



Promoting efficient use of geographic telephone numbers

Review of the pilot scheme to charge
communications providers for certain geographic numbers,
including proposals to modify General Condition 17

Consultation

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About this document

Ofcom is responsible for managing the UK's telephone numbers. This includes ensuring that sufficient and appropriate numbers are available to allocate to phone companies so that consumers have an effective choice of provider and services.

Geographic numbers (fixed-line telephone numbers that begin with '01' or '02') are an increasingly scarce national resource. To help address this scarcity, in April 2013 we introduced a pilot scheme to charge phone companies for numbers in the 30 geographic area codes with the fewest number blocks remaining available for allocation. Charging was introduced to ensure that numbers are used more efficiently, with the aim of delaying or avoiding the need for measures to increase the supply of numbers, which are costly and disruptive for consumers, businesses and the telecoms industry.

This consultation document is about our review of the pilot scheme and its effect on the efficient use of geographic numbers. We set out our assessment of the impact of the pilot scheme and put forward our proposals for a charging scheme for geographic numbers going forward.

Our proposals for a charging scheme, in themselves, do not affect consumers' use of numbers or our policy on how numbers may be used.

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Section 1

Summary

Introduction

- 1.1 This consultation document is about Ofcom's review of the pilot scheme to charge Communications Providers (CPs) for certain geographic telephone numbers¹ allocated to them.
- 1.2 Telephone numbers are a critical and, in some cases, scarce national resource, fundamental to the communications requirements of consumers and businesses. Ofcom is responsible for managing the UK's telephone numbers. We allocate numbers to CPs in large blocks so that they can use those numbers to deliver services to their customers. The number of CPs has increased significantly over the last 10 to 15 years, leading to more competition and choice for consumers. This has led to a growing demand for geographic numbers. However, our stock of numbers is limited. We face challenges in ensuring the ongoing availability of sufficient number blocks to allocate to CPs so that they can provide a choice of services to consumers.
- 1.3 To help address the demand for geographic numbers, we undertook a review of geographic number management, which we concluded in July 2012. One outcome of that review was to introduce a pilot scheme to charge for geographic numbers in 30 area codes (the 'Pilot Scheme Area Codes'). These were the area codes with the fewest number blocks remaining available for us to allocate to CPs. We decided to charge CPs for geographic numbers allocated to them in these area codes to order to incentivise them to use numbers more efficiently. The aim of the scheme was to reduce number scarcity and to delay or avoid the need for measures to increase the supply of numbers, which have a cost and are disruptive for consumers, businesses and CPs.
- 1.4 When the pilot scheme was introduced on 1 April 2013, it was the first time that we had charged CPs for any type of telephone number. We therefore considered it appropriate to undertake a review of the scheme, and to begin this review around two years after its launch. This document sets out our conclusions on the impact of the pilot scheme and our proposals for a geographic number charging scheme going forward.

Impact of the pilot scheme

- 1.5 Our analysis has found that charging is an effective tool for addressing number scarcity with few unintended consequences. The introduction of charging has incentivised CPs to use numbers more efficiently. In particular, there has been a significant one-off return of unused or under-used number blocks in the Pilot Scheme Area Codes. Overall there has been a substantial increase in the availability of numbers remaining in the majority of these area codes due to number block returns and a fall in allocation rates. As a result, the forecast date of number exhaustion has been extended considerably.

¹ Geographic numbers begin with the digits '01' or '02'. They consist of an area code providing location significance and a subscriber number. They are generally used for fixed-line services.

Proposals for a geographic number charging scheme going forward

- 1.6 In light of the impact of the pilot scheme, we are proposing to continue to charge for geographic numbers in those area codes where scarcity is or is likely to become a concern in the near to medium-term future.
- 1.7 In order to identify the area codes where scarcity is or is likely to become a concern, we are proposing to apply a threshold based on a forecast of number availability. We are proposing to apply charging to any area code which we predict will have 10 percent or less of its total quantity of geographic numbers remaining available for allocation by the end of 2025.
- 1.8 To illustrate the likely impact of the proposed threshold, we have applied it to data as at February 2016.² We found that applying the threshold would mean that 44 area codes would be subject to charging going forward. Of these:
- 23 area codes are currently subject to charging under the pilot scheme;
 - a further 21 area codes would have charging introduced; and
 - seven Pilot Scheme Area Codes would have charging withdrawn, as these area codes have seen a significant increase in number block availability since the introduction of charging and we forecast would have more than 10 percent of numbers available by the end of 2025.
- 1.9 We are proposing to modify the Annex to General Condition 17 (GC17) to reflect the area codes subject to the threshold for charging. The pilot scheme will remain in operation until any changes are made.
- 1.10 We have also considered the management of the charging scheme. Subject to minor amendments for administrative reasons, we intend to retain the current arrangements, including the provision of a discount for numbers allocated to one CP that are used by another CP under a regulatory arrangement.

Next steps

- 1.11 This consultation lasts for six weeks and closes on 9 December 2016. Once it has closed, we will take account of all submissions received and will publish our conclusions in a statement in early 2017.
- 1.12 Subject to the outcome of this consultation, our proposals for the charging scheme are expected to take effect on 1 April 2017.

² The area codes included in this assessment are preliminary and, if our proposal to continue to charge for certain geographic numbers is implemented, the list of charged area codes would be finalised in the statement using more recent data.

Section 2

Introduction and background

Introduction

- 2.1 Telephone numbers are a critical and, in some cases, scarce national resource. They are fundamental to the communications requirements of consumers and businesses.
- 2.2 Geographic telephone numbers – so called because the first few digits following ‘01’ and ‘02’ provide geographic significance and associate the number with a particular UK location - are the numbers most widely recognised, valued and trusted by consumers. They are also referred to as ‘landline’ or ‘fixed-line’ numbers, as they are generally used for fixed telephone lines by residential and business customers.³
- 2.3 Ofcom manages the UK’s telephone numbers in accordance with its powers and duties under the Communications Act 2003 (‘the Act’). We are responsible for ensuring that sufficient numbers are available to meet demand and for setting the policy on how numbers may be used.
- 2.4 We allocate numbers to CPs in large blocks so that they can use those numbers to deliver services to their customers. The number of CPs has increased significantly over the last ten years, leading to more competition and choice for consumers. This has led to a growing demand for geographic numbers. However, our stock of numbers is limited. We face challenges in ensuring the ongoing availability of sufficient number blocks to allocate to CPs so that they can provide a choice of services to consumers.
- 2.5 Importantly, the current challenges do not present a risk to the availability of numbers for consumers’ use or mean that consumers will need to change their existing telephone numbers. However, a shortage of geographic number blocks could deny local consumers the full benefits of competition in the area codes affected because new CPs may not be able to enter the market and established CPs may be unable to expand their services.
- 2.6 We have implemented measures to mitigate these issues, which are described in paragraphs 2.15 to 2.20.

Ofcom’s powers and duties in relation to numbers

- 2.7 Ofcom’s principal duty, pursuant to section 3(1) of the Act, is to further the interests of citizens in relation to communications matters, and of consumers in relevant markets where appropriate by promoting competition.

³ A detailed description of UK geographic numbers has been provided in Annex 1 of the Ofcom consultation document *Geographic telephone numbers: Safeguarding the future of geographic numbers* published on 20 March 2012 and available at <http://stakeholders.ofcom.org.uk/binaries/consultations/geo-numbers/summary/condoc.pdf>

- 2.8 In carrying out our principal duty, we are required to secure a number of specific objectives including securing the availability throughout the UK of a wide range of electronic communications services.⁴
- 2.9 Further, section 4 of the Act requires us to act in accordance with the six European Community requirements for regulation. These include the first Community requirement to promote competition in the provision of electronic communications networks and services, and the third Community requirement to promote the interests of all persons who are citizens of the European Union.
- 2.10 Our specific powers and functions in relation to numbers are set out in sections 56 to 62 of the Act. We also have a general duty under section 63(1) of the Act, in carrying out our numbering functions under these provisions, to secure what appears to be the best use of numbers and to encourage efficiency and innovation for that purpose.
- 2.11 Our numbering functions under sections 56 to 62 of the Act include the powers under section 58 of the Act to make General Conditions in relation to the adoption and allocation of numbers. These powers include making a General Condition requiring payments of such amounts as Ofcom may determine to be made to us by a person in respect of the allocation of numbers to that person.⁵
- 2.12 In exercise of these powers and duties we set General Conditions 17.13 to 17.18 on 'Charging for Specified Geographic Numbers', which we discuss in paragraphs 2.21 – 2.23.

Policy principles

- 2.13 The policy principles that guide our strategic decisions on how telephone numbers are managed are that:⁶
- a) the numbers consumers want are available when they are needed;
 - b) the numbers consumers currently use are not changed if this is avoidable;
 - c) the meaning which numbers provide to consumers is protected;
 - d) number allocation processes support competition and innovation; and
 - e) consumers are not avoidably exposed to abuse.

⁴ Section 3(2)(b) of the Act.

⁵ Further, section 58(6) provides that General Conditions providing for payments to be made to Ofcom pursuant to section 58(1)(g): (a) must set out the principles according to which the amounts of the payments are to be determined; (b) may provide for the payments to consist of a lump sum in respect of a particular allocation or of sums payable periodically while an allocation remains in force, or of both; and (c) may provide for the amounts to be determined by reference to an indication by the person(s) who would be making payment as to the payment they would be willing to make for the allocation numbers or any other factors as Ofcom thinks fit.

⁶ We conducted a strategic review of telephone number management in 2005/6. As part of that review, we developed a set of policy principles to guide our management of numbers: *Telephone Numbering: Safeguarding the future of numbers*, 27 July 2006
<http://stakeholders.ofcom.org.uk/binaries/consultations/numberingreview/statement/statement.pdf>.

- 2.14 Based on our policy principles, we manage geographic numbers in the following way:⁷
- a) we will take steps now to ensure the availability of geographic numbers for consumers in a manner that maintains their continuity and meaning, and causes consumers the least disruption and cost;
 - b) we will ensure that sufficient numbers are available so that scarcity of numbering resource does not create barriers to entry or service provision;
 - c) our management of numbers will be neutral in the treatment of CPs; it will take account of the link between numbering and routing and the consequential impact that numbering policy has on the markets for routing and number portability;
 - d) tariff transparency should be retained, so that a caller pays what he/she expects to pay for a call to a geographic number; and
 - e) our policy approach will not hasten the erosion of location significance but will recognise (and not stifle) the effect of network and service evolution on that significance.

The Geographic Number Management Review

- 2.15 To help address the problem of geographic number scarcity, we undertook a review of geographic number management between September 2010 and July 2012 (the 'Geographic Number Management Review'). As part of that review, we carried out three extensive public consultations on our proposals to address geographic number scarcity. We published our conclusions in statements in September 2011 and July 2012.⁸
- 2.16 In tackling number scarcity, we considered the different measures that we could take to increase the supply of numbers in an area code. We decided that our approach to increasing the supply of geographic numbers in area codes where more numbers are required would be first to close local dialling and second, if further numbers were needed in that area, to introduce an overlay code. Closing local dialling means that local fixed-line users would need to dial the area code when calling local numbers. This action allows us to increase the supply of numbers in an area code by making available local numbers in which the first digit after the area code is either '0' or '1'. Introducing an overlay code increases the supply of numbers in a geographic area by introducing a second area code to cover that area.

⁷ We developed this approach to managing geographic numbers in the Geographic Number Management Review (see paragraph 2.15) and set this out in the November 2010 Consultation (see footnote 8).

⁸ *Geographic telephone numbers: Safeguarding the future of geographic numbers*: documents published on 25 November 2010 ('the November 2010 Consultation'); 7 September 2011 ('the September 2011 Statement and Consultation'); and 20 March 2012 ('the March 2012 Consultation'), and the statement *Promoting efficient use of geographic telephone numbers* published on 18 July 2012 ('the July 2012 Statement'). All available at:

<http://stakeholders.ofcom.org.uk/consultations/geographic-telephone-numbers/>

- 2.17 In accordance with this approach, on 1 November 2012 we closed local dialling in the Bournemouth (01202) area code,⁹ and on 1 October 2014 we closed local dialling in a further five area codes.¹⁰ We have not introduced any overlay codes to date.
- 2.18 Taking action to increase the supply of numbers in an area code inevitably results in some cost and disruption to consumers, businesses and CPs. Therefore, as part of the Geographic Number Management Review, we also considered how to promote CPs' efficient use of the existing supply of numbers.
- 2.19 We decided that introducing a charge for geographic numbers would give CPs an economic incentive to use geographic numbers efficiently, and could delay or avoid the need to introduce measures to increase number supplies. Absent charging, we considered there was little economic incentive to use the available supply of numbers efficiently, since we allocate geographic numbers to CPs on a 'first-come first-served' basis at no charge.
- 2.20 We considered that charging CPs for geographic numbers could help to improve the efficient use of numbers, and thus reduce demand for them by:
- a) providing CPs with a financial incentive to return unused number blocks to Ofcom;
 - b) improving the utilisation of allocated numbers (e.g. by encouraging CPs to use sub-allocated number blocks obtained from other CPs through commercial arrangements as an alternative to obtaining more numbers from Ofcom); and
 - c) reducing demand for new number blocks that may be used in applications with relatively low value.¹¹

As such, following consultation, we introduced the pilot scheme to charge CPs for geographic numbers allocated to them in certain area codes.

The pilot scheme

- 2.21 Charging for geographic numbers is governed by General Conditions 17.13 to 17.18.
- 2.22 Charges apply to the Pilot Scheme Area Codes, which are set out in the Annex to GC17.
- 2.23 The charges are calculated and billed as follows:
- a) the charging year is the 12-month period from 1 April to 31 March;

⁹ *Changes to making local calls in the 01202 area code for Bournemouth, Christchurch and Poole.* Statement published 31 May 2012:

<http://stakeholders.ofcom.org.uk/consultations/geographic-telephone-numbers/statement/>.

¹⁰ *Changes to making local calls in five area codes: Aberdeen (01224), Bradford (01274), Brighton (01273), Middlesbrough (01642) and Milton Keynes (01908).* Statement published 9 October 2013:

<http://stakeholders.ofcom.org.uk/consultations/local-area-codes/>.

