

## **Response to the Ofcom consultation document 'Simplifying non-geographic numbering'**

Robert Milne

<http://www.antelope.org.uk>

10 March 2010

### **Introduction**

Antelope Consulting offers consultancy in telecommunications policy and strategy, with redesign of numbering as an internationally recognised specialism. We have advised on numbering in many countries. Some have had problems similar to those now faced by Ofcom that could be addressed by simplification and more effective regulation.

We welcome the intention to improve the non-geographic numbering rules<sup>1</sup>. We hope that it represents a strategy that Ofcom will complete and implement without delay.

We agree that non-geographic number ranges should be rationalised and have unbundled tariffs and that 080 should be free-to-caller. However, unbundling will need to be handled carefully if it is to work well. We therefore suggest various ways in which the strategy proposed by Ofcom could be both extended and simplified by, in particular:

- Covering all non-geographic numbers (among them being 055, 056 and all short codes beginning with 1).
- Making all non-geographic numbers that are not free-to-caller have unbundled tariffs, with the same access charge.
- Setting bounds on charges in ways that take account of the changing perceptions and realities of geographic and mobile rates (particularly by limiting the access charge to the charge for a call to a geographic or mobile number).
- Withdrawing, or at least closing to future allocation, number ranges that have essentially the same purposes as other, more familiar, number ranges.

### **The scope, rationale for the review and framework for analysis (Section 2 and Annex 1)**

*Question 2.1. Do you consider that the scope for this review, set out above, is appropriate? If not how would you suggest that it should be modified and why?*

The consultation document does not appear to cover the entire scope that it sets out, as it has very little to say about 055 and 056. Moreover it does not mention short codes beginning with 1, except for 116 and 118. These should all be brought within the scope of the proposals. Whether they are active is irrelevant: as 070, 076 and 118 demonstrated, if they ever become active they could cause unnecessary problems by not being within a coherent and comprehensive scheme.

---

<sup>1</sup> We have followed the usage of Ofcom in the consultation document by excluding the so-called "mobile" numbers from "non-geographic numbering". However, this usage conflicts with that of the national telephone numbering plan. It might be justified because these 07 numbers, along with 01 and 02 numbers, are widely understood. However, we doubt whether there are lasting meaningful distinctions in roles between, say, "mobile" numbers and "location independent electronic communications service" numbers. Indeed, some numbers, such as "corporate" numbers, have already lost any clear role in the UK.

Until now there has been no such scheme. The proposals offer an opportunity to provide one, which should be designed to last for a decade at least. They should therefore allow for known trends such as the reduction in geographic significance in numbers and the growth of apparently “mobile” voice over IP services.

*Question 2.2. Do the summary of the history of NGC services and the rationale for this review capture all the essential concerns which this review should be seeking to address? If not, please set out those issues which you consider are not being considered and why these should be included in the review at this stage.*

The history and rationale in the consultation document do not discuss the proliferation of other new number ranges, which has compounded the problem. 055, 056 and 03 are examples of this. More generally, several previous changes in numbering for the UK, both geographic and non-geographic, have been inadequate or incomplete. They deserve to be mentioned at this point in the review to confirm that this time Ofcom intends to have a coherent and comprehensive implementation.

*Question 2.3. Do you consider our proposed approach and framework for analysis is fit for the purpose of this review?*

We admire the persistence of Ofcom in assembling the material. However, 700 pages (including associated consultant reports) should not be needed to establish the case for change: it has been known for many years that consumers are badly served by the numbering rules. The need to argue repetitively point by point reflects poorly on a litigious industry and prevents organisations without large regulatory departments from responding at all. Regulation might be lightweight for the industry but weigh heavily on others.

Ofcom indicates that there will be various other consultation documents, with more definitive proposals. We urge Ofcom to minimise them.

#### **The assessment of the consumer experience and detriment (Section 4 and Annex 2)**

*Question 4.1. Do you consider that the analysis set out in this Section and in more detail in Annex 2 represents fairly the consumers’ concerns? In particular: does it provide a reasonable assessment of the type and extent of the detriment consumers currently experience? And does it identify all the relevant factors?*

The analysis seems comprehensive.

