

Response to Ofcom Consultation on:

Mobile Number Portability - Porting Process

From
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This response is a collection of brief comments based on my experience of working on mobile number portability in various countries including Bahrain, Channel Islands, Ireland, Malta, Malaysia, Netherlands, Saudi Arabia, South Africa, UK. This work has included activities for regulators, operators and database suppliers.

This response does not represent in any way the views of the UK MNP OSG, which I chair, nor any of its members.

These comments are made from the perspective of what I would recommend as "regulatory best practice".

Some history

The condoc seems to imply that the UK process invented by the operators has always been donor led. The initial process was recipient led but was changed to donor led as part of a response to Oftel's concerns that the process needed speeding up and making more reliable. The change to donor led was made because incompatibilities between the information given by the subscriber to the recipient and passed to the donor did not match information held by the donor and so a relatively high proportion of requests were refused. Instead of improving the recipient led system, which works satisfactorily in other countries and works in UK for LLU and WLR, it was considered that it would be more efficient for the subscriber to interact directly with the donor to resolve these incompatibilities.

From memory, I believe that Oftel deliberately allowed time for winback in the process.

Thus from the perspective of the operators, a change from donor to recipient led or a prohibition of winback would be a change of policy by the UK regulator, although a change may be needed.

Overall context and interaction with other measures

There are interactions between three areas:

- MNP process
- Call routing to ported numbers and associated charging
- Mobile termination rates

Ofcom should provide a clear integrated roadmap for its treatment of all three areas.

The current situation in UK is one of the most complex and confused compared to other countries. This situation seems to have arisen because Oftel/Ofcom have worked initially from dealing with specific issues and expanded solutions to the general and have not addressed the general first. For example the current approach grew from decisions taken about the porting of fixed numbers from BT to Videotron.

There also seems to be reluctance to address issues initially in sufficient practical detail presumably on grounds of economic theory. This allows problems to develop and grow, and then over prescriptive measures are proposed to tackle the results. One example is the charging arrangements for calls to ported numbers. Another example is the inadequate practical detail in GC18, which fails to specify the maximum times for delivering PACs and has been compounded by the withdrawal of the functional specification as a means to address necessary details.

Where operators are being required to do things that they have no incentive to do and that require a number of separate actions for successful implementation, each action needs to be specified adequately or else there is scope for poor performance in one area to make the overall implementation unsuccessful.

Redacted information

In the consultation document, much of the critical information has been redacted such that the reader is not really able to form a clear view of the strength of the arguments. Some of this information such as which operators post PACs and some aggregated cost information surely need not be redacted? Whilst I understand that some further information is being provided to members of the former UK Porting this is means that the consultation is not fully public.

Benefits to subscribers who stay

Has Ofcom obtained information on the % of callers who accept a better offer and withdraw the PAC request? This would give some indication of the benefits that are accruing to subscribers who do not port but the information may be difficult to obtain.

Cost benefit analysis - ratios

Ofcom has calculated the figure for benefits minus costs but this is the subtraction of two fairly large numbers, which is always a dangerous activity in the face of any uncertainty. In assessing which option to choose it is useful also to examine the benefit to cost ratio, since, because there are some inevitable uncertainties in the figures, this gives a measure of the robustness of the option in the face of these uncertainties.

The following table is based on Table 12 page 64 and shows the benefit to cost ratios for the different options.

	Option A	Option B	Option C	Option D
	Recip led, instant	Donor led instant	Recip led 1 day	Donor led 1 day
Benefits relative to current status quo (max)	79.5	79.5	67.3	67.3
Benefits relative to current status quo (min)	46.1	46.1	32.3	32.3
Costs	43.5	39.2	37.7	13.8
Benefit to cost ratio (Ofcom) - max	1.8	2.0	1.8	4.9
Benefit to cost ratio (Ofcom) - min	1.1	1.2	0.9	2.3

These ratios should be taken into account as well as the absolute differences in benefits and costs.

Cost benefit analysis - "do nothing option"

The "do nothing" option in the CBA seems to be formulated wrongly. If Ofcom takes no action then the requirements planned by the EU for 1-day porting are still highly likely to come into effect. The current status quo will not remain if Ofcom does nothing. As I understand it, the purpose of the CBA is to predict whether Ofcom intervention will create a better outcome (benefits>costs) than no intervention. If Ofcom does nothing the future will change as a result of Europe and the change will be approximately identical to Option D. Therefore the CBA should explore what intervention will achieve given this scenario. The choices for Ofcom are:

- do nothing
- do Option D earlier than required by Europe, or
- do another option

but these options need to be compared against a future where the European solution is imposed.

Paragraph 2.45 says:

"This (EU) text is still provisional and could still change. However, since no further amendments have been tabled in relation to these provisions, we would expect that no material changes will be introduced, if the EU reforms go ahead. "

The probability of it going ahead must be about 90% therefore **the options for action by Ofcom should be assessed against the baseline of the European requirement of 1-day porting. This reformulation will make a very large difference to the results.**

The EU requirements are very similar to Option D although the timing may differ slightly. Ofcom is expecting implementation of its requirements during 2011 but the European implementation timeframe is 2011-2012.

