

Response to Ofcom consultation: Telephone Numbering

James Thomas, 25 May 2006

Consultation Process

It appears somewhat confusing to have separate consultation processes for both NTS and Telephone Numbering, when there is so much common ground between the two. Amongst other things, this will tend to confuse ordinary people and make it as difficult for them to engage in the consultation process.

Response to questions posed by consultation document

Question 8

The proposal for an 03 non-geographic, non-revenue-generating number range is supported in principle.

Question 9

Sub-ranges within 03 are probably unnecessary given the convergence of local and national call costs, and also because no clear need exists to differentiate service type as callers will presumably know who/what they are calling when they dial the number.

Question 10

Consumers have poor awareness of 08 call costs (para 1.27). Therefore it is not clear why Ofcom are promoting a wide range of call costs across different sub-ranges within the 08 range. It does not appear necessary or desirable to have a very large range of prices for most call purposes. Such variability will make it very difficult for consumers to build up any sort of understanding of call costs.

The structure of 08 should contain a small number of top-level ranges (perhaps 4 or 5) each with a set price that is fixed between all operators. Termination charges for these calls may also need to be standardised to make these price controls achievable (this would be opposite to the approach currently being taken by Ofcom in relation to NTS interconnection arrangements, which seeks to liberalise termination rates).

For the fairly limited purposes for which a wider range of call costs are helpful, (e.g. for international calls, where the cost of providing the call will be highly variable) a particular sub-range could be adopted, for which the cost of calling would be fixed, and have to be advertised alongside the number, similarly as for Premium Rate numbers at present. Cost controls should apply across all fixed-line retail telephone providers (e.g. BT and NTL) and also on terminating operators to prevent them exploiting their position (see further comments below).

Question 16

Clarity should be introduced regarding whether the 05 range can be used for revenue sharing, any cost controls that will be put in place, and the purposes for which such numbers can be used. It may not be beneficial to consumers if the costs of 05 numbers exceeded those of 01/02/03 numbers when they are now starting to be used for purposes such as residential telephone services instead of geographic codes.

Question 17

The proposals for 08 numbers are not coherent. By introducing a wider range of chargeable bands it is likely to cause more scope for confusion amongst both consumers, and also service providers who may be 'mis-sold' numbers by telephone companies wishing to encourage the use of revenue-sharing numbers. The migration of many public sector organisations to 0845

numbers is an example, where such calls are still misleadingly being described and promoted as being 'local rate'. To end revenue sharing on certain 08 numbers (e.g. 0870) but not others (in particular 0845) is inconsistent and could harm both consumers and service providers.

Question 19

Within paras 5.91 and 5.92 it is unclear to what extent Ofcom are proposing to regulate the retail prices charged by service providers. Although the freedom to vary prices is important to promote competition, too much flexibility allows providers to exploit their position. In practice, consumers cannot reasonably make different types of call using a range of different providers, therefore any provider could selectively set high prices for certain calls whilst only advertising 'headline' cheap calls on certain ranges (e.g. 01/02) and this already occurs.

Revenue sharing numbers should arguably be regulated through limiting the termination charges that can be applied to the call, as this is where the effective 'monopoly' occurs in the chain. If termination charges are not controlled, then retail rates cannot be realistically controlled, as it becomes unprofitable to terminate calls at a certain fixed retail price. Again this relates back to Ofcom's arrangements for NTS interconnection which still seem to be a somewhat obscure area.

Question 34

Ofcom appears to identify the existing problems with customer perceptions of 08 numbers. However, such issues have been known about for several years and are largely caused by Oftel's conduct since 1997.

Question 35

It is agreed that Option 3 is the best of those options given, with 3(b) being preferred. However see comments below regarding use of terms "local" and "national" calls.

Question 36

Migration to 03 may be limited, as telecoms companies will not tend to promote these to service providers, due to the lack of revenue gained, especially if revenue generation is retained on 0845. One way of increasing migration would be to set a timescale for banning the use of any revenue-generating numbers by public bodies and other "essential services". However this is currently not within Ofcom's power to enforce, so it would have to work with other government agencies to agree such an approach.

Without a timetable for forced migration, it appears likely that the numbering system will get even more complex and unintelligible for consumers, as some operators take up new number ranges such as 03, whilst others continue to use (or adopt) 08 numbers, either to retain the ability to gain revenue, or to avoid the costs and inconvenience of migration.

Other comments on consultation

Use of terms "Local" and "National" call rates

It is not clear why Ofcom are suggesting that it might continue using the largely redundant terms "local" and "national", as suggested for Option 3(a) for example. Increasingly, the cost of national and local calls is very similar or identical under most consumers' tariffs, therefore it would seem appropriate to move away from these labels as they are now largely redundant. It would seem more sensible to assume that under most tariffs, a standard call rate will apply to all calls within the 01/02/03 number ranges.