*Question 4.2. In this section and in Annex 2 we set out our views of the main factors that contribute to the current outcomes, specifically the interaction of poor price transparency for consumers combined with poor incentives leading to vertical and horizontal externalities. Do you accept that this analysis is a valid assessment of the incentives of the market participants? Do you consider that the implications for consumers we draw are sound and represent a useful basis for assessing appropriate regulatory responses? If not, how would you categorise the relationships and motivation underpinning consumers and OCPs’ behaviour?*

The assessment seems valid.

*Question 4.3. We have identified five key areas of consumer detriment as a result of the poor transparency and poor incentives in the market: reduction in demand for NGC, relative prices not reflecting consumers’ preferences; costly avoidance strategies; increased fraud risk and loss of service diversity; and the disproportionate impact these problems have for low income mobile only households when accessing essential services. Do you consider that this represents a comprehensive summary of the impact on consumers? If not, how should it be modified and why?*

The summary mentions costly call avoidance by using landlines, using the web and visiting citizens’ advice bureaux. It does not mention what might be the commonest strategy: to forgo the desired information or action.

*Question 4.4. Do you consider that our assessment of the state of the market in the absence of ex ante regulation is a reasonable extrapolation of the evidence? If not, why?*

The assessment is perhaps too polite about the extent to which malpractice, ranging from profiteering to scamming, would exist. Even the current scheme is better than the absence of regulation.

As the industry could have organised itself to rationalise numbering and charging at any time in the past, there is no reason to suppose that it will do so in the future, even if Ofcom were to make threats about potential regulation. Ofcom might remember the self-regulatory quality of service scheme for mobile networks, which was never adopted by all five networks and which vanished without notice.

### **The assessment of the providers' experience (Section 5 and Annex 3)**

We have no comments on this section.

### **The assessment of the impact of the different options Section 6 and Annexes 4, 5, 6 and 7)**

*Question 6.1. Do you agree with our assessment of the likely failure of deregulation to address the identified market failures? If not, please explain why, ideally with reference to the analysis set out Annex 2 and 3.*

Yes.

*Question 6.2. Do you consider that we were right to put aside consideration of wholesale intervention at this stage? If you disagree please set out your views, ideally with reference to the wholesale analysis set out Annex 3.*

Yes.

*Question 6.3. Do you agree with our assessment of the limitations of informational remedies to address the totality of the identified market failures? If not, what informational solutions would you propose and to what extent do you see that they would resolve the market failures identified, ideally with reference to the analysis set out Annex 4.*

Yes.

*Question 6.4. Do you agree with our assessment of unbundled tariffs as a potential remedy for the market failures identified? Do you agree with our assessment of the pros and cons of this approach? What do you consider would be the impact of the introduction of unbundled tariffs in this market? Ideally include in your response reference to the analysis set out Annex 5.*

Yes.

The consultation document refers to potential experiments about the ease of understanding. These should be started as soon as possible so that the scheme and communications programme can be modified during them. They should include potentially vulnerable, or at least not highly educated, participants.

The distinction between access charges and service charges will not come easily to many people, no matter what names the charges are given. Various possible modifications should be examined (especially if they let people make simplistic but comprehensible distinctions between network costs and information costs). In particular, we favour requiring the access charge to be no greater than the charge for a call to a geographic or mobile number; all non-geographic numbers other than free-to-caller numbers could then be described by one set of rules (as an 03 number would simply be tarified with the access charge and have a service

charge of zero)<sup>2</sup>. Alternatively, the access charge could be required to have a particularly simple form, such as being per call<sup>3</sup>.

The consultation document refers to a “finely balanced” preference for having one access charge per package. Yet the case for having just one access charge is very strong, on the grounds of both providing simplicity to customers and reflecting the realities of network costs. In particular, network costs for all non-geographic numbers are likely to be similar to the costs for other calls except by requiring number translation. There should be no need for elaborate calculations of the maximum access charge, such as the consultation document fears, if it is tied to the charge for a call to a geographic or mobile number.