¹¹ The July 2012 Statement, paragraphs 3.16 and 3.17

- b) charges accrue on a daily basis per geographic number allocated to the CP in the Pilot Scheme Area Codes;
- c) the applicable charge is £0.1/365 per number for each day in the charging year on which a CP holds the allocation of that number (i.e. 10 pence per number per year);
- d) the charges apply irrespective of whether the allocated number has been adopted by the CP or is in use;
- e) charges are billed in arrears and on an annual basis following the end of each charging year. CPs must pay their annual number charge within 14 days of receipt of an invoice from Ofcom; and
- f) a CP may obtain a discount to its number charge bill in respect of numbers allocated to it which are used by a different CP due to a regulatory requirement. Such discounts apply to ported numbers,¹² numbers used to provide external Wholesale Line Rental (WLR) services¹³ and public payphone numbers provided under a Universal Service Obligation (USO).¹⁴ If the discount exceeds the charges applicable to the CP, then the CP's annual number charge will be zero. Discounts do not apply to numbers used by another CP under a commercial arrangement such as sub-allocation or to numbers ported or used for WLR services between CPs which are part of the same group of companies.

2.24 A guidance document on the administrative arrangements for the pilot scheme was published in March 2013.¹⁵

The review of the pilot scheme

2.25 The introduction of charging for geographic numbers in April 2013 was the first time that Ofcom had charged CPs for any type of telephone number. We were therefore mindful that charging could have unintended consequences and a negative impact on some consumers.¹⁶ Given these uncertainties, we considered it appropriate to introduce charging as a pilot scheme. In the July 2012 Statement we set out our intention to begin a review of the pilot scheme around two years after its launch to assess its impact.¹⁷

¹² Ported numbers are those which have services transferred from one CP to another CP. The numbers remain allocated to the original CP (the range holder) even though a second CP (the recipient provider) uses the number to provide services to the end-user.

¹³ WLR is a regulated wholesale service sold by BT and KCOM, which is used by CPs to provide retail customers with narrowband exchange line services. The WLR line is usually attached to a number allocated to BT or KCOM (the range holder) but it is the CP providing the service to the customer (the retail CP) which uses the number.

¹⁴ BT (in the UK excluding the 01482 (Hull) area code) and KCOM (in the 01482 (Hull) area code) have a regulatory obligation to provide public payphone services.

¹⁵ <https://www.ofcom.org.uk/phones-telecoms-and-internet/information-for-industry/numbering/geo-guidance>.

¹⁶ For example, CPs returning number blocks with low utilisation to avoid the number charge, disconnecting existing customers and reducing consumer choice in the area.

¹⁷ The July 2012 Statement, paragraphs 3.3, 3.53 and 3.61.

- 2.26 We stated in the March 2012 Consultation¹⁸ and the July 2012 Statement¹⁹ that we would continue to levy charges in the Pilot Scheme Area Codes while the review was ongoing and this was also likely to be the case following the review unless material unintended consequences arose.

Our approach to the review

- 2.27 In the July 2012 Statement,²⁰ we stated that we would evaluate the pilot scheme in the round, taking into account certain types of evidence relating to quantity of number blocks allocated and returned in different area codes, sub-allocation arrangements and any unintended consequences to assess the impact of charging on demand for numbers.
- 2.28 We also stated that the review would include a consultation on the future of geographic number charging.²¹ This document relates to that review.

Impact assessment

- 2.29 Impact Assessments form a key part of the policy-making process and provide a transparent way of considering different options for regulation, including not regulating. We expect to carry out Impact Assessments for the great majority of our policy decisions. The analysis presented throughout this document represents our impact assessment of the proposals we are making.

Equality impact assessment

- 2.30 We must assess the effect of functions, policies, projects and practices on race, disability and gender equality. Equality impact assessments also assist us in making sure that we are meeting our principal duty of furthering the interests of citizens and consumers. We have therefore also considered what (if any) impact the issues under consideration in this document may have on equality and carried out a separate assessment for each of our proposals. Where relevant, we have highlighted our consideration of equality issues in the document.

General regulatory principles

- 2.31 We must also have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed, as well as acting in the interest of consumers in respect of choice, price, quality of service and value for money.²²

Guide to the remainder of this document

- 2.32 In the next section we assess the impact of the pilot scheme on the efficient use of geographic numbers and provide our proposal to continue to charge CPs for certain geographic numbers.

¹⁸ The March 2012 Consultation, paragraph 4.192.

¹⁹ The July 2012 Statement, paragraph 3.53.

²⁰ See paragraphs 3.54 and 3.61.

²¹ The July 2012 Statement, paragraph 3.62.

²² Sections 3(3)(a) and 3(5) of the Act.

- 2.33 In Section 4 we consider how we determine which area codes should be subject to charging.
- 2.34 In Section 5 we consider the administrative arrangements that we put in place for the pilot scheme and any proposals for change.
- 2.35 In Section 6 we explain how our proposals for the charging scheme and modifications to GC17 fall within the scope of our legal powers and summarise the legal instruments that we are proposing to make in order to give effect to these regulatory changes. We also explain why we consider the legal instruments are consistent with our statutory duties and other relevant legal tests. At the end of the section, we set out the next steps for the consultation process.
- 2.36 The annexes provide:
- a list of the Pilot Scheme Area Codes and those proposed for charging going forward;
 - a notification of proposed modifications to GC17; and
 - details of how to respond to this consultation, including questions to consider in responding to the consultation.

Section 3

The impact of the pilot scheme on the efficient use of numbers

- 3.1 In this section we present our assessment of the impact of charging for geographic numbers and set out our proposals to continue to charge CPs for certain geographic numbers.

The expected impact of charging

- 3.2 We expected that charging for geographic numbers would incentivise more efficient number use. The impact we expected was two-fold:
- i. we expected a reduction in the demand for new number allocations (because CPs would not demand number blocks if the additional value they would derive from those numbers is less than the charge, and CPs may seek to use sub-allocated numbers instead of new allocations from Ofcom); and
 - ii. we expected an increase in the amount of number blocks which are available to allocate (because CPs are more likely to return blocks to Ofcom if they are not used, so these can be reallocated).²³
- 3.3 We considered that this impact would benefit consumers by delaying the point in time when we run out of number blocks in any given area, postponing the need for number supply measures which our research has shown that consumers dislike.²⁴

Approach to assessing the impact of charging

- 3.4 In assessing the impact of charging, we have considered the following:²⁵
- a) the impact of charging on the quantity of number blocks held by CPs;
 - b) the impact of charging on allocation rates;
 - c) the impact of charging on utilisation rates;²⁶
 - d) the impact of charging on sub-allocation rates;²⁷ and
 - e) whether charging has led to any unintended consequences.

²³ The July 2012 Statement, paragraph 3.30.

²⁴ The July 2012 Statement, paragraph 3.31.

²⁵ In the July 2012 Statement (paragraph 3.54) we set out the types of evidence that could be relevant to our review of charging. The evidence that we considered in conducting the review (as listed in paragraph 3.4 of this document) is consistent with the types of evidence identified in the July 2012 Statement.

²⁶ The utilisation rate is the proportion of numbers in a number block which have active end users (i.e. customers connected).

²⁷ Sub-allocation of numbers is a commercial arrangement where one CP uses numbers which are allocated to another CP. The sub-allocation rate is the quantity of sub-allocated numbers over the total quantity of numbers allocated.

- 3.5 We have also considered whether charging has significantly delayed the forecast date of exhaustion of numbers in Pilot Scheme Area Codes.
- 3.6 In undertaking our assessment, we classified all 610 geographic area codes into four types. The classification was based on whether, during the Geographic Number Management Review, we had identified an area code as being one in which charging might be introduced. The classifications are:
- a) **Charged** – 30 Pilot Scheme Area Codes where charging was implemented;
 - b) **Proposed but not charged (listed)** – 45 area codes which were specifically identified in relation to charging proposals but where charging was not introduced;²⁸
 - c) **Proposed but not charged (not listed)** – 515 area codes where charging was neither explicitly proposed nor introduced. However, the area codes were subject to a general proposal to charge in the November 2010 Consultation;²⁹ and
 - d) **Not proposed and not charged** – 20 area codes which we explicitly excluded from proposals to charge.³⁰
- 3.7 We assessed the impact of charging by considering trends in each type of area code before and after charging. We also assessed the impact by comparing area codes in which there has been charging to area codes not subject to charging, and looked at trends in area codes where charging was proposed but not subsequently introduced.

²⁸ These are area codes, other than the Pilot Scheme Area Codes, which were included by Ofcom on one or more lists of area codes experiencing number scarcity during the time of the Geographic Number Management Review. The lists were of two types. One type was the indicative lists of area codes for inclusion in the proposed pilot scheme that were published in the September 2011 Statement and Consultation and in the March 2012 Consultation. The area codes listed were the 50 that had the fewest number blocks available for allocation at that time. While each list contained 50 area codes, because the composition changed over time (due to subsequent allocations and CPs returning number blocks), a total of 75 area codes were listed overall. The second type of list is of area codes that we forecast as likely to run out of available numbers for allocation by 2020, which we included in an information request sent to CPs in September 2010.

²⁹ In the November 2010 Consultation, we considered the option of charging for all area codes in the 01XXX format (except for 01534 (Jersey) and 01481 (Guernsey)) and in the 01XXXX format. This included 590 geographic area codes. Therefore, this category includes the 515 area codes identified in the November 2010 Consultation that are not included in the 'Proposed but not charged (listed)' category (see footnote 28).

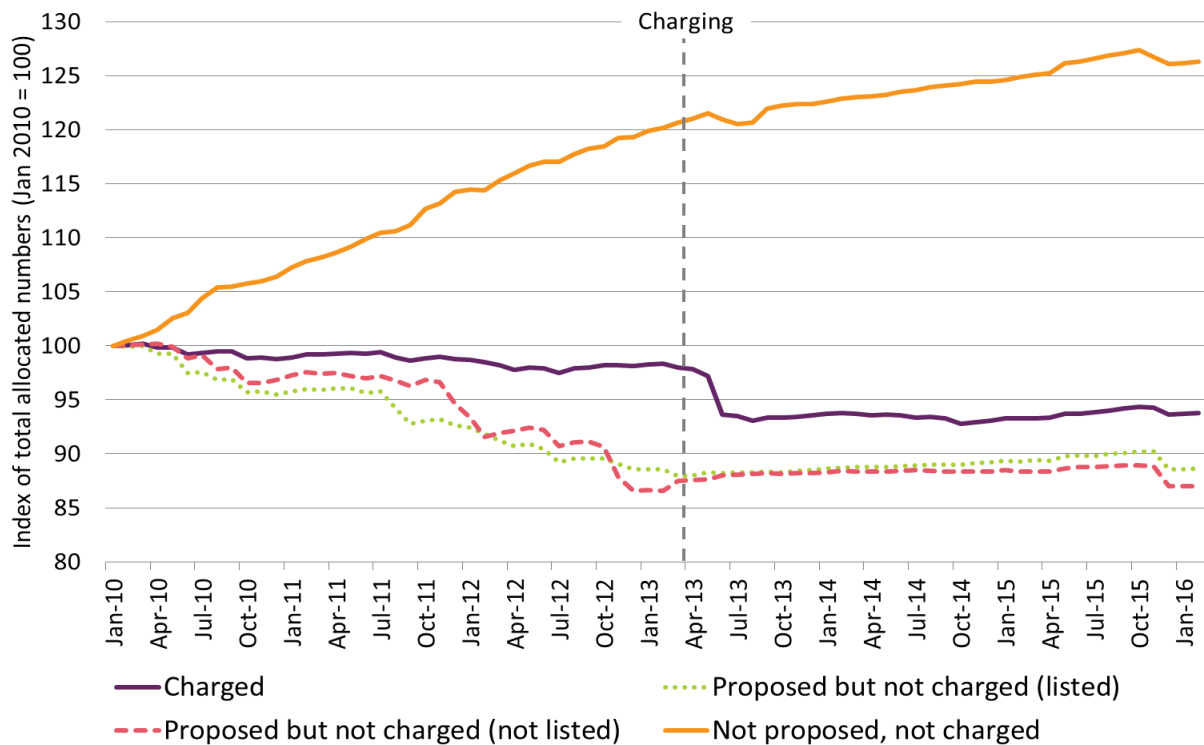
³⁰ These are area codes in the format 02X or 01XX, as well as 01534 (Jersey) and 01481 (Guernsey), where number scarcity is not currently an issue.

Our assessment of the impact of charging

The impact of charging on the quantity of number blocks held by CPs

- 3.8 We have analysed the total quantity of numbers held by all CPs by area code from January 2010 to January 2016. We refer to this as the '*stock of numbers*' allocated to all CPs.³¹
- 3.9 The stock of numbers allocated to CPs can change for two reasons:
- a) Ofcom allocates a new number block to a CP, thus increasing the stock of numbers allocated to CPs; or
 - b) a CP returns a number block to Ofcom, thus decreasing the stock of numbers allocated to CPs.
- 3.10 A fall in the stock of numbers allocated to CPs shows that CPs have returned at least some number blocks. Whereas no change or an increase in the stock of numbers could suggest that CPs have not returned any number blocks or, alternatively, that some number blocks have been returned, but overall a greater quantity of new number blocks have been allocated.
- 3.11 Figure 3.1 below shows the trend in the stock of numbers allocated to CPs between January 2010 and January 2016 for the four types of area codes identified in paragraph 3.6 above. We look at the trends in more detail below.

³¹ The stock of numbers is the quantity of numbers allocated to all CPs in each area code in the first week of the month. This excludes numbers in the 'national dial only' number ranges, i.e. numbers beginning with 01XXX 0 or 01XXX 1, except for area codes where local dialling has been closed (see paragraph 2.17) which allows such numbers to be used for calls. As charging applies to all numbers allocated to a CP in a Pilot Scheme Area Code, we included all numbers held by CPs irrespective of whether they have 'adopted' those numbers (e.g. implemented the numbers in telecoms networks) or whether CPs are using the numbers to provide services to end-users.