Figures A2.1 and A2.2 use the term “Standard Local Call Retail Price” and “Standard National Call Retail Price”. However, paragraphs 4.21 and A2.6 (under second bullet) correctly clarify that the labels “local rate” and “national rate” are misleading, and that most callers no longer pay such rates (used for BTs so-called “Standard” tariff). Therefore it is not clear why these terms are still being used in parts of the consultation document.

0845 numbers – proposal to retain revenue sharing

In relation to the NTS proposals, I would comment that removing revenue sharing from 0870 whilst retaining it on 084x seems rather bizarre, as consumers do have a general appreciation that 084x calls are cheaper than 0870. It seems that this situation may now be reversed, if 0870 costs are held down to geographic rates whilst 0845 cost may stay higher than geographic costs and indeed increase further in the future.

As many service providers are (rightly) moving away from using the 0870 range, a strong focus is needed on 0845 numbers. These are now widely used as a relatively low-cost non-geographic range by organisations such as local councils, government departments, banks, various call centres. Many service providers using 0845 numbers are not using them to gain revenue, they are simply being used in the same way as proposed for the new 03 number range.

Therefore it may not be appropriate to amalgamate 0845 numbers within the 'chargeable services' range, as these numbers are used by many organisations that would not want to be seen as offering a 'chargeable service', whether this be public sector organisations, or private companies.

The reason contained within para A2.20 and A2.22 for not ending revenue-sharing on 0845 numbers seems unjustified. There would not appear to be great difficulty for the 0845 numbers used for dial-up internet to migrate to other ranges to allow revenue-sharing to continue. Certainly this appears to be less expensive than other types of service providers (e.g. public bodies and private companies) having to migrate away from 0845. By retaining revenue sharing, there is the anomaly of 0845 calls possibly costing significantly more than geographic and 0870 numbers, especially if Ofcom liberalises the charges that terminating operators can make for 0845 calls.

Paragraph 1.26 states that the original purpose of 08 services was “as a single point of contact for those businesses and public services which have a national presence”. Tellingly, it does not suggest that the revenue share (micro-payment) mechanism that exists was part of the original purpose of 08 numbers. This is because this charging ‘facility’ was in fact introduced by Oftel by stealth and without any clear justification or clarity until several years later.

Unfortunately the regulator (Oftel and Ofcom) has over several years allowed a messy situation to develop by allowing revenue sharing for 08 numbers, which means there is no easy solution. However, given the above points, it would seem most appropriate that revenue sharing on 0845 numbers be ended relatively soon. Otherwise there will be a strong incentive for the wide array of service providers using 0845 numbers to stay on 0845 and not migrate to the 03 range, and for new services to use 0845 (or other 08 numbers) rather than the new 03 number range.

Proposals for NTS interconnection arrangements

Although not included as part of this consultation, Ofcom are currently working to allow terminating operators to set their own termination charges for 08 numbers (being progressed through interconnection arrangements for NTS calls). This change could have significant effects on the adoption of, and cost of calling, NTS (08) numbers, and could potentially have a detrimental effect on price levels and price transparency. More transparency is needed on this issue.

Additional number capacity for 08 range

The focus on providing additional capacity for 08 revenue sharing numbers is perhaps misguided. Instead Ofcom should be encouraging the use of standard, non-revenue-generating numbers, a large number of which will become available through the proposed new 03 range.

Retail price controls

Virtually all individual consumer will subscribe to only one provider (e.g. BT or NTL, not both) and therefore there is scope for non-BT operators to exploit consumers by charging higher rates for various 08 calls than those set by Ofcom.

Higher charging already occurs for 0845 calls, which are charged at a higher rate by NTL than by BT. This situation is confusing to non-BT customers, as they may be paying more for calls than they expect. Therefore retail price controls should apply to all fixed-line operators.

Stated benefits of revenue sharing

Parts of the text under the second bullet in para A2.1 are questionable, in particular, the stated need for revenue-sharing to support services. This was never stated as the intention when 08 numbers were introduced and many 08 services previously used geographic (non-revenue-sharing) numbers. Additionally there is no reason to assume that the revenue gained will necessarily be used to reduce the cost of the service to consumers, although this may occur in some cases. There is however scope consumer detriment as the additional call costs to consumers outweigh the additional revenues gained by the service provider, with the difference being taken by the telecoms industry.

A wider and more open discussion of the effects of revenue-generating phone numbers on consumers is needed.

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