The high proportion of 0845 calls among non-09 calls to non-geographic numbers should mean that a single access charge is satisfactory as an average. As the industry might not respond unaided to calls for simple cost-based prices, Ofcom should require that there be at most one access charge per package. The bad debt risk associated with 09 could be accommodated either by having different access charges for packages according to whether they block 09 access or by allowing parts of service charges to be retained along with access charges.

The consultation document also expresses concerns about whether the revised EU framework provides an adequate legal basis for having a maximum access charge. The concern is hard to understand, when the framework explicitly permits maximum prices for consumer protection and the maximum access charge is intended for exactly this purpose.

*Question 6.5. Do you agree with our assessment of maximum price as a potential remedy for the market failures identified? Do you agree with our assessment of the pros and cons of this approach? What do you consider would be the impact of the introduction of maximum prices in this market? How should such a scheme be structured? Ideally include in your response reference to the analysis set out Annex 6.*

Yes.

Introducing just maximum prices risks embroiling Ofcom in disputes about setting maximum prices, negotiating interconnection rates and allowing calls to all numbers. As with the current scheme, for numbers other than free-to-caller numbers there would also be difficulties in ensuring that the maximum prices were adjusted frequently enough to take account of economic trends. However a scheme that separates restrictions on service charges from restrictions on access charges (by requiring them to be at most the charges for calls to geographic or mobile numbers, for example) seems to reduce some of these problems while offering extra useful protection to consumers.

*Question 6.6. Do you agree with our assessment of the impact of different options relating to calls to Freephone numbers summarised in this Section and set out in full in Annex 7? In particular, do you agree with our preference for 080 to be “free-to-caller”?*

Yes.

---

<sup>2</sup> More fully, access charges for calls would be no greater than the lowest charges for calls to the majority of assigned 01 or 02 numbers and the majority of assigned 07 numbers in the same circumstances (having the same duration and using the same package with the same prior usage at the same time but ignoring any reduction for local calling). This proposal is like that in *Les services à valeur ajoutée: tarification de détail et déontologie* (Conseil Général des Technologies de l'Information, October 2008) at [http://www.arcep.fr/uploads/tx\\_gspublication/Rap-CGTIsurSVA.pdf](http://www.arcep.fr/uploads/tx_gspublication/Rap-CGTIsurSVA.pdf), where the access charge is no greater than the charge for a call to an “interpersonal” number.

<sup>3</sup> The consultation document suggests that the access charge might be purely per minute, not per call. This appears strange, when the main additional cost of non-geographic calls is likely to be the number translation that occurs during call set up.

The current very high mobile origination charges for 080 calls might simply be converted into very high charges to the 080 information provider (or “service provider” in the terminology of the consultation document) when 080 becomes free-to-caller. Ofcom might need to limit the sum received by the originating network (to the access charge applicable to calls to other non-geographic numbers, for example).

The past considerations by Ofcom of whether particular 116 numbers should be free-to-caller are likely to elude callers. Currently no 116 numbers that are not free-to-caller appear to be actively promoted, so making 116 free-to-caller would not have an immediate adverse effect on any organisation.

In the past problems about charges have led to separate consultations, with confusingly different outcomes, for numbers such as 101 and 111 (for non-emergency police and health calls). There should be rules for short codes beginning with 1 to forestall this.

*Question 6.7. Do you agree with our assessment of the impact of different options relating to calls to numbers which prices are linked to the prices of geographic calls (03,0845,0870) summarised in this Section and set out in full in Annex 7? In particular, do you agree with our preference for 03 to be the only range with calls prices at geographic rates?*

Using geographic rates as the only benchmark is backward-looking. Calls to geographic numbers form a decreasing proportion of the whole and now barely exceed calls to mobile numbers. Calls to mobile numbers can in some circumstances be cheaper than calls to geographic numbers. Ultimately, low-income mobile-only households could be disadvantaged by needing to call non-geographic numbers with geographic rates. Overall the confidence caused by knowing only that calls have geographic rates is likely to be rather low, except for landline users with “any time” packages.