To illustrate the effect of this change, let us assume that Option D is the same as the European requirements and so becomes the "do nothing option" and recalculate the other options using the existing Ofcom maximum benefit figures. To do this, one needs to subtract the benefits of Option D, which would be achieved anyway, from the benefits of the other Options. The costs should not necessarily be subtracted unless the work to satisfy the European requirements also contributes to meeting Options A-C. For this illustration let us assume that half the costs of satisfying the European requirements also help satisfy Options A to C.

	Option A	Option B	Option C	Option D New base
	Recip led, instant	Donor led instant	Recip led 1 day	Donor led 1 day
Benefits relative to current status quo (max)	79.5	79.5	67.3	67.3
Benefits relative to Option D	12.2	12.2	0	0
Costs	43.5	39.2	37.7	13.8
Costs less 0.5 * costs of D	36.6	32.3	30.8	
Benefit relative to Option D - costs	-24.4	-20.1	-30.8	
Benefit/cost ratio	0.3	0.4	0.0	

This completely changes the result and unless, after its further research, Ofcom identifies substantial additional advantages to the recipient led approach will lead to a totally different conclusion.

Nothing is 100% certain and an uncertainty factor for the European requirements could be introduced by weighting the above calculation against the Ofcom calculation with different probabilities, but if the probability of the European requirement remains high this will make little difference.

Improvements to existing system

Is Ofcom proposing to make improvements soon, eg to the time to issue a PAC, then later make more major changes? Is this part of or separate from the main options?

Willingness to pay for faster porting

The research is very interesting. Comparisons of porting times and porting rates in other countries do not show that longer times always depresses the porting rate. A distinction needs to be made between a subscriber's wish for the process to be as short as possible and a wish to know fairly accurately when the porting will be effected.

Was the willingness to pay assessed against the background of the current system with some PAC slowness and difficult telephone discussions, or was it more abstract? If it was against the current system then if the problems are eliminated the willingness for faster porting to pay may reduce.

Recipient led vs donor led

One of the main decisions presented is whether Ofcom should require a change from the present donor led process to a recipient led process. This seems to be an over simplification of the issues that Ofcom has helpfully presented in more detail elsewhere in its document. The main problems identified seem to be:

- a) The time taken for the whole process mainly resulting from the time taken to deliver PACs by post
- b) Nuisance to subscribers who just want a PAC when they are asked too many questions and given unwanted offers
- c) The competitive effects of permitting winback, which favours incumbents vs new entrants

Each of these problems can be addressed within a donor led system, for example:

- A maximum time or say 2 hours can be specified for delivering a PAC
- Questions relating to anything other than identity/authorisation can be prohibited when PACs are requested
- Winback offers can be prohibited as they are in some other countries

These changes would be possible at very low cost without changing to a recipient led process, although Ofcom would probably need to monitor compliance a little more closely than it does at present. These possibilities need to be considered more fully and distinctly and not lumped together with the presumption that they can only be implemented as part of a recipient led process.

The main benefit of eliminating winback is that it eliminates second chances to retain the subscriber and so maximises the incentives for service providers to provide low prices and good performance for all subscribers. Nevertheless if a leaving subscriber is asked if they would like an offer to stay, most would probably like to hear what the offer is.

Recipient led involves signing a form or having a recorded conversation to initiate the request formally and appoint the recipient as the legal agent to close the account with the donor. This will raise practical issues for smaller operators with few retail outlets and the time needed should probably be excluded from the overall timings, which would start when the formal request has been received.

Costs of the possible change to recipient led

Detailed information is not given on how the costs of the recipient led solutions are calculated. There are some 60 active service providers who use the PAC system. (The PAC system run by Syniverse deals at the service provider level not the operator level; exchanges between operators affecting call routing do not involve Syniverse) A change to recipient led will affect each of the 60 service providers and is likely to require changes to their internal processes. These costs should be included in any CBA.

A colleague has suggested that an option could be introduced, at least for business customers, to allow the subscriber to authorise the recipient to obtain the PAC for them so that the subscriber no longer needs to contact the donor. This would create recipient led porting without needing to make a major change to the current system. I think that this idea would be worth exploring further.

Costs to small operators

To what extent have the effects on new smaller operators been considered? Is porting possible (or enforced?) between all combinations of operators or only between large and large, and between large and small if the small operator demands porting? One of the weaknesses of the "user right" EU requirement for porting is that in theory it makes porting obligatory even between small operators and this increases the setup costs and testing.

A fast process may increase costs for small operators who would have to have someone available to handle portings all the time instead of handling porting in batches at a specific time of the day.

Porting at a specific time in the quiet hours

It may be worth considering a solution where all portings requests received by a given deadline are put into effect during a specific period in the quiet hours, eg all portings requested by 0900 are handled between 2200 and 2400. This would provide a simpler message for customers, avoid problems at peak hours and could save some costs as it allows batch operation.

Individual vs business portings

Costs will be saved if the same basic process can be followed for both individual and large business portings, albeit with different time limits. Introducing substantially different processes for individual and business portings would add to costs and complexity and is undesirable.

Discount rate

The rate of 3.5% is very low given the uncertainties about the future in a fast changing technical industry rather than say bridge building. A low rate magnifies annual benefits against initial capital costs and so biases the results in favour of change. It would be worth showing the results with a discount rate of 10% as well.

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