Figure 3.1: Stock of numbers allocated to CPs in different types of area codes³²

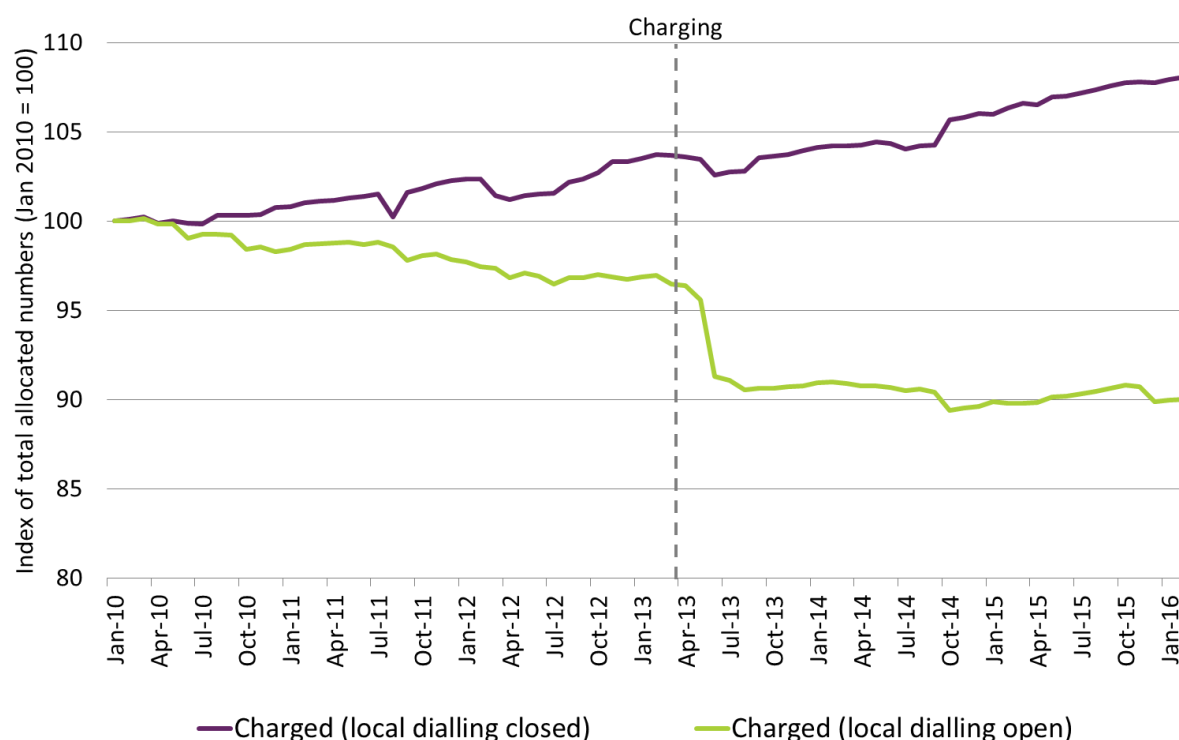
Note: Between October 2015 and December 2015 there was around a one to two percent reduction in the stock of allocated numbers in each of the four types of area codes. This reduction is due to a one-off return of number blocks in all area codes from a single CP and appears to be unrelated to the pilot scheme.

Charged: Pilot Scheme Area Codes

- 3.12 Figure 3.1 shows that the stock of numbers allocated to CPs in Pilot Scheme Area Codes declined by around two percent between January 2010 and January 2013. The introduction of charging in April 2013 incentivised CPs to return more number blocks in those area codes. In the period spanning the introduction of charging (between February 2013 and August 2013), the stock of numbers allocated to CPs declined by five percent, equivalent to the return of an average of 37,000 numbers per area code. This was a significant one-off impact on the introduction of charging which was not experienced by the other types of area codes.

³² Each group of area codes has been rebased to 100 as at January 2010 to demonstrate the trends more clearly.

Figure 3.2: Stock of numbers allocated to CPs in charged area codes³³



3.13 Figure 3.2 shows that greater returns of number blocks were made in Pilot Scheme Area Codes where local dialling remained available compared to those Pilot Scheme Area Codes where local dialling has been closed (either just before or just after the introduction of charging). In the six area codes where local dialling was closed, a one-off reduction in the stock of numbers allocated to CPs of less than one percent occurred between February 2013 and August 2013 (in contrast to an over five percent decline in the stock of numbers in the Pilot Scheme Area Codes where local dialling remains available). Further, in area codes where local dialling was closed, the trend in the stock of numbers allocated to CPs continued to increase after the introduction of charging, whereas the trend was broadly flat in Pilot Scheme Area Codes where local dialling remains available.

3.14 It seems likely that the high level of number block scarcity that exists in an area code in the few years before local dialling is closed³⁴ means that CPs are already maximising use of allocated number blocks in those area codes. CPs are therefore less able to react to the introduction of charging when scarcity has been of particular concern for a number of years.

Proposed but not charged: (listed) and (not listed) area codes

3.15 Figure 3.1 shows that in area codes where charging was proposed but not subsequently introduced, the stock of numbers allocated to CPs declined by around 12 percent between January 2010 and January 2013. However, post April 2013 (when charging was introduced to the Pilot Scheme Area Codes) this trend

³³ Each group of area codes has been rebased to 100 as at January 2010 to demonstrate the trends more clearly.

³⁴ By January 2012, 95 percent of numbers in the six area codes where local dialling is now closed had been allocated to CPs; this compares to 87 percent of numbers being allocated in Pilot Scheme Area Codes where local dialling remained available.

ceased and there was no further decline in the stock of allocated numbers in these area codes. This trend indicates that the potential introduction of charging in an area code gives CPs the incentive to return number blocks.

Not proposed and not charged area codes

- 3.16 Conversely, Figure 3.1 shows that the stock of numbers allocated to CPs in 'not proposed and not charged' area codes has grown steadily since January 2010. This appears to show that in the absence of a proposal to introduce charging (or the implementation of such a proposal), it is likely that the stock of numbers allocated to CPs in such area codes could continue to rise.

The impact of charging on allocation rates

- 3.17 We have analysed data on the quantity of new number blocks allocated to CPs by Ofcom. We have excluded the return of number blocks from this analysis in order to focus on whether charging has affected the demand for further numbers.
- 3.18 Figure 3.3 shows the average quantity of numbers allocated to CPs per month by type of area code. This data covers the years that span the period before and after the introduction of charging (excluding the months immediately before and after due to the atypical number block activity at that time (see paragraphs 3.12 – 3.15)).

Figure 3.3: Average quantity of new number allocations per month before and after the introduction of charging

	Jan 11 to Jan 13	Aug 13 to Feb 16	Change (%)
Charged: Pilot Scheme Area Codes	1,643	959	-42%
Proposed but not charged (listed)	1,710	545	-68%
Proposed but not charged (not listed)	1,190	254	-79%
Not proposed and not charged	29,240	14,324	-51%

- 3.19 Figure 3.3 shows that, in Pilot Scheme Area Codes, the number allocation rate following the introduction of charging is 42 percent below the average allocation rate before charging. However, over the same period the allocation rates in the other types of area code types also declined significantly (including in the 'not proposed and not charged' area codes, where it halved). Therefore, it is difficult to draw inferences about the impact of charging based on number allocation rates.
- 3.20 Other factors unrelated to charging may have contributed to the fall in allocation rates across all types of area code, such as slower growth in the number of CPs in the market and less overall demand for geographic numbers.

The impact of charging on utilisation rates

- 3.21 The utilisation rate for the purposes of this analysis was measured as the proportion of numbers in a number block which have active end users (i.e. customers connected). To assess utilisation rates, we gathered data from a sample of large and smaller CPs on their use of number blocks that they held in

certain area codes before and after the introduction of charging.³⁵ We collected the data in September 2010 and repeated the exercise in July 2015 using the same sample of CPs and area codes. A comparison of the data on utilisation rates in 2010 and with that in 2015 suggests that the utilisation rate has declined slightly for larger CPs, but did not provide a clear trend for smaller CPs.

- 3.22 Although we would expect charging to encourage higher utilisation of allocated numbers by CPs (due to unused number blocks being returned to Ofcom; a growth in sub-allocation of numbers etc.), there are a number of other factors that could influence utilisation rates. For example, a CP that loses some customers in an area code may still want to keep its number block(s) in order to compete for new business but its utilisation rate would decline.

The impact of charging on sub-allocation rates

- 3.23 Sub-allocation of numbers is a commercial arrangement where one CP uses numbers which are allocated to another CP. Ofcom only allocates numbers in large blocks of 1,000 in most area codes, whereas commercial sub-allocation arrangements are not subject to this restriction and can more closely match demand.
- 3.24 To assess sub-allocation rates,³⁶ we gathered data from a sample of large and smaller CPs in 2015 and compared this to similar data that we collected in 2009 (for smaller CPs) and 2010 (for large CPs).³⁷ Figure 3.4 summarises the information collected for large CPs.

Figure 3.4: Average rate of number sub-allocation for large CPs in 2010 and 2015

	2010	2015	Change
Charged – sample of 19 area codes	0.14%	0.84%	497%
Proposed but not charged (listed) – sample of 17 area codes	0.09%	0.67%	639%
Proposed but not charged (not listed) – sample of 15 area codes	0.07%	0.34%	362%
Total – sample of 51 area codes	0.12%	0.72%	514%

- 3.25 For large CPs, the sub-allocation rate increased across all of the sample area codes. The rate increased to a greater extent in area codes where charging was imposed or where the introduction of charging was more specifically proposed (but

³⁵ Utilisation data was gathered on numbers allocated in a sample of 51 area codes in the 01XXX and 01XXXX format. The area codes were selected in September 2010 to reflect different degrees of number block availability at that time. This sample did not include all the area codes where charging was subsequently introduced and did not include area codes in the category 'not proposed and not charged'. The purpose of the sample was to establish average utilisation rates of allocated number blocks across area codes with different levels of number scarcity.

³⁶ The sub-allocation rate for the purposes of this analysis is the quantity of sub-allocated numbers over the total quantity of numbers allocated.

³⁷ Sub-allocation data was gathered on numbers allocated in a sample of 51 area codes in the 01XXX and 01XXXX format. The area codes were selected in 2009 to reflect different degrees of number block availability at that time. This sample did not include all the area codes where charging was subsequently introduced and did not include area codes in the category 'not proposed and not charged'. The purpose of the sample was to establish average sub-allocation rates of allocated number blocks across area codes with different levels of number scarcity.

not introduced). This may reflect the higher degree of demand (and therefore scarcity) in these area codes and the greater need for CPs to make use of sub-allocation as a result (regardless of charging incentives).

- 3.26 However, the sub-allocation rate remains very low as a proportion of total allocated numbers across all sample area codes. As with allocation and utilisation rates, there could be a number of factors other than the introduction of charging that may have affected the sub-allocation rate among CPs, such as a change in business models. For smaller CPs, we found no clear trend in the sub-allocation rate.

Unintended consequences of charging

- 3.27 In the Geographic Number Management Review, we considered that charging for geographic numbers could result in unintended consequences, such as CPs disconnecting consumers in order to return a low-utilised number block to Ofcom in order to avoid number charges.³⁸
- 3.28 The return of number blocks with low utilisation rates could have advantages in terms of achieving the efficient use of numbers, with the returned blocks reallocated to CPs that value them more highly (e.g. because they would have more customers using numbers from the block). However, the return of a number block to Ofcom also has the potential for material disadvantage for some customers if they are disconnected or provided with an alternative number.
- 3.29 In order to ascertain whether there had been any unintended consequences of charging, we asked a sample of 28 CPs to provide information on the action that they had taken (if any) to free numbers from customer use in order to return a number block to Ofcom. We selected this sample from those CPs who had returned a substantial quantity of number blocks since the introduction of charging.
- 3.30 The information we received from this sample of CPs shows that in the majority of cases, the returned number blocks had no active customers. However, five CPs from our sample had disconnected a total of 430 customers in order to return number blocks. Almost half of the customers disconnected (191 customers) were offered financial compensation ranging from £5 to £50, with the remainder of affected customers disconnected without financial compensation.
- 3.31 To illustrate the relative scale of disconnected customers, the total quantity of numbers returned by the CPs in the sample was just over 4.5 million. The numbers held by disconnected customers amounted to 0.009 percent of all numbers returned in the sample. As a proportion of all customers in the Pilot Scheme Area Codes (assuming an average industry utilisation rate of 54 percent³⁹), numbers held by disconnected customers amounted to 0.004 percent of all active numbers in the Pilot Scheme Area Codes.
- 3.32 We have not identified any other unintended consequences of the pilot scheme. The charge of 10p per number per year in a limited number of area codes does not appear to have had a disruptive impact on CPs.

³⁸ The July 2012 Statement, paragraph 3.42.

³⁹ Based on the Average Industry Utilisation Rate as defined in GC17.33.

The impact of charging on the forecast date of exhaustion

3.33 We looked at the impact of charging on the forecast date of exhaustion of numbers remaining available to allocate to CPs in the Pilot Scheme Area Codes. Figure 3.5 sets out our forecast date of exhaustion for the Pilot Scheme Area Codes as at June 2012 (prior to the introduction of charging) and as at February 2016 (following the introduction of charging).⁴⁰ It shows that the introduction of charging has delayed the forecast date of exhaustion in all Pilot Scheme Area Codes, with a significant delay in the majority of area codes. Excluding the six area codes where we closed local dialling, the forecast date of exhaustion across the Pilot Scheme Area Codes has been delayed by 14 years on average.

Figure 3.5: Forecast dates of exhaustion: comparison of June 2012 and February 2016 forecasts

Area Code	Area Name (CLD) = area code with closed local dialling	Forecast date of exhaustion as of		Change (delay in number of years)
		June 2012*	Feb 2016	
01202	Bournemouth (CLD)	2012	2026	14
01206	Colchester	2018	2038	20
01223	Cambridge	2019	2021	2
01224	Aberdeen (CLD)	2015	2025	10
01253	Blackpool	2018	2029	11
01273	Brighton (CLD)	2014	2027	13
01274	Bradford (CLD)	2014	2035	21
01276	Camberley	2024	2079	55
01332	Derby	2022	2025	3
01382	Dundee	2020	2053	33
01384	Dudley	2022	2043	21
01452	Gloucester	2021	2065	44
01482	Hull	2018	2033	15
01483	Guildford	2020	2024	4
01582	Luton	2020	2027	7
01603	Norwich	2018	2022	4
01604	Northampton	2018	2029	11

⁴⁰ Comparison of the forecast dates of exhaustion requires some caution, as the data used to derive the forecast dates differs slightly in that we used daily observations in 2012 and monthly observations in 2016. However, the methodology using a linear trend based on allocation rates remains the same.