Already anyone that wants to promote a number with a geographic rate can simply have a geographic number (out-of-area if necessary). One motivation for introducing 03, that it provides non-geographic numbers to organisations that want a national presence, is very similar to the motivation for introducing 055 and 056, which service providers have already spurned. Internet service providers, for example, prefer geographic numbers to non-geographic numbers that lie in a rarely-seen range with rarely-understood pricing<sup>4</sup>. Where internet service providers are using non-geographic numbers they appear mostly to be using 0845.

Hence the case for keeping 03 itself is not compelling; even if it is kept, it could reasonably be closed to future allocation. The same applies to 055 and 056: they offer nothing to service providers or consumers that other, more familiar, ranges do not offer. The existence of several number ranges (such as 03, 055, 056, 084 and 087) serving similar purposes is itself likely to cause problems for consumers in understanding and remembering the scheme.

If, however, 03 is kept then its tariffing should be related to the mobile rates (as well as the geographic rates) through the access charge. The access charge would be at most the charge for a call to a geographic or mobile number and 03 would be tariffed according to the access charge (with a service charge of zero). The same set of rules would then apply to all non-geographic numbers other than free-to-caller numbers. All this would seem to help “mental accounting” by consumers in ways that could be tested experimentally.

Further simplifications that look worthwhile would be to replace 055 and 056 numbers by the corresponding 035 and 036 numbers, which have very similar purposes, and to make 084 and 087 have the same tariffing as 03 (so the service charge would be zero).

---

<sup>4</sup> This is noted in, for example, *Study of Geographic Telephone Number Demand* (Intercai Mondiale, May 2006) at [www.ofcom.org.uk/consult/condocs/numberingreview/statement/demandmodel.pdf](http://www.ofcom.org.uk/consult/condocs/numberingreview/statement/demandmodel.pdf).

*Question 6.8. Do you agree with our assessment of the impact of different options relating to calls to revenue share ranges (084, 087, 09, 118) summarised in this Section and set out in full in Annex 7? In particular, do you agree with our preference for:*

- *Adoption of the unbundled tariff for these ranges, with a maximum tariff to apply for consumers' protection on the Service Charge; and*
- *0845 to be treated the same as 0844?*

Yes.

Because of the problems with absolute bounds (other than zero) on prices, we prefer relative bounds where possible, such as requiring the access charge to be no greater than the charge for a call to a geographic or mobile number. Relative bounds are harder to devise for service charges than for access charges. If 055, 056, 084 and 087 numbers have non-zero service charges (by contrast with 03 numbers) absolute bounds might be needed, but they might be avoided by having other restrictions (such as requiring zero time-related charges after the first five minutes of calls).

If Ofcom makes the existing number ranges reputable there should be no need for a special number range for charities.

The consultation document expresses a preference for 0870 to be withdrawn, over a potentially lengthy transition period. An alternative, of aligning 0870 with 0871, would seem to be faster, cheaper and less confusing.

In the absence of withdrawal, 0845 should be treated the same as 0844 and 0870 should be treated the same as 0871. The current distinctions are unknown to almost everybody. As the consultation document implies, consumers are unlikely to grasp price distinctions that depend on the fourth digit of numbers or even on the third digit (except perhaps for very firmly branded identities such as 080). The numbering scheme should remove any need to do this.

*Question 6.9. Do you agree with our assessment of the impact of different options relating to calls to 07 numbers which are not mobile numbers (070/076) summarised in this Section and set out in full in Annex 7? In particular, do you agree with our preference for reducing the revenues available from these calls so as to remove the incentives for fraud?*

070 numbers are so disreputable that they should be withdrawn<sup>5</sup>. Given the availability of mobile phones, call forwarding and nomadic IP call reception they have almost no legitimate uses<sup>6</sup>. The legitimate uses in the consultation document seem to involve only temporary assignments of numbers to people; as such they can be replaced over time by uses of numbers in other, more familiar, ranges, such as 0845 or 09 (or even 03, if it stays).

Redundant number ranges simply create difficulties. Withdrawing 070 numbers would benefit consumers, the industry, Ofcom and PhonepayPlus by removing the need for further regulatory intervention to control a problem that is artificial and unnecessary.

