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Dear Jasminder

Consumer switching – mobile services and options for process reforms

SSE is a competitor in the fixed line retail communications market providing services based on available wholesale products. We welcome Ofcom's continuing work on consumer switching processes and have contributed to previous consultations on this topic as well as to the group dealing with the recent implementation of harmonised gaining provider led (GPL) switching of fixed-line broadband services on the BT and KCOM copper access networks. We make some general points below, while Appendix 1 contains our comments on the specific consultation questions and Appendix 2 the Ofcom consultation cover sheet.

Support for Gaining Provider Led switching

SSE has always supported GPL switching arrangements for retail products and would like to see this extended to mobile services, where current switching processes are either losing provider led (LPL) if number porting is required or 'cease and re-provide' (C&R) if number porting is not required, which still involves some contact with the LP. We have previously provided Ofcom with evidence of how a LPL approach to the switching of a product reduces the conversion rate from successful sales to actual orders placed, which clearly affects the ability of competing firms to gain customers and hence the dynamics of sustainable retail competition in the market.

Fixed and mobile bundling: expectations and consequences

Mobile services are a significant part of the mix of communications retail services that are purchased by citizens. With their different characteristics, they are unlikely to become widespread substitutes for each other and thus, most citizens will take both services. Ofcom mentions the prospect of 'quad-play' bundles at paragraph 1.18 but we are already beginning to see bundles with mobile services being offered that only involve one or two other communications products and the prospect of the BT-EE merger makes these more likely to gain ground, in our view.

From the perspective of the retail customer, their convenience would dictate that mobile switching should evolve towards the harmonised GPL switching arrangements that have already been developed for fixed line services. We believe this would reflect customers' expectations before they engage with mobile switching processes and we would encourage Ofcom in the course of its review of mobile switching to look at the retail mass market in a holistic manner and recognise the force of these collective customer expectations.

The other impact of bundles where one or more elements switch via an LPL process is that the lower conversion rates of the LPL element affect the whole bundle. This is an important consideration for mobile switching since a continuing LPL switching approach for mobile services would have the same dampening effect on overall switching rates if mobile services are bundled with fixed line phone or broadband services, as discussed above.

Support for independently run switching systems

We were interested to learn that a Central Porting System (CPS) is in use to manage issuing of the Porting Authorisation Codes (PACs) required to allow customers to port their mobile number at the time that they switch their mobile service under existing switching arrangements. The consultation notes that this is run by Syniverse on behalf of all mobile operators and we would expect that it is available to the mobile virtual network operators (MVNOs) as well. It is encouraging that such independently run systems already exist in the mobile market as this provides the benefits of a standard approach across the industry. It also provides a foundation for industry owned and proportionately funded governance, which would give confidence to market participants that systems are capable of being maintained and developed in a transparent manner as the market evolves. We would hope to see a continuing role for such independently run switching systems as mobile switching processes evolve and that this approach could be built on for wider harmonisation of communications retail product switching in due course.

Wide membership for groups implementing amended switching processes

We note that Ofcom is already in discussion with the mobile companies about reforms to the current switching processes and that, according to paragraph 1.15, a working group may well be established to carry out more detailed work if a consensus emerges on how to progress this aim. We agree that changes to market processes do need involvement from industry participants on a formal basis and would urge Ofcom to widen participation in the proposed working group to include representatives from the fixed line market, bearing in mind the development of service bundles that cover the two markets, as discussed above.

Many fixed line only service providers have been involved in the recent implementation process for harmonisation of copper-access broadband to a GPL switching basis. Representation from this sector of the wider market would enable constructive challenge and the drawing on 'lessons learnt' from the earlier implementation process as well as allowing the mobile switching process to develop in as similar a manner as possible to the existing harmonised fixed line switching process. As discussed above, this would help to meet legitimate customer expectations and allow development towards the UK Government objective mentioned in previous Ofcom statements on switching "to move to GPL processes for switching 'across the board', and to ensure consistent and effective experiences for consumers switching between bundles." SSE would be interested in participating in any formally constituted working group on this topic and believes that such groups are, at present, the best means of developing industry change in a controlled manner in the retail communications market.

I hope these comments are helpful and we would be happy to expand on any point as Ofcom develops its thinking on developing switching processes in the mobile market.

Yours sincerely

Aileen Boyd
Regulation Manager

Appendix 1

Response to consultation questions

Q1: Do you agree that current mobile switching processes impair the consumer switching experience through increased switching costs, coordination difficulties, loss of service, uncertainty of porting status or risks of unwanted save activity? What benefits do current processes deliver which would be difficult to achieve through alternative processes?

SSE agrees with Ofcom that current mobile switching processes lead to the types of consumer harm that are discussed in section 4 of the document. We believe unequivocally that a single GPL process would be an improvement on the current situation.