01642	Middlesbrough (CLD)	2014	2038	24
01702	Southend-on-Sea	2019	2036	17
01752	Plymouth	2019	2031	12
01753	Slough	2020	2025	5
01772	Preston	2021	2023	2
01782	Stoke-on-Trent	2014	2022	8
01792	Swansea	2017	2032	15
01793	Swindon	2017	2020	3
01865	Oxford	2017	2026	9
01902	Wolverhampton	2019	2030	11
01908	Milton Keynes (CLD)	2015	2030	15
01924	Wakefield	2021	2029	8
01925	Warrington	2021	2031	10
Average (incl. CLD)				14.4
Average (excl. CLD)				14.0

* See Table A2.1 in July 2012 Statement

Conclusion

- 3.34 Overall, having regarded the analysis set out in this section, we consider that charging, under the terms in which it was introduced in the pilot scheme, is an effective tool for encouraging the efficient use of numbers. It has helped to address number scarcity and has resulted in minimal unintended consequences. Specifically, we consider that introducing charging in an area code leads to a significant one-off return of allocated number blocks in that area code, delaying the forecast date of number exhaustion, therefore postponing the need for disruptive and costly measures to increase number supplies.
- 3.35 However, in area codes where we have closed local dialling, charging did not result in a significant one-off return of allocated number blocks. This would suggest that for charging to be effective in reducing number scarcity, it should be introduced before scarcity is too pronounced.
- 3.36 Based on our assessment of the impact of charging, we are proposing to continue to charge for geographic numbers in area codes where number scarcity is or is likely to become a concern in the near to medium-term future.
- 3.37 In the next section, we set out our methodology for determining which area codes should be subject to charging.

Question 1: Do you agree with our assessment of the impact of charging for geographic numbers?

Question 2: Do you agree with our proposal to continue to charge for geographic numbers in area codes where scarcity is or is likely to become a concern in the near to medium-term future?

Section 4

Determining which areas codes should be subject to charging

Introduction

- 4.1 In Section 3, we explained why we consider that charging is effective in encouraging the efficient use of numbers. Consequently, we propose to continue to charge for geographic numbers in area codes where scarcity is or is likely to become a concern in the near to medium-term future. In this section we discuss how we propose to determine which area codes should be subject to charging.

The pilot scheme

Selecting the area codes for the pilot scheme

- 4.2 The pilot scheme includes the 30 area codes that had the fewest number blocks remaining available for allocation to CPs as at 29 June 2012.⁴¹
- 4.3 We decided to charge for numbers in the area codes with the fewest number blocks remaining available for allocation as we considered this to be a simple method of selection suitable for the pilot scheme. We also considered that CPs requesting allocation of number blocks in these area codes would bring forward the need for number supply measures in the short term.⁴²
- 4.4 In reaching our decision to include 30 area codes in the pilot scheme we took into account:
- a) the need to ensure that the pilot scheme was sufficiently large to influence CPs' behaviour and uncover potential unintended consequences; and
 - b) the need to limit the number of area codes included in the pilot scheme to reduce the impact of unintended consequences, should they arise.⁴³

Determining which area codes should be subject to charging

- 4.5 Charging is a measure designed to address number scarcity by incentivising the efficient use of numbers. As such, we do not consider it is necessary or appropriate to charge CPs for geographic numbers in area codes where scarcity is not, or is unlikely to become, a concern. Instead, we consider that we should focus charging on those area codes where scarcity is or is likely to become a concern in the near to medium-term future.
- 4.6 Our regulatory interventions between September 2010 and August 2013 (i.e. number audits, proposals to charge and the implementation of charging through the pilot scheme) have incentivised CPs to return a large quantity of number

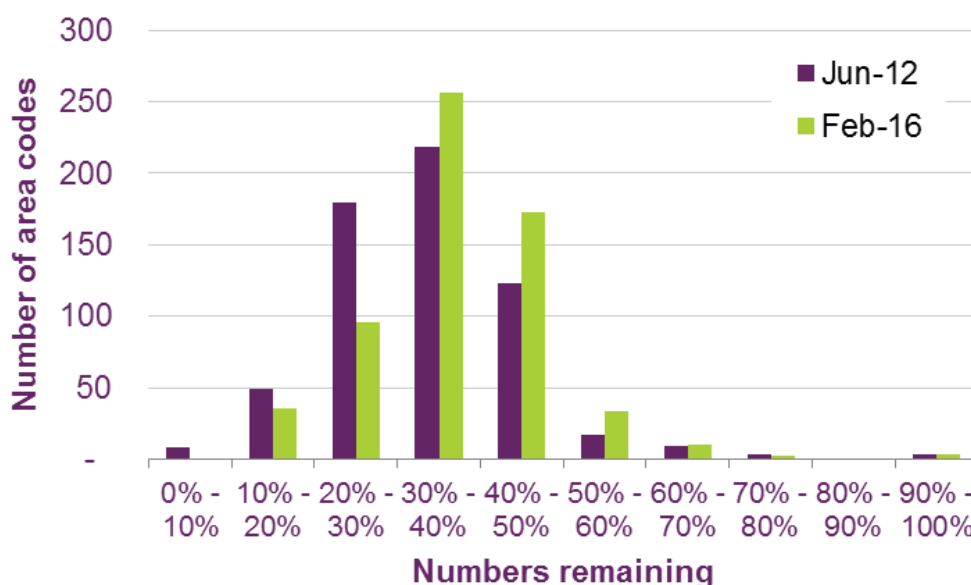
⁴¹ This was the date on which we made the assessment for the purposes of our decision on charging, as published in the July 2012 Statement.

⁴² The July 2012 Statement, paragraph 3.42.

⁴³ The July 2012 Statement, paragraph 3.42.

blocks across most area codes. Furthermore, we have increased the supply of numbers in the six area codes where we have closed local dialling. As a result, most area codes now have more number blocks remaining than they did in June 2012 and scarcity is not of immediate concern in most of the 610 area codes. Figure 4.1 shows the percentage of numbers remaining available for allocation in June 2012 and in February 2016.

Figure 4.1: Percentage of numbers remaining available for allocation in June 2012 and February 2016



- 4.7 As set out in Section 3, there has been a significant increase in the availability of numbers remaining in the Pilot Scheme Area Codes, extending considerably the forecast date of number exhaustion in the majority of those area codes. It is therefore not necessarily the case that the Pilot Scheme Area Codes are the area codes experiencing the greatest level of scarcity at this time.
- 4.8 Nevertheless, for some area codes, the potential for scarcity problems arising in the near to medium-term future does remain a concern. This means that, absent charging, we may be required to consider the introduction of measures to increase the supply of numbers in some area codes, which are costly and disruptive for consumers, businesses and CPs. Therefore, we propose to continue with, or introduce, charging in those area codes where scarcity is or is likely to become a concern.
- 4.9 Accordingly, we propose to agree a predefined threshold designed to identify area codes where scarcity is or is likely to become a concern and use this threshold to determine which area codes should be subject to charging.

Developing a threshold for charging: Criteria for assessing the options

- 4.10 We have used the following criteria to assess our options for an appropriate threshold to identify area codes which should be subject to charging:
 - a) **Encourage efficient use of numbers and pre-empt future scarcity** – the reason for charging is to ensure efficient use of numbers to address number scarcity, avoiding the need for disruptive supply measures.

Therefore, the threshold we apply should catch area codes where we consider scarcity has arisen or is likely to arise;

- b) **Minimise the margin of error** – even if the cost of errors for consumers is asymmetric (see criterion below) it is good practice that the threshold should minimise the risk of incurring errors in selecting the area codes to which we apply charging;
- c) **Asymmetry of costs** –including too few area codes in our charging scheme could result in high costs to consumers (i.e. the cost and disruption of supply measures). On the other hand, including too many area codes is likely to have a relatively small impact on CPs and ultimately consumers (as the charges are low and depend on the extent that they are passed through to consumers).⁴⁴ While the margin of error should be minimised if possible (see criterion above), it cannot be eliminated. As a result, given the asymmetry of error cost, we prefer a threshold where the risk of error is to catch more area codes than necessary, rather than to catch fewer; and
- d) **Simplicity** – a simple threshold is easier for CPs to understand, and for Ofcom to administer.

4.11 We have considered the criteria in our assessment of the options (where relevant) and have placed more weight on the first and third criterion. The first criterion is the primary reason for introducing charging, while the third criterion focuses on the threshold most likely to have the best outcome for consumers.

Options for measuring scarcity

- 4.12 As explained, the threshold for charging in an area code is to be based upon number scarcity. Scarcity can be measured using either:
- a) The stock of number blocks available – this approach uses the number of blocks remaining available for allocation at the current point in time;⁴⁵ or
 - b) A forward looking forecast of number block availability – this approach uses historical information trends to forecast number scarcity at a future point in time.
- 4.13 Using the criteria set out in paragraph 4.10, we have assessed these two options for measuring scarcity in order to set the threshold for charging in an area code.

Encourage efficient use of numbers and pre-empt future scarcity

- 4.14 Future scarcity depends on both the stock of numbers currently remaining available for allocation and the expected rate of future allocations. Therefore, we consider that a threshold that uses a forward-looking forecast based on the availability of number blocks to allocate in the future rather than the stock available currently is conceptually superior because it captures:

⁴⁴ See paragraph 4.44.

⁴⁵ This is similar to the approach used in the pilot scheme, although in that case we limited our selection to the 30 area codes with the lowest level of numbers available and so did not necessarily capture all area codes where number scarcity was likely to become a concern in the near to medium-term future.

- a) those area codes where the current stock of numbers remaining is currently low and, therefore, is expected to run out even with a modest demand for allocation; and
 - b) area codes with a significant quantity of available numbers but with a sufficiently high expected demand for numbers to lead to scarcity concerns in the near to medium-term future.
- 4.15 In contrast, a threshold based on the current stock of number blocks may capture some area codes that should not raise concerns (i.e. area codes with a relatively low stock of numbers but low expected demand) or fail to capture some area codes that should raise concerns (i.e. area codes with a relatively high stock of numbers but a high expected demand). Therefore, we consider that a forward-looking forecast would be more effective and better targeted at the area codes that we want to capture in the charging scheme than a threshold based on the current stock of number blocks, and would be better positioned to pre-empt future scarcity.

Minimise the margin of error

- 4.16 A forward-looking forecast is by its nature uncertain, whereas an option based on the stock of number blocks held currently may initially seem more certain. However, a threshold based on the latter ignores information on expected demand. Therefore, a threshold based on the stock of number blocks currently remaining available for allocation may not be a particularly good predictor of whether an area code is likely to run out of numbers and can be subject to a significant risk of error.
- 4.17 Similarly, any forward-looking forecast can also be subject to a degree of uncertainty and error. In particular, any forecast carried out at this time can only be reliably based on data since charging was introduced in April 2013. Between 2010 and April 2013, we carried out number audits and issued consultations and statements on the introduction of charging which distorted the rate of new allocations and return of number blocks across the majority of area codes. The trends in number allocations and returns experienced during that period are not expected to be repeated. We are therefore basing our forecasts on the period from August 2013, a few months after the introduction of charging, to avoid factoring in this effect. However, there remains the possibility that demand continued to be stifled for some time after August 2013. This would lead to an under-estimation of future demand.
- 4.18 On balance, we consider that a forecast based on the current stock of number blocks has a greater risk of error, in terms of securing the objectives of charging, because of its potential to miss area codes that are likely to raise concerns due to a high demand for future allocations.

Asymmetry of costs

- 4.19 As the potential cost to consumers of excluding area codes from the charging scheme that go on to experience scarcity is particularly high compared to the costs of including area codes where scarcity does not materialise, we prefer a threshold that is likely to be over-inclusive when applying charging. This can be achieved in various ways, most notably by applying conservative estimates in any forecasting model and/or by building in a margin of error around the forecast dates of exhaustion.

- 4.20 Although an option based on the stock of number blocks could also be designed to be over-inclusive, we consider this more difficult to achieve. For example, we could set the threshold of number of blocks remaining at a high level. While this may make it more likely that area codes with future scarcity are charged, it could still fail to include area codes with a high stock of numbers and a high demand for new allocations.

Simplicity

- 4.21 A threshold based on the current stock of numbers within an area code is very simple. However, while a threshold based on a forward-looking forecast would be more complex by comparison, we consider that provided the forecasting method is transparent and easily understood by CPs, it should also satisfy the simplicity criterion.

Proposal

- 4.22 Taking into account the factors above, we propose that the threshold for charging should be based on using a forward-looking forecast to measure number scarcity in an area code.

Options for the forward-looking forecast method

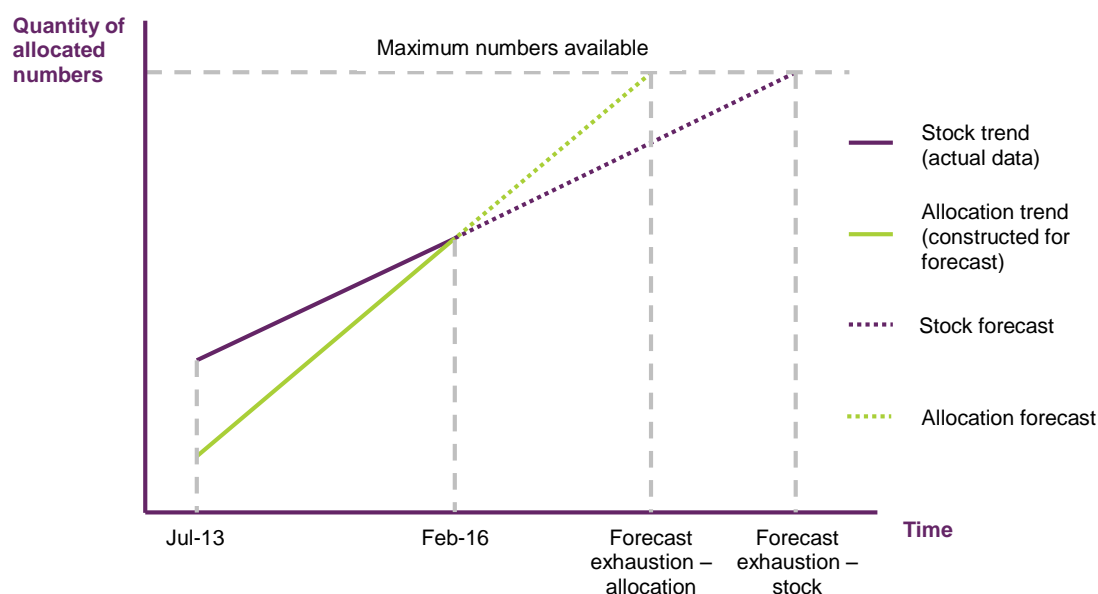
- 4.23 There are two main methods available to us for forecasting number availability. Both begin with the current stock of numbers available for allocation and forecast future demand based on a linear trend. The two methods differ by forecasting changes in:
- a) the stock of numbers (stock method) - this includes forecasting both new allocations and returns of any allocated number blocks over time; and
 - b) new number allocations only (allocation method) - this excludes any forecast return of number blocks to Ofcom over time.⁴⁶
- 4.24 We have measured the linear historical trends for the period from August 2013 to February 2016, using data on the stock of allocated number blocks and new allocations in each month. We have then extrapolated these trends to estimate a forecast exhaustion date in each area code. The period chosen for the forecast does not include any one-off regulatory events (i.e. introduction or proposal to charge, number audits) and therefore represents the best data available for forecasting long-term trends in demand.⁴⁷
- 4.25 The allocation method excludes the potential for future returns of allocated number blocks, due to the significant uncertainty over forecasting the correct rate of return. As mentioned, the introduction of charging resulted in a significant one-off return of numbers that we do not expect to be repeated in those area codes. As a result, the allocation method forecasts a lower stock of number blocks remaining and an earlier exhaustion date than the stock method. In comparison, the stock method produces a negative trend for some area codes (where

⁴⁶ We have used the allocation method in the past when predicting number scarcity, for example in the documents published as part of the Geographic Number Management Review and when determining area codes where we propose to close local dialling.

