL process is likely to be the less disruptive option for consumers, industry and competition.

The strengths of a GPL solution

Against that background there are two key issues which strongly support adopting a GPL solution.

First, we believe that LPL processes lead to higher switching costs for consumers, both financial and in terms of difficulty. Under LPL, consumers have to go through a process with their losing provider – who by definition has little incentive to help customers leave them. An LPL process would be likely to create significantly poorer customer experiences when, in contrast, the existing GPL process supports a positive experience.

Second, harmonising to an LPL process would pose a significant threat to competition because it leads to activity known as ‘reactive save’. This is when LPs launch targeted special offers to customers thinking of leaving them. And under the LPL process, LPs are notified about every customer who is intending to switch. Although an individual customer in that situation may get a better deal, reactive save may make providers less likely to keep their prices competitive for the majority of customers who don’t switch. It also makes it more difficult for smaller providers and new entrants to challenge the bigger players, and risks weakening the incentive of existing providers to compete against each other.

The majority of switches currently go through the GPL NoT process, under which ‘reactive save’ activity is banned. We think that a reversal into a 100% LPL process could put today’s competitive market at risk. In contrast, a GPL process is likely to promote competition.

When we assessed the other switching problems faced by consumers, the evidence does not point to an LPL solution there either.

- Although in general LPL processes do provide better protection against slamming than GPL, this issue is not as widespread as we first thought. We also think that better record-keeping by the CPs would reduce this problem under the GPL options. Therefore, we don’t think that reducing

slamming is an argument for favouring a more intrusive intervention such as a harmonised LPL process.

- We consider that the GPL options can reduce the large number of ETs associated with home moves more effectively than the LPL options.
- We believe that both GPL and LPL options are able to address the problem of loss of service. So although the issue needs some attention, it doesn't lead to us support one process over another.
- Similarly, the (more limited) issue of lack of awareness of the implications of switching can be largely addressed by both GPL and LPL options.
- The problem of a lack of platform neutrality does not favour an LPL solution over GPL, although we do see some challenges with addressing this in the future under Enhanced GPL NoT.

When it comes to costs, we see no case for LPL processes there either. Our analysis is that they are unlikely to have a cost advantage over a GPL approach.

Our decision: a harmonised GPL NoT process

Having looked at everything in the round, we have decided to move to a harmonised GPL NoT process.

The next question is therefore to consider the appropriate GPL process. We have needed to take into account other difficulties that would come with a wholesale change to the existing process.

Ofcom has the power to impose GCs in order to regulate processes, but even if the industry were in full agreement on the way forward there would still be significant logistical challenges in delivering a new GPL option. And as we know from the responses to our 2012 Consultation, there is no industry consensus at the moment.

There are other considerations as well. We are conscious of the need to act promptly, to minimise the harm we have identified and to deliver benefits to consumers quickly.

We also need to target our intervention at cases where action is needed, and provide regulatory certainty to industry.

Moving forward in two stages

Having weighed up all of these factors we believe the best way forward lies in a two-stage approach.

Stage 1: 'GPL NOT+'

There are both timing and implementation risks that would come with the full Enhanced GPL NoT option, and with GPL options based around a hub and database.

We therefore think the best way forward is to adopt particular elements of the Enhanced GPL NoT process which can deliver benefits in the short-term. We're calling this proposed solution 'GPL NoT+' because it builds on the existing GPL NoT process.

Specifically, we propose to put the following improvements in place:

- require providers to keep a mandatory record of consent, to protect against slamming;

- to make it mandatory to use systems and processes to minimise loss of service when switching bundles;
- require providers to give better information on the implications of switching; and
- make some best-practice elements of the working line takeover (WLT) process⁴ mandatory to address the impacts of the wrong line being switched. We're focusing on two points in particular: that providers place WLT orders only where they have an exact match for the line, and that they notify end-users, via letter or email, that their line is due to be taken over.

We are consulting on these enhancements and the changes to the GCs needed to put them into effect. We aim to publish a final statement on this in early 2014, with the changes being implemented later in the year.

We consider that implementing GPL NoT+ will promote the interests of consumers by:

- ending the confusion and difficulties that come with multiple processes;
- ending the LPL system, which will make sure that the switching process works in consumers' interests, and that if they wish to switch they can do so easily;
- improving information to put consumers fully in the picture about the implications of a switch;
- strengthening Ofcom's ability to act against providers who deliberately switch consumers without their consent;
- reducing the number of wrong lines being switched; and
- addressing the loss of service suffered during switching, particularly for bundles of fixed voice and broadband services.

Stage 2

In a second stage of work we will consider whether there are further elements of the Enhanced GPL NoT process that should be made mandatory, or whether it would be proportionate to proceed to a hub and database solution.⁵

⁴ WLT is used for home moves to manage the transfer of the active line from the outgoing user to the incoming user.

⁵ We note that an assessment of a hub and database solution would include consideration of: the GPL Transfer Code system ('GPL TxC'), its variant involving a virtual database ('GPL TxC-V'), and an option that some industry

This will involve considering whether further changes are needed to address the key issues of:

- i) the wrong line being switched ⁶; and
- ii) the ability to extend the switching processes to include other technologies and networks.

On point i), we will work with industry stakeholders on three particular areas, to:

- tackle the problem of poor quality address data which has emerged as a major new root cause of the wrong line being switched;
- assess whether recent industry developments, such as the Metallic Path Facilities (MPF) Helpline, are doing enough to improve the visibility of key data which identifies the correct line to switch; and
- gauge whether the risk of errors due to future technologies such as Fibre to the Premises (FTTP) continues to remain low, or whether changes can be made if needed.

On point ii) above, we intend to look further at the possibility of developing different co-ordination systems across network providers. The aim is to make sure that consumers have a similar end-to-end experience of switching, whatever the background technology or wholesale service.

stakeholders (SSE, TalkTalk and the Federation of Communication Services ('FCS')) submitted to us in June 2013 (discussed in Annex 14 of the full Statement).

⁶ This occurs when the GP is unable to identify the correct line to switch, and switches another consumer's line in error.

Next steps

We are now consulting on the first stage of improving the switching process, and the five 'GPL NoT+' enhancements we are proposing to make.

To take part, please respond by October 2nd and see below:

<http://stakeholders.ofcom.org.uk/consultations/consumer-switching-review/howtorespond/>