In Ofcom's consideration of the 2 options put forward in section 5, we note that the view is presented in figure 11 that GPL processes provide little benefit over LPL ones with respect to a consumer's awareness of the implications of switching. We disagree with this assessment as GPL processes can be designed to require the LP to provide specified information, as has been set out in the harmonised fixed line switching arrangements in General Condition (GC) 22.

In the context of the mobile market, it may be that text messages are a more natural medium for customer contact and we expect that a template of required information could be developed in a suitable format for text messages if this is favoured over the use of 'losing letters'. As Ofcom notes in paragraph 4.49, LPs do have incentives to provide vague or confusing information about the implications of switching when talking to a customer who has signalled their intention to switch. We believe it would be an improvement to current switching processes in mobile if the provision of certain information by the LP was mandated as a regulatory requirement, mirroring the GC22 requirements on this point. Ofcom's comments at paragraph 4.47 suggest that there may be a different set of items that need to be conveyed to the customer when switching mobile services compared to switching fixed line services.

As noted in our covering letter, we expect that mobile and fixed line bundles are likely to become established in the short to medium term. SSE believes it would help consumers and avoid a confusing experience for them if the regulatory framework developed such that a similar GPL process is put in place for mobile switching as already exists for fixed line and that the frameworks are developed to operate smoothly in conjunction with each other. For instance, in relation to the information from the losing provider discussed above, the LP could have the option to send one letter, if appropriate to the circumstances, to provide regulated information on the consequences of ending both the fixed line and mobile contracts.

Q2: What advantages and disadvantages could GPL switching processes offer, compared to current mobile switching processes? In particular, how important is it to make it easier for consumers to switch without being required to speak to their current provider?

SSE supports comprehensive use of GPL switching processes throughout retail communications markets. Ofcom's earlier work on switching arrived at the conclusion that the GP has the best incentives to ensure that the switch works smoothly for the customer. A major part of the considerations in designing GPL processes, therefore, would be to ensure

that the GP has full control of all the elements affecting the customer's experience during the switching process so that the GP's capability matches their incentives. The more this is achieved in GPL arrangements, the more successful they will be in achieving a trouble-free experience for the customer, in our view. Having a part of the switching process that requires the customer to contact their losing provider undermines the ability of the GP to control the switch.

As a small supplier seeking to gain market share, we have found "reactive save" opportunities built into the switching process (as happens under both LPL and C&R switching processes) damaging to our sales conversion rate, as discussed in our covering letter. This adversely affects competitive forces in the market and, ultimately, the range of products and services available to consumers. It also adds hassle, time and cost for consumers and Ofcom's own research, discussed at paragraph 4.29, shows that a proportion of consumers do not like having to contact their existing provider as part of the switching process. It is therefore a very important matter for SSE that consumers are not required by industry switching processes to speak to their current provider.

We consider the further advantages of a GPL approach under the headings of the various types of potential problems for consumers that Ofcom considers in section 4.

1. Consumer difficulty and unnecessary switching costs

We agree with Ofcom's earlier research showing that LPL switching processes are associated with higher switching costs for consumers. We expect the same conclusions to hold good in mobile since LPL elements, whether for the C&R process or where the consumer seeks to retain their mobile number, are entailed in switching services in this market.

2. Multiple switching processes

We agree with Ofcom that it is not a helpful or empowering environment for consumers when multiple switching processes exist. In the mobile market, there are incentives for gaining CPs to prompt the customer to use the C&R process rather than look to port their existing number due to the need for the customer to contact the LP before switching in that case. Thus, the alternative porting process may not be so widely known by consumers but may be more suitable for the needs of some. A single GPL process, which is able to be used whether or not the customer wishes to port their mobile number, would be preferable.

In our view, adoption of switching arrangements which have a similar, GPL front end for the consumer to engage with (though they may differ in detail behind the scenes in GP contact with LP) would do much to improve the information provision throughout the retail communications market, by GPs and advice agencies, on how a customer can arrange to switch any of their retail communications services.

3. Continuity of service

We agree with Ofcom that loss of service would more readily occur in mobile switching on the C&R route as the consumer tries to coordinate the start and stop times of their different services than the route whereby the number porting process is used. Ofcom

discusses, at paragraph 4.46, the residual reasons that may lead to loss of service using the porting process. Under a GPL process, it could be expected that the combination of a GP's knowledge of the process and the information required to be provided by the LP to the customer would lessen the impact of foreseeable technical issues affecting the length of time taken to transfer the service effectively.

As Ofcom notes, the other side of this coin is that a consumer can end up paying for two services which overlap in time in order to make sure that they don't lose service. The 'double-billing' issue clearly causes consumers some harm but is also a situation that arises where notice periods are longer than the industry transfer periods if relatively long notice periods (or payments in lieu) are enforced by LPs.