⁴⁷ See paragraph 4.17.

estimated returns surpass new allocations over the forecast period). The difference between the two methods is illustrated in Figure 4.2 below.⁴⁸

Figure 4.2: An illustration of the stock and allocation methods



- 4.26 Taking into account our assessment criteria (notably, minimisation of error and asymmetry of costs), and our preference for a threshold which may include too many rather than too few area codes, we propose to use a forward-looking forecast based on the allocation method to measure scarcity in an area code.

Forecast based on (i) stock of numbers remaining or (ii) exhaustion of numbers

- 4.27 Having proposed to use a forward-looking forecast based on the allocation method, we then considered whether to set the threshold based on a forecast of:
- a percentage stock of numbers remaining available for allocation in an area code (i.e. X percent of numbers remaining); or
 - exhaustion of all numbers remaining available for allocation in an area code (i.e. zero percent of numbers remaining).

- 4.28 We consider that a threshold based on having a stock of numbers remaining is preferable, based on the error minimisation and asymmetry of costs criteria. Using such a threshold would make it easier for Ofcom to intervene by introducing charging sufficiently early in area codes, in order to delay exhaustion of numbers and the need for number supply measures. This is based on our finding that when charging is introduced too late (i.e. when exhaustion of numbers is approaching) it is unlikely to be effective in off-setting the need to close local dialling.⁴⁹ In terms of simplicity, both options are likely to perform similarly.

⁴⁸ For both methods the quantity of number blocks remaining in February 2016 is used as the basis for forecasting future exhaustion.

⁴⁹ See paragraphs 3.13 and 3.14.

- 4.29 We have considered what would be an appropriate stock of numbers remaining available (as a percentage of all available numbers in an area code) for the purposes of our forward-looking forecast. A threshold that we have used in the past when considering closing local dialling in an area code is 70 or fewer blocks of 1,000 numbers remaining available for allocation.⁵⁰ This represents about nine percent of the total quantity of numbers in an area code. Accordingly, and consistent with our preference for a threshold which may include too many rather than too few area codes, we consider that 10 percent of numbers remaining available for allocation by the end of the relevant period would be a reasonable measurement to use for the threshold.

The relevant period for making the forecast

- 4.30 We then considered what would be an appropriate period over which to make our forecast of number availability. Related to our consideration is that number scarcity derives from the need to allocate numbers to CPs in large (1,000 number) blocks due to the routing constraints of legacy fixed networks.⁵¹ This has led to an average industry utilisation rate of allocated numbers of only 54 percent.⁵² However, future changes to technology are likely to mean that number scarcity should be far less of a concern from around 2025 onwards. This is because by 2025 BT is expected to complete migration from its traditional network to an IP (Internet Protocol) based telephony network.⁵³ The eventual replacement of legacy networks with IP networks will allow us to allocate numbers in smaller units and to more closely match allocation size to CPs' demand. Allocating only the quantity of numbers needed would substantially improve the utilisation rate and the efficient use of numbers. It would also allow us to withdraw unused numbers from allocated blocks. These changes would increase our stock of numbers available for allocation and reduce scarcity.
- 4.31 Our presumption for managing geographic number scarcity is that we should aim to make the current stock of numbers last until the ubiquitous roll-out of IP networks. We are taking 2025 as a best estimate of when we might be able to allocate numbers in smaller units as a result of IP networks' enhanced call routing

⁵⁰ *Changes to making local calls in five area codes*, 9 October 2013, paragraph 2.19

<http://stakeholders.ofcom.org.uk/binaries/consultations/local-area-codes/statement/statement.pdf>

⁵¹ The partitioning of numbers into large blocks for allocation to CPs creates a potential shortage in certain area codes. The number block size is determined by routing constraints in some long-established networks. Telephone networks analyse the digits of dialled phone numbers to extract (or 'decode') the necessary information for routing and tariffing of calls. Some older networks use equipment designed many years ago to perform this function. The limited capacity of this equipment restricts the number of digits of each dialled phone number that those networks can decode into routing information. This means that the minimum size of block that we can allocate to any CP must be sufficiently large to accommodate these restrictions, otherwise the older networks would not be able to analyse sufficient digits in dialled numbers to route calls if numbers were allocated in smaller blocks.

⁵² See footnote 39.

⁵³ In the BT Group plc Q3 2014/15 results conference call transcript, 30 January 2015, BT states that "Our goal is that by 2025 all our voice customers will be served using an IP to the premises solution, and will migrate off the traditional telephony platform" (see page 6, Slide 19)

<http://www.btplc.com/Sharesandperformance/downloads/PDFdownloads/q315-transcript.pdf> and <http://www.btplc.com/Sharesandperformance/downloads/PDFdownloads/q315-slides.pdf>.

capabilities, though this target may need to be reconsidered if migration to IP networks is delayed.⁵⁴

- 4.32 We are therefore proposing to use the end of 2025 as the relevant period for making the forecast. This timeline is influenced by our long term aim to limit the need to close local dialling and to avoid overlay codes. On the basis that it is necessary to plan the introduction of supply measures several years prior to full exhaustion of available numbers, we consider that when combined with the 10 percent of numbers remaining rule, this timeframe represents a reasonable measure of number scarcity for the purposes of setting a threshold for charging.

Proposals on the threshold for charging

- 4.33 As explained in this section, we are proposing to have a threshold to determine which area codes should be subject to charging. Our proposals for the threshold are:
- a) a forward-looking forecast rule based on the allocation method; and
 - b) applying that method, a threshold for charging which is met where we forecast that 10 percent (or less) of numbers in an area code remain available for allocation by the end of 2025.
- 4.34 Although it may be preferable to maintain the same threshold, circumstances may change, which may require the threshold to be adapted over time.

Question 3: Do you agree with our proposal that charging should be applied to any area code which is forecast to have 10 per cent or less numbers remaining available for allocation by the end of 2025?

Implementation of the threshold

- 4.35 We propose that the threshold for charging should be applied to all area codes, irrespective of whether or not they are currently subject to charging. Under this proposal, the Pilot Scheme Area Codes would continue to be charged where the threshold is met, i.e. where concerns about scarcity remain. Where the threshold is not met, we would propose to withdraw charging from that area code.
- 4.36 Removing charging in some area codes may create the risk that demand for new allocations would increase, reverting to similar trends in the stock of numbers allocated to CPs that existed prior to charging (and thus gave rise to concerns regarding scarcity). However, we would continue to monitor scarcity in all area codes so that we can propose the reintroduction of charges if scarcity determines the need.
- 4.37 Applying the proposed threshold to data as at February 2016 would mean that 44 area codes would be subject to charging going forward. Of these:
- a) 23 area codes are currently subject to charging under the pilot scheme;
 - b) a further 21 area codes would have charging introduced; and

⁵⁴ We note that BT is not the only legacy network that would need to migrate customers to IP networks.

- c) seven pilot scheme area codes (including 01642 (Middlesbrough) where local dialling was closed in October 2014) would have charging withdrawn, as these area codes have seen a significant increase in number block availability since the introduction of charging and we forecast would have over 10 percent of numbers available in 2025.
- 4.38 Annex 1 sets out the area codes we propose should be subject to charging under the proposed threshold (Figure A1.2). It also sets out the area codes included in the pilot scheme (Figure A1.1) and those that would no longer be subject to charging under the proposed threshold (Figure A1.3).
- 4.39 The area codes included in Figure A1.2 are preliminary. If our proposal to continue to charge for geographic numbers is implemented, the list would be finalised in the statement. We do not expect the list to change to any great extent.
- 4.40 Number scarcity levels in all area codes will continue to be monitored. Where we consider appropriate, changes will be proposed to the area codes included in the charging scheme to ensure that the appropriate area codes are subject to charging.

Impact of applying the threshold on CPs and consumers

- 4.41 Applying the proposed threshold to data as at February 2016 would increase the number of area codes included in the charging scheme from 30 to 44. This change would have a bigger impact on CPs with a lower allocated number utilisation rate relative to those with high utilisation rates because the costs would be spread over a smaller customer base. This is more likely to affect smaller CPs and new entrants. However, we consider that this is justified since the principal objective of introducing number charging is to provide incentives for CPs to become more efficient in the utilisation of number blocks. As discussed in the March 2012 Consultation, there are a number of ways which CPs can mitigate the impact of low utilisation.⁵⁵
- 4.42 Under the pilot scheme, the total charge payable to have a 1,000-number block in each of the Pilot Scheme Area Codes is £3,000 per year. Applying the proposed threshold to data as at February 2016 would increase the total charge payable to have a 1,000-number block in each of the charged area codes to £4,400. We do not consider a charge of this magnitude to be a significant barrier to entry, nor do we consider that the proposed increase in costs would have a significant impact on CPs.
- 4.43 The administrative burden of extending the charging scheme to an additional small number of area codes is likely to be minimal. The vast majority of CPs affected already hold number blocks in the Pilot Scheme Area Codes and would have the necessary processes and systems in place.

⁵⁵ We noted two ways in which CPs with allocated numbers could mitigate the impact of low utilisation. First, CPs could return any unused number blocks to avoid charges. Second, CPs with low utilisation may be able to reduce the impact of charging by sub-allocating numbers to other CPs and charging for this so as to offset the charges for which they are liable. New entrants that only require a few numbers in an area code might find it more cost effective to obtain numbers via sub-allocation from other CPs rather than applying for number blocks from Ofcom. We also noted that it might be appropriate for small CPs/new entrants with innovative services to use other types of number for which we are not currently proposing to charge. See March 2012 Consultation, paragraphs 4.117 and 4.118.

- 4.44 Similarly, the impact on consumers would be limited. Assuming that a CP would spread its annual number charge across its total fixed line customer base in the charged area codes, had a utilisation rate of 50 percent, and not factoring in any discounts, the maximum they could pass through is 20p per customer per year. However, most CPs have nationally uniform prices. If they then passed through the 10p charge to their entire UK customer base (i.e. including charged and non-charged area codes) the impact on consumers would be far lower.

Section 5

Administrative arrangements for the charging scheme

Introduction

- 5.1 In this section we turn to the administrative arrangements for the charging scheme, given our proposal to continue to charge for geographic numbers.
- 5.2 We published a guidance document for CPs on the administrative arrangements for the pilot scheme in March 2013 ('the Guidance').⁵⁶ The Guidance set out the administrative and payment processes to be followed by Ofcom and CPs and includes the intended timetable for the actions. These are summarised in Figure 5.1.

Figure 5.1: Administrative arrangements for the pilot scheme as set out in the Guidance

Timing (applies to each billing cycle) ⁵⁷	Action
July	<p>Ofcom to issue a validation statement to each relevant CP.</p> <p>The validation statement contains a draft schedule of numbers currently allocated to the CP which are subject to charging. It allows CPs to familiarise themselves with the format of the invoice and schedule and to raise any queries with Ofcom.</p> <p>Schedules (draft and final) set out:</p> <ul style="list-style-type: none"> - a list of numbers (shown as blocks allocated) for which the relevant charge is applied; - the date on which the numbers were allocated to the CP, the dates between which the number charge applies, and the total number of days for which the numbers were held and charged for during the previous charging year; - the amount of any discount applied (if relevant); and - the total number charge to be paid by the CP
July	Ofcom to issue instructions to relevant CPs on how to apply for a discount for ported/external WLR/public payphone numbers provided under a USO ⁵⁸

⁵⁶ https://www.ofcom.org.uk/_data/assets/pdf_file/0030/58458/geo-telephone-numbers.pdf

⁵⁷ Indicative timescales – may be subject to change.

⁵⁸ See paragraph 5.13.

Between 1 September and 31 October	CPs applying for a discount for ported/external WLR/public payphone numbers to gather the required information on those numbers
1 December	Deadline for CPs to provide Ofcom with the specified details on numbers if they wish to apply for a discount to their number charge bill for that charging year
January to March	Ofcom to verify a sample of CPs' discount applications
Mid-April	Ofcom to send a draft schedule to CPs to allow for reconciliation and the raising of any queries
Mid-April to end of May (45 days from issue of draft schedule)	CPs to examine the draft schedule and raise any queries with Ofcom
Mid-June (15 days following the end of the 45-day window for queries on the draft schedule)	Ofcom to issue CPs with their final schedule and invoice
Within 14 days of receipt of the invoice	CPs to make full payment of their invoice to Ofcom

General administration of the charging scheme

Charges and payment processes

- 5.3 We propose to continue with the accrual of charges on a daily basis and in arrears, and we consider that the charge of 10p per number per year remains proportionate and appropriate.
- 5.4 We consider that daily accumulation of charges provides the best incentive for CPs to return number blocks that are no longer required as soon as possible. Although, as discussed below, there have been some issues regarding non-payment of number charges (a potential downside of charging for numbers in arrears), we do not consider these to be sufficient enough for us to propose to charge for numbers in advance. To do so risks adding unnecessary complexity to the process, due to the need for CPs and Ofcom to undertake post-payment reconciliation if number blocks are returned during the charging year.
- 5.5 CPs are required under GC17.13 to pay their invoice within 14 days of receipt. We consider that this provides a sufficient payment period, particularly as CPs will have become familiar with the process and are now able to examine charges using Ofcom's Number Management System⁵⁹ ahead of receipt of the invoice. We note, however, that during the course of the pilot scheme a number of CPs failed to pay their invoices within the 14-day period, potentially placing them in breach of GC17.13. While the vast majority of CPs did eventually pay, CPs should be

⁵⁹ A new online system for managing numbers, known as the 'Number Management System', was launched by Ofcom in December 2014. The Number Management System, among other things, provides CPs with access to self-service records on their allocations, including charged numbers.

mindful that Ofcom has the power to take enforcement action in respect of such a breach, pursuant to sections 96A and 96C of the Act, including the imposition of specific requirements and a penalty, if appropriate.