076 numbers, by contrast, continue to have legitimate uses. They could reasonably be treated in the same way as mobile numbers, as suggested in the consultation document.

---

<sup>5</sup> There are other scams for 070 besides those mentioned in the consultation document. For instance, emails sometimes prey on the vulnerable by inviting them to call 070 numbers to hear details of bogus job offers with real companies.

<sup>6</sup> As an illustration, in *The use of non-geographic numbers by service providers* (Analysys Mason, August 2010) at <http://stakeholders.ofcom.org.uk/binaries/consultations/nongeo/annexes/use-of-nongeo.pdf> only three out of 124 of the information providers said anything about using 070 numbers. Also, in *The flow of funds in the market for non-geographic calls* (Analysys Mason, November 2010) at <http://stakeholders.ofcom.org.uk/binaries/consultations/nongeo/annexes/flow-funds.pdf> only 0.19% of call minutes are directed to 070 numbers.

## **Our assessment of the potential implementation issues (Section 7 and Annex 7)**

*Question 7.1. Do you consider 18 months would be a reasonable period for the implementation of an unbundled tariff structure? What are your views on staging for the potential implementation? In particular, would it be desirable to move more quickly to restructuring charging to reflect the new regime even if detailed billing would not be ready? What are your views of the technical cost of potentially introducing the new regime and how could implementation be staged to minimise these cost (see also Annex 7 for a discussion of costs)? What are your views on the communications' challenges for potentially introducing this new structure and how should they be addressed?*

There is only a weak case for disaggregating the charges in bills, as customers do not seem to read bills in detail or, if they are mobile customers, to receive bills on paper<sup>7</sup>. The case is weaker still if there is only a single access charge per package: the bill can include a footnote saying how the access charge is calculated. Only postpaid customers would benefit from improved bills, but the largest detriment under the current scheme is experienced by mobile prepaid customers such as those visiting citizens' advice bureaux. A better tariff structure should be introduced even if bill presentation stays unchanged.

Because of the externalities described in the consultation document, no industry participant would have a great interest in communicating the changes, at least until bills displayed all the information and call centres started to receive bill queries. Ofcom would need to be responsible for the communications programme. This is contrary to the practice for previous changes to numbers.

*Question 7.2. Do you consider 6 months would be a reasonable period for the implementation of the maximum price structure? What are your views of the cost of the potential new regime and how could implementation be staged to minimise these cost? What are your views on the communications challenges for introducing this potential new structure and how should they be addressed?*

As for 7.1.

*Question 7.3. What are your views on the implementation period of up to 6 months for the change to Freephone charges? What are your views of the challenges to the implementation of the new regime and how could implementation be managed to overcome these challenges and minimise any cost? What are your views on the communications challenges for introducing this potential new structure and how should they be addressed?*

As for 7.1.

*Question 7.4. What are your views on the implementation period of up to 3 years for the modification of the 0870/0845/070/076 ranges? What are your views of the challenges to the implementation of the new regime and how could implementation be managed to overcome these challenges and minimise any cost? What are your views on the communications challenges for introducing this potential new structure and how should they be addressed?*

As for 7.1.

*Question 7.5. Do you consider that the potential approach to the potential price publication obligations would be likely to be effective?*

The access charge would be likely to be described and defined only in the small print for packages (perhaps justifiably, as its description would be difficult to grasp). If it was required

---

<sup>7</sup> This is shown in *Consumer Transparency in Telephone Numbering* research (Ofcom, February 2009) at <http://stakeholders.ofcom.org.uk/binaries/consultations/wmctr/annexes/transparency.pdf> and *Non-Geographic Call Services Review* research (Ofcom, October 2010) at <http://stakeholders.ofcom.org.uk/binaries/consultations/nongeo/annexes/nts.pdf>.

to be at most the charge for a call to a geographic or mobile number this problem would disappear.

055, 056, 084 and 087 should be subject to price information regulation such as currently applies to 0871 if they are kept and have non-zero service charges.