This does not seem to be an issue in fixed line switching where contractual notice periods have effectively evolved to match the transfer time of the relevant switching process so that the consumer does not need to think separately about this. We see no reason why similar arrangements should not be required by Ofcom in refreshed and improved mobile switching processes. In the situation of bundles of fixed line and mobile services, this anomaly would gain even greater prominence if it is not tackled as part of switching process reform. It is also worth noting that any remaining requirement for a consumer to contact their existing provider to 'give notice' at an earlier point than the start of the actual switching process in order to avoid double paying would bring an LP element and reactive save opportunity to future switching processes, even if these were nominally GPL.

4. Lack of awareness of the implications of switching

We have discussed this issue in our response to question 1. In relation to harmonised GPL switching processes on the Openreach and KCOM copper networks, LP notification letters are mandated to set out the implications of switching and we see no reason why this approach should not work for mobile service switching.

5. Insufficient customer consent

From Ofcom's comments at paragraph 4.52, we understand that switching without consent or 'slamming' has not proved to be an issue in other countries that use GPL processes for mobile service switching. This may be due to the greater involvement of the consumer in actively changing SIM cards on some types of transfer. As discussed in our response to question 4 below, we believe that the usual approaches to customer verification are likely to be effective for mobile switching.

6. Erroneous transfers

As above, we expect that the close links between device, mobile number and SIM card combine to make an erroneous transfer unlikely in mobile switching.

Q3: To what extent do you think the two options we have identified address the drawbacks with current processes we initially identified? Are there other options we should consider?

SSE supports GPL switching processes and considers that it should be perfectly possible to develop a GPL process for mobile switching that addresses all the drawbacks of the current

switching processes. We see no reason why there should not be a continuing role for the CPS in future GPL mobile switching processes, given its central, independent status and agree that there are many possible variants on exactly how the process could work. The detailed approach is probably best worked out in industry working groups and/or led by knowledgeable independent process design experts. Regardless of the detail of process steps ‘behind the scenes’ between industry participants, we suggest that the interactions involving the consumer should be as limited as possible and have a similar ‘look and feel’ to the interactions in which the consumer is involved to switch fixed line products under the harmonised process recently mandated under GC22. This will help to build consumer confidence in switching across the retail communications market and assist in the development of approaches to more general ‘bundle’ switching.

We do not support option 1 variants, which entail only improved PAC provision, as these continue the LPL switching mechanism, with the remaining elements of consumer harm that Ofcom has identified.

Q4: What mechanisms could these processes use to ensure that consumers are adequately verified, and protected from being switched without their consent or knowledge? What mechanisms could be employed for ensuring that consumers are adequately informed about the implications of their decision to switch?

We have discussed an approach to ensuring that consumers are adequately informed about the implications of their decision to switch in our response to question 1. While decisions on the exact detail and method of conveyance of the information needed by a consumer to make sure they are ‘adequately informed’ are best left to the working group developing the process, we suggest that the resulting information requirements can readily be prescribed, by analogy with the requirements set out for this purpose in GC22. The source of the information would be the LP and various options are available to ensure it is delivered in timely manner to consumers, bearing in mind the existence of statutory cancellation periods.

In relation to consumer verification, SSE suggests that a combination of normal consumer verification questions and technical industry data on mobile device/SIM card numbering could be used to verify consumer identity and intention to switch. We are unaware of the detail of how the CPS run by Syniverse currently works but its existence suggests that verification of the consumer is already entailed in these systems and that they could be built upon as processes change. For example, a customer’s mobile telephone number will be unique and an inbound telephone system should be capable of verifying that a customer is calling in on the mobile device on which he states that he wishes to switch service to another provider.

Barring situations of theft, therefore, a customer calling on the particular device whose service is to be switched will start the process of verifying their identity with the central system and protect the account holder from switching without consent. This technical approach could be supplemented by normal account holder verification questions, which should also capture situations of theft, with the GP then able to have data items identifying the customer/phone combination verified via the CPS so that any potential mis-matches of information detail can be further checked on an exceptions basis. We note Ofcom’s comment

that there is little evidence that 'slamming' is an issue in other countries with mobile GPL switching.

Q5: Do you have any comments on the indicative costs of the options we have considered in this document?

We have no particular comments on the indicative costs for the options to reform mobile switching considered in the consultation. We would agree that these should be at the low end of potential system development costs to the extent that they are amendments to existing systems that all mobile operators use.

Q6: Do you have any other comments in relation to the matters set out in this consultation?

We have made some points in our covering letter on the benefits of independently run market systems for switching and how this might be developed, in the case of mobile products, by building on the involvement of the independent party Syniverse running the current CPS. We would hope that this is a concept that can be extended further as Ofcom considers other aspects of switching such as bundles and other networks.

Similarly, we have suggested that there should be representation from fixed line only market participants at the formal working groups implementing change to mobile switching processes, due to their recent experience of a similar change process for broadband switching and interest in service provision of bundles across both fixed line and mobile retail markets.