- 5.6 We have undertaken enforcement action against the relatively few CPs that have failed to pay their geographic number charges.⁶⁰ Overall, we consider that our current powers to undertake enforcement action and/or pursue civil proceedings are the best means for securing compliance with GC17.13, and do not propose to introduce further measures at this time.

Timetable

- 5.7 In practice, Ofcom's administration of the pilot scheme has tended to be a much longer process than was initially envisioned and set out in the Guidance (see Figure 5.1), with final schedules and invoices being issued to CPs in August/September each billing year rather than June.
- 5.8 The introduction of the Number Management System in December 2014 made the process smoother during the second charging year. For instance, when we launched the pilot scheme, around midway through the charging year we would email each relevant CP a validation statement which included an individually prepared excel spreadsheet showing the schedule of charged numbers allocated to it as at that time. The Number Management System has allowed for a more streamlined process, whereby Ofcom can notify all relevant CPs when their individual statement of charged numbers and provisional number charges (now known as the 'Preliminary Charging Statement' rather than validation statement) is available on the system, and CPs can save or download the information as and when required.
- 5.9 Nevertheless, our experience of the pilot scheme has shown that the administrative process for Ofcom will likely be longer each charging year than the timings provided in the Guidance. Also, our experience of using the Number Management System during the second charging year has also shown that some administrative timings could be better aligned to the system's functions in order to provide CPs with the required information at the relevant time.
- 5.10 Specifically, we consider it useful for CPs to be able to refer to the Preliminary Charging Statement in the Number Management System when considering making applications for a discount to their number charges. The Preliminary Charging Statement will be available for CPs to access from 1 November each charging year and we are proposing to coordinate the timetable for discount applications with its availability. This will mean changing for each charging year:
- the date on which Ofcom will issue instructions for relevant CPs on how to apply for a discount from July to October;

⁶⁰ In February 2015 we opened an enforcement programme to assess a small number of CPs' compliance with GC17.13 owing to non-payment of number charges. In January 2016 we updated the enforcement programme to extend its scope to include compliance with GC17.5 regarding effective and efficient use of allocated numbers. Accordingly, if a CP has been included in our enforcement programme for non-payment of geographic number charges, we may also (where appropriate) seek to gather further information regarding use of those numbers (and any other numbers allocated to that CP) to assist us in determining whether the numbers have been adopted or otherwise used effectively and efficiently. See http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/open-cases/all-open-cases/cw_01152/.

- the period during which CPs may calculate numbers eligible for a discount from between 1 September and 31 October to between 1 November and 15 January;
 - the date by which we must receive the discount application from 1 December to 31 January; and
 - the period of time during which Ofcom will verify a sample of discount applications from January to March, to February to March.
- 5.11 We also consider that CPs do not require 45 days from receiving a draft schedule to reconcile charges and raise any queries with Ofcom. The Number Management System will facilitate CPs' reconciliation of charges ahead of receiving the draft schedule and, in practice, queries are rarely raised. We therefore consider the current timescale introduces unnecessary delay into the process. We are proposing to provide 15 working days for CPs to examine the draft schedule and raise any queries before we issue the final schedule and invoice.
- 5.12 Figure 5.2 sets out the proposed timetable for the administrative arrangements for the charging scheme from 1 April 2017.

Figure 5.2: Proposed timetable for the administrative arrangements for the charging scheme from 1 April 2017

Timing (applies to each billing cycle)⁶¹	Action
October	Ofcom to issue instructions to relevant CPs on how to apply for a discount for ported/external WLR/public payphone numbers provided under a USO
1 November	Preliminary Charging Statements available for CPs to access on the Number Management System
Between 1 November and 15 January	CPs applying for a discount for ported/external WLR/public payphone numbers to gather the required information on those numbers
31 January	Deadline for CPs to provide Ofcom with the specified details on numbers if they wish to apply for a discount to their number charge bill for that charging year
February to March	Ofcom to verify a sample of CPs' discount applications
1 April	CPs can view charges for previous charging year (excluding discounts) on the Number Management System
From Mid-April	Ofcom to send a draft schedule to CPs to allow for reconciliation and the raising of any queries.

⁶¹ Indicative timescales – may be subject to change.

	CPs to examine the draft schedule and raise any queries with Ofcom
15 working days from receipt of draft schedule	Deadline for CPs to raise any queries with Ofcom
From June	Ofcom to issue CPs with their final schedule and invoice
Within 14 days of receipt of the invoice	CPs to make full payment of their invoice to Ofcom

Approach to number charges when the CP using the number is different from the range holder

5.13 There are instances where numbers allocated by Ofcom to a CP are used by a different CP to provide services for regulatory reasons. In our July 2012 Statement we identified the following regulatory arrangements where this situation arises:

- **Ported numbers:** Number portability is a facility whereby a customer may retain their telephone number when switching their telecoms service provider. A ported number remains allocated to the CP holding the relevant block of numbers (known as the range holder or donor CP), even though another CP (known as the recipient CP) is using the number to provide a service to the customer. GC18 requires range holders to provide number portability at the customer's request. Therefore any CP with numbers allocated by Ofcom may have ported numbers out to another CP;
- **Wholesale Line Rental (WLR) numbers:** WLR is a regulated wholesale service sold by BT (in the UK excluding the 01482 (Hull) area code) and by KCOM in the 01482 (Hull) area code. It is used by CPs to provide retail customers with exchange lines and narrowband telephony services. WLR lines are usually attached to a number allocated to BT or, in the 01482 (Hull) area code, a number allocated to KCOM. In this situation, BT or KCOM is the range holder but it is the CP that provides a service to the customer (known as the retail CP) that uses the number; and
- **Public payphone numbers:** BT (in the UK excluding the 01482 (Hull) area code) and KCOM in the 01482 (Hull) area code, are also under a regulatory Universal Service Obligation (USO) to provide public payphone services. BT and KCOM need to supply the numbers to provide the public payphone services under a USO.

5.14 In the situations above, there may need to be a different approach to the way we apply number charges. This is because the range holder is not able to benefit from using some of the numbers allocated to it because of a regulatory arrangement. If charged by Ofcom, the range holder would effectively be paying for a resource from which another CP is benefitting (and preventing the range holder from using that resource). Also, neither the range holder nor the CP that uses the number can do much to react to, and benefit from, the financial incentive to use numbers more efficiently that is associated with charging.

- 5.15 For the purposes of the pilot scheme, we concluded in the July 2012 Statement that it would be appropriate for the range holder to be able to apply to Ofcom each year for a discount to its annual number charge bill where numbers allocated to it are used by a different CP due to porting or provision of WLR services (known as the 'discount approach'). While alternative approaches were considered, including the range holder recovering the number charge from the CP using the number, we concluded that, at least for the pilot scheme, we would introduce the simplest approach for CPs and Ofcom to administer in order to reduce the cost and complexity of its implementation. We also decided that numbers used for public payphone services provided under a USO in the Pilot Scheme Area Codes would be eligible for a discount.⁶²
- 5.16 The discount provided to CPs is higher than the 10p per number annual charge.⁶³ We decided to use a higher rate of discount in order to reflect that a CP does not achieve a 100 percent utilisation of their number block and a CP can only recover the number charge costs from its customers.
- 5.17 It should be noted that the discount approach does not apply to:
- a) numbers allocated by Ofcom to a CP which are used by a different CP under a commercial arrangement, such as sub-allocation;
 - b) numbers ported between CPs which are part of the same group of companies; or
 - c) numbers used to supply WLR lines to CPs which are part of the same group of companies.
- 5.18 In light of our proposal to continue to charge for geographic numbers, we have considered whether it would be appropriate to retain the discount approach. We have concluded that the current discount approach continues to be appropriate for the reasons set out in paragraphs 5.14 and 5.15 and meets the simplicity criterion. We propose to retain it for ported/external WLR/public payphone numbers provided under a USO for the charging scheme.

Question 4: Do you agree with our proposal to retain the discount approach for ported numbers and numbers used for WLR and public payphones provided under a USO?

Administration of the discount approach going forward

- 5.19 On the whole, we consider that the current approach to administering discounts works satisfactorily. We have found that the accuracy of the discount applications has been good, with any evidence of gaming limited and its impact minimal. As CPs and Ofcom become more familiar with the billing and discount process, we will seek to reduce the administrative burden involved in the detailed annual

⁶² Payphones do not have an end user paying line rental to recover the number charge costs from and are essentially a 'social' good. In light of this we were minded not to apply charges to numbers used by public payphones.

⁶³ For ported numbers: using our calculated average industry utilisation rate of 54.1 percent, which equates to a discount of £0.185 per ported out number. For external WLR numbers and public payphone numbers provided under a USO: using the range holder CP's (i.e. BT and KCOM) average utilisation rate. Individual CPs' average utilisation rates are confidential.

validation checks of discount applications, while continuing to monitor and verify applications as appropriate.

- 5.20 We have, however, identified some amendments that we propose to make to GC17 in light of our experience of administering the discount approach. We explain these proposals below. The specific amendments are set out in the Schedule to the Notification in Annex 2.

Proposed amendments to GC17

Clarification of “Affiliated Company” with regards to eligibility for a discount for ported and WLR numbers (proposed amendment to the definition of “Affiliated Company” in GC17.33(c))

- 5.21 At present CPs can claim a discount for numbers ported to another CP or used to provide WLR services provided that the recipient CP is not an “Affiliated Company”.⁶⁴ GC17.33(c) defines an Affiliated Company as:

“any subsidiary or holding company of the Communications Provider, or any subsidiary of a holding company of the Communications Provider, all as defined in section 1159 of the Companies Act 2006.”

- 5.22 This exclusion means that CPs that are part of the same group of companies will not be given discounts for numbers ported between them or used to provide WLR services. However, there are instances where some CPs are not part of the same group of companies but are still controlled by the same person or persons. For example, where an individual owns 100 per cent of the shares in two companies, neither company is the subsidiary of the other and they do not meet the definition of Affiliated Company in GC17.33(c), but they are nonetheless controlled by the same person.
- 5.23 We are proposing to amend GC17.33(c) to ensure that discount requests are not eligible for numbers ported or used to provide WLR services between CPs where those CPs are part of the same group of companies *and/or* are owned or controlled by the same person. This ensures that numbers ported or used to provide WLR services between CPs that are clearly associated through ownership/control are treated consistently, regardless of how that group of companies is structured.

Discounts for numbers used to provide WLR services (proposed amendment to the formula for calculating WLR Number discounts in GC17.17(b) and definitions in GC17.33)

- 5.24 We are proposing to amend GC17.33 in relation to the discounts provided for numbers used to supply external WLR services. Currently the definition of “WLR” in GC17.33(z) refers only to the WLR service sold by BT. However, KCOM provides WLR services in the 01482 (Hull) area code. It was always our intention that KCOM should be eligible for a discount for numbers used to supply external WLR services. We are therefore proposing to amend the definition of “WLR” in GC17.33(z) to refer to WLR being a regulated wholesale service sold by a CP, rather than a direct reference to BT.

⁶⁴ GC17.33(r) and GC17.33(za).

- 5.25 We also need to ensure that discounts for numbers used to provide external WLR services are calculated using the relevant CP's average utilisation rate. In practice this has been the approach taken for the pilot scheme. However, this is not provided for in GC17.17(b), which states that the discount for WLR numbers shall be calculated using the BT Average Utilisation Rate. To rectify this situation, we are proposing that GC17.17(b) is amended to refer to the "Communications Provider Average Utilisation Rate". As a consequence of the proposed amendment, the definition of "BT" and "BT Average Utilisation Rate" would become redundant, and we are therefore proposing their deletion from GC17.33(g) and (h).

The administrative timetable for discount applications (proposed amendment to definitions of Ported Number, Public Payphone Number and WLR Number in GC17.33)

- 5.26 As stated in paragraph 5.10 and Figure 5.2, we are proposing to make changes to the timetable for CPs to apply for discounts. Three definitions in GC17.33 incorporate references to the administrative timetable for discount applications, specifically the definitions of "Ported Number", "Public Payphone Number" and "WLR Number".⁶⁵ These definitions specify dates by which information must be provided to Ofcom by CPs when applying for a discount and a date range within which CPs must provide an assessment of the relevant numbers.
- 5.27 We propose to amend the references to administrative timings in GC17.33 to fit with the timetable that we intend to follow going forward.

Question 5: Do you agree with our proposals for amending GC17.17(b) and 17.33?

⁶⁵ GC17.33(r), (t) and (za).

Section 6

Legal instruments and tests

Introduction

- 6.1 We have concluded that charging under the pilot scheme has been shown to be an effective tool for addressing number scarcity with few unintended consequences. Specifically charging has encouraged CPs to return unused or under-used number blocks to Ofcom, thereby delaying or avoiding the need for measures to increase the supply of numbers, which have a cost and are disruptive for consumers, businesses and CPs.
- 6.2 In Annex 1 of this document, we set out the area codes where we propose to implement charging for geographic numbers, on the basis of the method and threshold proposed in Section 4.⁶⁶ In Section 5, we set out the minor changes we are proposing to make to the administration of the charging scheme.
- 6.3 In this section we explain why these proposals fall within the scope of our legal powers and summarise the legal instruments that we are proposing to make in order to give effect to these regulatory changes. We also explain why we consider these legal instruments are consistent with our statutory duties and other relevant legal tests.
- 6.4 At the end of this section we outline the steps we propose to take following this consultation.

Legal powers

- 6.5 In order to implement the changes, we are proposing to make to the charging scheme for geographic numbers, we are relying on our powers to set and modify conditions in relation to the allocation and adoption of numbers, including our power to require the payment by a person of such amounts as Ofcom may determine in respect of numbers allocated to that person. These powers are described in paragraphs 2.7 to 2.12. In essence, the powers we are relying on enable us to set and modify conditions:
 - a) requiring the payment of charges in respect of number allocations; and
 - b) regulating the procedures to be followed, the system to be applied and the charges to be imposed in connection with the requirement to pay charges in respect of number allocations.

⁶⁶ The area codes included in this assessment are preliminary and, if our proposal to continue to charge for certain geographic numbers is implemented, the list of charged area codes would be finalised in the statement using more recent data.

Legal instruments

- 6.6 In order to implement our proposals, we intend to modify GC17 as set out in the notification at Annex 2.⁶⁷
- 6.7 In summary, we propose to:
- 6.7.1 replace the list of charged area codes in the Annex to GC17 with the list of area codes identified by the application of our proposed threshold. If implemented, the effect of this modification would be to impose charges on CPs in respect of geographic numbers in the relevant area codes which are allocated to them. It should be noted that the new list of area codes introduced by our proposed modification is based on current forecasts of geographic numbers remaining in these area codes in 2025 and therefore may be subject to change when we recalculate the forecasts for the purposes of our statement;
 - 6.7.2 amend the dates specified in GC17.33 for the provision of certain information by CPs for the purpose of calculating discounts to geographic number charges;
 - 6.7.3 amend the terminology for calculating the discount for WLR numbers in GC17.17(b). The effect of this modification would be to ensure that the calculation of the discount for WLR numbers under GC17 matches our practice of calculating it by reference to the average utilisation rate of the CP claiming the discount;
 - 6.7.4 amend the definition of “Affiliated Company” in GC17.33; and
 - 6.7.5 delete the definitions of “BT” and “BT Average Utilisation Rate” in GC17.33. By virtue of the modification referred to in paragraph 6.7.3, these definitions will become redundant.
- 6.8 The reasons for the proposed modifications to GC17 detailed above are set out in Sections 3 to 5 of this document.

Legal tests and statutory duties

- 6.9 We are proposing the modifications set out above under our powers in sections 45(10)(e), 58(1)(g), 58(2)(e) and 58(6) of the Act.
- 6.10 We may not set or modify (as the case may be) a general condition unless we are satisfied that the condition or modification is objectively justifiable, not unduly

⁶⁷ Note that the proposed modifications in Annex 2 are to GC17 as currently worded. Separately, as part of our review of the General Conditions, Ofcom has consulted on a proposal to revoke certain of the General Conditions, including GC17, and replace them with the General Conditions set out in the notification attached to the consultation (see <https://www.ofcom.org.uk/consultations-and-statements/category-1/review-general-conditions>). The substance of the current GC17.13 to 17.18 and the definitions in GC17.33 are unaltered in the new version of GC17 proposed in the review, although the provisions have been renumbered and the definitions have been moved to an annex to the General Conditions. In the event these changes are implemented prior to the modifications proposed in this consultation, the modifications set out here in Annex 2 will be applied to the new version of the General Conditions.

- discriminatory, proportionate and transparent. We are satisfied that the modifications we are proposing to make meet these requirements.
- 6.11 Specifically, in relation to the proposed modification to the list of charged area codes (see paragraph 6.7.1), we consider it to be:
- a) **objectively justifiable**, in that it will ensure that charges apply in those area codes where scarcity is or is likely to become a concern in the near to medium-term future, thereby encouraging the efficient use of numbers, so as to reduce number scarcity and minimise the need for disruptive and costly measures to increase number supplies;
 - b) **non-discriminatory**, in that charges for numbers in the area codes listed in the schedule to the notification in Annex 2 of this document will apply equally to all CPs who have number allocations in these area codes;
 - c) **proportionate**, in that charges would be implemented only in those area codes where number scarcity exists or is expected to exist in the near to medium-term future; and
 - d) **transparent**, in that the proposed modification is set out in Annex 2 and the reasons for it are explained in detail in this consultation document.
- 6.12 In relation to the proposed modifications to the provisions of GC17 in relation to the calculation of charges and the procedures for doing so (see paragraphs 6.7.2 to 6.7.5), we consider these to be:
- a) **objectively justifiable**, in that they will ensure that the timetable specified in the condition for the provision of information by CPs is tailored to the practical demands of our administrative processes; the provision for calculating discounts for WLR numbers is aligned with our practice; and the scope to set up corporate structures with the object of claiming the discount for ported numbers is minimised;
 - b) **non-discriminatory**, in that with the exception of the proposed modification to the definition of Affiliated Company, the changes will apply equally to all relevant CPs. While the change we are proposing to the definition of Affiliated Company will prevent certain CPs claiming the benefit of the discount for ported numbers, it will ensure that, in terms of applying the discount, the treatment of CPs under common ownership is the same, regardless of the specific ownership structure that they adopt;
 - c) **proportionate**, in that the proposed modifications are minor adjustments to the existing provisions and go no further than is required by the underlying policy; and
 - d) **transparent**, in that the proposed modifications are set out in Annex 2 and the reasons for them are explained in detail in this consultation document.
- 6.13 We consider that our proposed modifications to GC17 are consistent with our principal duty under section 3 of the Act. In particular, we consider that charging for numbers in area codes where scarcity is or is likely to become a concern is in the interests of citizens and consumers because it delays the need for more disruptive number supply measures. Further, by encouraging the efficient use of

numbers, this facilitates CPs in the provision of communications services to consumers, and promotes competition and choice for consumers in the long term.

- 6.14 We also consider that our proposals are consistent with the Community requirements set out in section 4 of the Act, particularly the first requirement to promote competition in the provision of electronic networks and services through the ongoing availability of geographic numbers for allocation to CPs and use by consumers.
- 6.15 We are satisfied that our proposals fulfil our general duty as to telephone numbering functions under section 63 of the Act by:
- **securing the best use of telephone numbers.** Charging for numbers encourages CPs to use numbers efficiently and take the costs associated with using numbers into account. The proposals will also allow us to administer the charging scheme effectively going forward; and
 - **encouraging efficiency and innovation.** Charging ensures that CPs have an economic incentive to use geographic numbers efficiently, thus reducing scarcity and the need to make more numbers available. This can help to ensure that a lack of numbers does not constrain competition and/or innovation.

Next steps

- 6.16 This consultation lasts for six weeks and closes on 9 December 2016. Details on how to respond to this consultation are provided in Annexes 4 and 5.
- 6.17 We will take account of all submissions received on the proposals put forward and aim to publish our conclusions in a statement in early 2017.
- 6.18 Our proposals for the charging scheme going forward are expected to take effect on 1 April 2017. The pilot scheme would remain in operation until that time.
- 6.19 Ahead of the 2017/18 charging year, we intend to publish an updated version of the Guidance for CPs on the administrative arrangements for the charging scheme.

Annex 1

Pilot scheme and proposed charging scheme area codes

Figure A1.1: 30 area codes subject to charging under the pilot scheme

Area Code	Area Name
01202	Bournemouth (CLD)
01206	Colchester
01223	Cambridge
01224	Aberdeen (CLD)
01253	Blackpool
01273	Brighton (CLD)
01274	Bradford (CLD)
01276	Camberley
01332	Derby
01382	Dundee
01384	Dudley
01452	Gloucester
01482	Hull
01483	Guildford
01582	Luton
01603	Norwich
01604	Northampton
01642	Middlesbrough (CLD)
01702	Southend-on-Sea
01752	Plymouth
01753	Slough
01772	Preston
01782	Stoke-on-Trent
01792	Swansea
01793	Swindon
01865	Oxford
01902	Wolverhampton
01908	Milton Keynes (CLD)
01924	Wakefield
01925	Warrington

Note: (CLD) denotes the six area codes where local dialling has been closed.

Figure A1.2: 44 area codes that would be subject to charging under the proposed threshold of 10 per cent or less numbers remaining available to allocate in 2025 (data as at February 2016)

Area Code	Area Name	Blocks remaining in Feb 16	% of blocks remaining at end 2025	Forecast year of exhaustion
01202	Bournemouth (C)(CLD)	164	1%	2026
01204	Bolton	144	0%	2024
01223	Cambridge (C)	101	0%	2021
01224	Aberdeen (C)(CLD)	217	0%	2025
01225	Bath	132	0%	2024
01234	Bedford	138	8%	2033
01244	Chester	143	5%	2030
01252	Aldershot	113	0%	2024
01253	Blackpool (C)	186	6%	2029
01254	Blackburn	134	5%	2029
01268	Basildon	137	9%	2036
01273	Brighton (C)(CLD)	207	3%	2027
01274	Bradford (C)(CLD)	209	10%	2035
01293	Crawley	156	8%	2033
01302	Doncaster	169	10%	2034
01332	Derby (C)	114	0%	2025
01473	Ipswich	133	7%	2033
01482	Hull (C)	168	9%	2033
01483	Guildford (C)	108	0%	2024
01524	Lancaster	156	7%	2029
01582	Luton (C)	129	3%	2027
01603	Norwich (C)	89	0%	2022
01604	Northampton (C)	146	5%	2029
01634	Medway	142	9%	2036
01635	Newbury	140	9%	2032
01698	Motherwell	141	10%	2038
01706	Rochdale	155	8%	2032
01708	Romford	148	7%	2031
01709	Rotherham	167	10%	2034
01733	Peterborough	133	5%	2029
01752	Plymouth (C)	122	6%	2031
01753	Slough (C)	106	0%	2025
01772	Preston (C)	111	0%	2023
01782	Stoke-on-Trent (C)	80	0%	2022
01792	Swansea (C)	198	10%	2032
01793	Swindon (C)	81	0%	2020
01865	Oxford (C)	103	1%	2026
01902	Wolverhampton (C)	145	6%	2030
01904	York	121	6%	2032
01908	Milton Keynes (C)(CLD)	217	6%	2030
01923	Watford	121	0%	2025
01924	Wakefield (C)	140	5%	2029

01925	Warrington (C)	154	7%	2031
01942	Wigan	151	9%	2035

Note:

(C) 23 area codes included in the pilot scheme

(CLD) five area codes where local dialling has been closed

Figure A1.3: Seven Pilot Scheme Area Codes where charging would be withdrawn under the proposed threshold (data as at February 2016)

Area Code	Area Name	Blocks remaining in Feb 16	% of blocks remaining at end of 2025	Forecast year of exhaustion
01206	Colchester (C)	247	17%	2038
01276	Camberley (C)	195	29%	2079
01382	Dundee (C)	279	26%	2053
01384	Dudley (C)	207	18%	2043
01452	Gloucester (C)	235	24%	2065
01642	Middlesbrough (C)(CLD)	211	12%	2038
01702	Southend-on-Sea (C)	244	15%	2036

Note:

(C) Seven area codes in the pilot scheme

(CLD) One area code where local dialling has been closed

Annex 2

Notification proposing the modification of General Condition 17 under section 48A(3) of the Communications Act 2003

Proposals to modify General Condition 17 regarding charging for specified geographic numbers

1. In accordance with section 48A(3) of the Act, Ofcom hereby makes the following proposals to modify General Condition 17 of the General Conditions of Entitlement.
2. The draft modifications to General Condition 17 are set out in the Schedule to this Notification.
3. The effect of, and Ofcom's reasons for making, the proposals are set out in the accompanying consultation document.
4. Ofcom considers that the proposals comply with the requirements of sections 45 to 49C of the Act and that they are not of EU significance pursuant to section 150A(2) of the Act.
5. In making the proposals, Ofcom has considered and acted in accordance with its general duties under section 3 of the Act and the six Community requirements under section 4 of the Act.
6. Representations may be made to Ofcom about the proposals by **9 December 2016**.
7. If implemented, the modifications shall enter into force on a date specified in Ofcom's final statement on the review of the pilot scheme to charge for geographic numbers.
8. Copies of this Notification and the accompanying consultation document have been sent to the Secretary of State in accordance with section 48C(1) of the Act.

Interpretation

9. In this Notification:
 - a) "the Act" means the Communications Act 2003;
 - b) "General Conditions of Entitlement" means the general conditions set by the General Condition Notification as amended;
 - c) "General Condition Notification" means the notification setting General Conditions under section 45 of the Act, issued by the Director General of Telecommunications on 22 July 2003, as subsequently amended; and
 - d) "Ofcom" means the Office of Communications.
10. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification and otherwise any word or expressions shall have the same meaning as it has in the General Condition Notification and otherwise any word or expression shall have the same meaning as it has in the Act.

11. For the purpose of interpreting this Notification: (a) headings and titles shall be disregarded; and (b) the Interpretation Act 1978 shall apply as if this Act were an Act of Parliament.
12. The Schedule to this Notification shall form part of this Notification.

Signed by



Brian Potterill
Competition Policy Director

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002.

28 October 2016

SCHEDULE

MODIFICATIONS TO GENERAL CONDITION 17

The proposed modifications to General Condition 17 are set out below. The text marked in bold and highlighted in yellow indicates proposed insertions and the text marked in strike-through text and highlighted indicates proposed deletions.

17. ALLOCATION, ADOPTION AND USE OF TELEPHONE NUMBERS

[Paragraphs 17.1 – 17.12 are not reproduced for the purposes of this Notification.]

Charging for Specified Geographic Numbers

17.13 The Communications Provider shall pay to Ofcom any applicable Annual Number Charge within 14 days of receipt of an invoice from Ofcom.

17.14 The Annual Number Charge will be billed annually in arrears following the end of each Charging Year.

17.15 The Annual Number Charge for a Communications Provider shall be:

- (a) the charges applicable to that Communications Provider calculated in accordance with paragraph 17.16; less
- (b) any reduction applicable to that Communications Provider calculated in accordance with paragraph 17.17.

17.16 In respect of each Specified Geographic Number the Communications Provider must pay £0.1/365 for every day within the Charging Year for which that Specified Geographic Number is Allocated to it. Such amounts are payable irrespective of whether or not a Specified Geographic Number has been Adopted or is in use.

17.17 If relevant, the amount of any reduction for a Communications Provider in respect of a Charging Year shall be:

- (a) $(\text{the total number of the Communications Provider's Ported Numbers}) \times \text{£}0.1 \div (\text{the Average Industry Utilisation Rate})$; plus
- (b) $(\text{the total number of the Communications Provider's WLR Numbers}) \times \text{£}0.1 \div (\text{the BT Communications Provider Average Utilisation Rate})$; plus
- (c) $(\text{the total number of the Communications Provider's Public Payphone Numbers}) \times \text{£}0.1 \div (\text{the Communications Provider Average Utilisation Rate})$.

17.18 If any reduction calculated pursuant to paragraph 17.17 exceeds the charges applicable to that Communications Provider calculated in accordance with paragraph 17.16, the Annual Number Charge shall be zero.

[Paragraphs 17.19 - 17.32 are not reproduced for the purposes of this Notification.]

17.33 For the purposes of this Condition:

- a) "Access Charge" means a rate set by a Communications Provider in accordance with paragraph 17.25 in respect of the retail and origination of a call to an Unbundled Tariff Number and its conveyance up to and including the Assumed Handover Point for the purpose of calculating the amount payable by a Consumer for making such a call;
- b) "Access Charge Element" means, in respect of a call to an Unbundled Tariff Number retailed to a Consumer:
 - (i) the amount produced by multiplying the Access Charge applicable to that Consumer by the length of the call, in accordance with paragraph 17.27; or
 - (ii) where paragraph 17.30 applies, zero.
- c) "Affiliated Company" means:
 - (i) any subsidiary or holding company of the Communications Provider, or any subsidiary of a holding company of the Communications Provider, all as defined in section 1159 of the Companies Act 2006; **or**
 - (ii) **a company which is controlled by the same person or persons having control of the Communications Provider, and for these purposes 'control' means being able to exercise (directly or indirectly) the majority of the voting rights in the company, as defined by Schedule 6, paragraph 2 of the Companies Act 2006.**
- d) "Annual Number Charge" is a charge invoiced by Ofcom to a Communications Provider in respect of a Charging Year and is calculated in accordance with paragraph 17.15;

- e) "Assumed Handover Point" means the point of interconnection nearest to the origination of a call to an Unbundled Tariff Number at which the call may be handed over to the Electronic Communications Network of another Communications Provider for conveyance. For these purposes, where the call is routed via a Transit Network, the Assumed Handover Point is deemed to be the nearest point of ingress from the Electronic Communications Network on which the call originates to that Transit Network;
- f) "Average Industry Utilisation Rate" means the weighted average utilisation rate of Specified Geographic Numbers for the industry as calculated by Ofcom and notified to Communications Providers prior to the first Charging Year;
- g) "BT" means BT Group plc;
- h) "BT Average Utilisation Rate" means the average utilisation rate of Specified Geographic Numbers Allocated to BT as calculated by Ofcom and notified to BT prior to the first Charging Year;
- i) "Charging Year" means the 12 month period beginning on 1 April and ending on 31 March (excluding 29 February in any leap year), and the first Charging Year shall be 1 April 2013 to 31 March 2014;
- j) "Communications Provider" means a person who provides an Electronic Communications Network or an Electronic Communications Service;
- k) "Communications Provider Average Utilisation Rate" means the average utilisation rate of Specified Geographic Numbers Allocated to the relevant Communications Provider as calculated by Ofcom and notified to the Communications Provider prior to the first Charging Year;
- l) "Consumer" means any natural person who uses or requests a Public Electronic Communications Service for purposes which are outside his or her trade, business or profession;
- m) "Effective Date" means 1 July 2015;
- n) "Geographic Area Code" has the meaning given to it in the National Telephone Numbering Plan;
- o) "Geographic Number" has the meaning given to it in the National Telephone Numbering Plan;
- p) "Non-Geographic Number" has the meaning given to it in the National Telephone Numbering Plan;
- q) "Non-provider Numbering Condition" means the condition that applies to persons other than communications providers relating to the use of Unbundled Tariff Numbers and made on 12 December 2013 under section 59 of the Act;
- r) "Ported Number" means a Specified Geographic Number Allocated to the Communications Provider which Ofcom is satisfied (pursuant to information received from the Communications Provider by ~~1 December~~ **31 January**) of the

Charging Year (or such other date as Ofcom notifies prior to the start of the Charging Year)) was on a particular day (as specified by the Communications Provider) between 1 ~~September~~ **November** and ~~31 October~~ **15 January** of the Charging Year (or such other time period as Ofcom notifies prior to the start of the Charging Year) subject to an arrangement under which that Communications Provider had ported, in accordance with GC 18, that Specified Geographic Number to a person who was not an Affiliated Company;

- s) “Price Point” means a rate which may be set as a Service Charge and is used for calculating or billing the Service Charge Element of the retail price for a call to an Unbundled Tariff Number which is charged to a Consumer;
- t) “Public Payphone Number” means a Specified Geographic Number Allocated to the Communications Provider which Ofcom is satisfied (pursuant to information received from the Communications Provider by ~~1 December~~ **31 January** of the Charging Year (or such other date as Ofcom notifies prior to the start of the Charging Year)) was on a particular day (as specified by the Communications Provider) between 1 ~~September~~ **November** and ~~31 October~~ **15 January** of the Charging Year (or such other time period as Ofcom notifies prior to the start of the Charging Year) in use in respect of a Public Pay Telephone service provided under a Universal Service Obligation;
- u) “Service Charge” means the rate set by a Communications Provider in accordance with paragraph 17.26 in respect of the conveyance of a call to an Unbundled Tariff Number from the Assumed Handover Point to the point of termination and the enabling of a Consumer to use an Unbundled Tariff Number to access any service provided by means of that number;
- v) “Service Charge Element” means, in respect of a call to an Unbundled Tariff Number retailed to a Consumer—
 - (i) the amount produced by multiplying the Service Charge for that Unbundled Tariff Number by the length of the call in accordance with paragraph 17.28, where the Service Charge is charged at a pence per minute rate;
 - (ii) an amount equal to the Service Charge for that Unbundled Tariff Number, where the Service Charge is charged at a pence per call rate;
 - (iii) an amount equal to sum of the amounts calculated under paragraphs (i) and (ii) of this definition, where the Service Charge is charged at a rate which combines a pence per minute rate and a pence per call rate;
- w) “Specified Geographic Number” means a Geographic Number (identified by the Geographic Area Code) set out in the Annex;
- x) “Transit Network” means the Electronic Communications Network of a Communications Provider used to convey a call from the Electronic Communications Network of another Communications Provider to the Electronic Communications Network of a third Communications Provider;

- y) “Unbundled Tariff Number” means a Non-Geographic Number starting 084, 087, 090, 091, 098 or 118;
- z) “WLR” means Wholesale Line Rental, a regulated wholesale service sold by **BT a Communications Provider**, which is used by the Communications Provider to provide retail customers with exchange lines and, in turn, access to other narrowband telephony services (for example, telephone calls, facsimile and dial-up internet access);
- za) “WLR Number” means a Specified Geographic Number Allocated to the Communications Provider which Ofcom is satisfied (pursuant to information received from the Communications Provider by **1 December 31 January** of the Charging Year (or such other date as Ofcom notifies prior to the start of the Charging Year)) was on a particular day (as specified by the Communications Provider) between 1 **September November** and **31 October 15 January** of the Charging Year (or such other time period as Ofcom notifies prior to the start of the Charging Year) subject to an arrangement under which that Communications Provider was providing WLR to a person who was not an Affiliated Company.

Annex to Condition 17

Geographic Numbers which are Specified Geographic Numbers for the purposes of General Condition 17.⁶⁸

1. Specified Geographic Numbers identified by Geographic Area Code:	
Geographic Area Code	Area
01202	Bournemouth
01274	Bradford
01642	Middlesbrough
01273	Brighton
01224	Aberdeen
01793	Swindon
01908	Milton Keynes
01782	Stoke-on-Trent
01865	Oxford
01792	Swansea
01206	Colchester
01582	Luton
01604	Northampton
01603	Norwich
01223	Cambridge
01752	Plymouth
01332	Derby
01384	Dudley
01925	Warrington
01253	Blackpool
01382	Dundee

⁶⁸ The area codes included in this list are preliminary and, if our proposal to continue to charge for geographic numbers is implemented, the list will be finalised in the statement.

01482	Hull
01702	Southend-on-Sea
01902	Wolverhampton
01753	Soagh
01483	Guildford
01452	Gloucester
01924	Wakefield
01276	Camberley
01772	Preston
01202	Bournemouth
01204	Bolton
01223	Cambridge
01224	Aberdeen
01225	Bath
01234	Bedford
01244	Chester
01252	Aldershot
01253	Blackpool
01254	Blackburn
01268	Basildon
01273	Brighton
01274	Bradford
01293	Crawley
01302	Doncaster
01332	Derby
01473	Ipswich
01482	Hull
01483	Guildford
01524	Lancaster
01582	Luton
01603	Norwich
01604	Northampton
01634	Medway
01635	Newbury
01698	Motherwell
01706	Rochdale
01708	Romford
01709	Rotherham
01733	Peterborough
01752	Plymouth
01753	Slough
01772	Preston
01782	Stoke-on-Trent
01792	Swansea
01793	Swindon
01865	Oxford
01902	Wolverhampton
01904	York

01908	Milton Keynes
01923	Watford
01924	Wakefield
01925	Warrington
01942	Wigan

Annex 3

Consultation questions

A3.1 We have included five specific consultation questions in Sections 3, 4 and 5. We would like you to consider these when responding. We have set these questions out below for ease of reference. We also welcome general comments on our consultation proposals.

Section 3

Question 1: Do you agree with our assessment of the impact of charging for geographic numbers?

Question 2: Do you agree with our proposal to continue to charge for geographic numbers in area codes where scarcity is or is likely to be a concern?

Section 4

Question 3: Do you agree with our proposal that charging should be applied to any area code which is forecast to have 10 per cent or less numbers remaining available for allocation in 2025?

Section 5

Question 4: Do you agree with our proposal to retain the discount approach for ported numbers and numbers used for WLR and public payphones provided under a USO?

Question 5: Do you agree with our proposals for amending GC17.17(b) and 17.33?

Annex 4

Responding to this consultation

How to respond

- A4.1 Ofcom would like to receive views and comments on the issues raised in this document **by 5pm on 9 December 2016**.
- A4.2 We strongly prefer to receive responses via the online form at <http://www.ofcom.org.uk/consultations-and-statements/category-2/promoting-efficient-use-of-geographic-telephone-numbers>. We also provide a cover sheet (<https://www.ofcom.org.uk/consultations-and-statements/consultation-response-coversheet>) for responses sent by email or post; please fill this in, as it helps us to maintain your confidentiality, and speeds up our work. You do not need to do this if you respond using the online form.
- A4.3 If your response is a large file, or has supporting charts, tables or other data, please email it to elizabeth.greenberg@ofcom.org.uk, as an attachment in Microsoft Word format, together with the cover sheet (<https://www.ofcom.org.uk/consultations-and-statements/consultation-response-coversheet>).
- A4.4 Responses may alternatively be posted to the address below, marked with the title of the consultation.
- Elizabeth Greenberg
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA
- A4.5 If you would like to submit your response in an alternative format (e.g. a video or audio file), please contact Elizabeth Greenberg on 020 7783 4163 or email elizabeth.greenberg@ofcom.org.uk.
- A4.6 We do not need a paper copy of your response as well as an electronic version. We will acknowledge receipt if your response is submitted via the online web form, but not otherwise.
- A4.7 You do not have to answer all the questions in the consultation if you do not have a view; a short response on just one point is fine. We also welcome joint responses.
- A4.8 It would be helpful if your response could include direct answers to the questions asked in the consultation document. The questions are listed at Annex 3. It would also help if you could explain why you hold your views, and what you think the effect of Ofcom's proposals would be.
- A4.9 If you want to discuss the issues and questions raised in this consultation, please contact Elizabeth Greenberg on 020 7783 4163 or by email to elizabeth.greenberg@ofcom.org.uk

Confidentiality

- A4.10 Consultations are more effective if we publish the responses before the consultation period closes. In particular, this can help people and organisations with limited resources or familiarity with the issues to respond in a more informed way. So, in the interests of transparency and good regulatory practice, and because we believe it is important that everyone who is interested in an issue can see other respondents' views, we usually publish all responses on our website, www.ofcom.org.uk, as soon as we receive them.
- A4.11 If you think your response should be kept confidential, please specify which part(s) this applies to, and explain why. Please send any confidential sections as a separate annex. If you want your name, address, other contact details or job title to remain confidential, please provide them only in the cover sheet, so that we don't have to edit your response.
- A4.12 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and try to respect it. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.
- A4.13 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's intellectual property rights are explained further at <http://www.ofcom.org.uk/terms-of-use/>

Next steps

- A4.14 Following this consultation period, Ofcom plans to publish a statement in early 2017.
- A4.15 If you wish, you can register to receive mail updates alerting you to new Ofcom publications; for more details please see <http://www.ofcom.org.uk/email-updates/>

Ofcom's consultation processes

- A4.16 Ofcom aims to make responding to a consultation as easy as possible. For more information, please see our consultation principles in Annex 5.
- A4.17 If you have any comments or suggestions on how we manage our consultations, please call our consultation helpdesk on 020 7981 3003 or email us at consult@ofcom.org.uk. We particularly welcome ideas on how Ofcom could more effectively seek the views of groups or individuals, such as small businesses and residential consumers, who are less likely to give their opinions through a formal consultation.
- A4.18 If you would like to discuss these issues, or Ofcom's consultation processes more generally, please contact Steve Gettings, Ofcom's consultation champion:

Steve Gettings
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA

Tel: 020 7981 3601

Email steve.gettings@ofcom.org.uk

Annex 5

Ofcom's consultation principles

Ofcom has seven principles that it follows for every public written consultation:

Before the consultation

- A5.1 Wherever possible, we will hold informal talks with people and organisations before announcing a big consultation, to find out whether we are thinking along the right lines. If we do not have enough time to do this, we will hold an open meeting to explain our proposals, shortly after announcing the consultation.

During the consultation

- A5.2 We will be clear about whom we are consulting, why, on what questions and for how long.
- A5.3 We will make the consultation document as short and simple as possible, with a summary of no more than two pages. We will try to make it as easy as possible for people to give us a written response. If the consultation is complicated, we may provide a short Plain English / Cymraeg Clir guide, to help smaller organisations or individuals who would not otherwise be able to spare the time to share their views.
- A5.4 We will consult for up to ten weeks, depending on the potential impact of our proposals.
- A5.5 A person within Ofcom will be in charge of making sure we follow our own guidelines and aim to reach the largest possible number of people and organisations who may be interested in the outcome of our decisions. Ofcom's Consultation Champion is the main person to contact if you have views on the way we run our consultations.
- A5.6 If we are not able to follow any of these seven principles, we will explain why.

After the consultation

- A5.7 We think it is important that everyone who is interested in an issue can see other people's views, so we usually publish all the responses on our website as soon as we receive them. After the consultation we will make our decisions and publish a statement explaining what we are going to do, and why, showing how respondents' views helped to shape these decisions.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: *Promoting efficient use of geographic telephone numbers: Review of pilot scheme to charge communications providers for certain geographic numbers, including proposals to modify General Condition 17*

To (Ofcom contact): *Elizabeth Greenberg*

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing Name/contact details/job title

Whole response Organisation

Part of the response If there is no separate annex, which parts?

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name

Signed (if hard copy)