

Three
Star House
20 Grenfell Road
Maidenhead
SL6 1EH
United Kingdom

T +44(0)1628 765000
F +44(0)1628 765001
Three.co.uk



Ruth John
Ofcom
Riverside House
2A Southwark Bridge Road
London
SE1 9HA

NON-CONFIDENTIAL

5th April 2013

Dear Ruth

Hutchison 3G UK Limited (Three) response to Ofcom's Call for Input on Quality of Experience

Three is grateful for the opportunity to respond to Ofcom's Call for Input on Quality of Experience in relation to voice and data services. Three welcomes the publication of the Call for Input and is pleased to be able to contribute constructively to this debate.

Three firmly believes that informed consumers are an integral part of a competitive and well-functioning market. Informed consumers are well placed to make better purchasing decisions. This can only be good for competition and good for the UK communications market. Three cautiously welcomes the proposals to ensure that consumers are better informed but suggests that both more evidence is needed of any consumer detriment caused by the current provision of information by operators as well as other information provided by third parties.

Three also asks that Ofcom provide more information as to how this data will be used, so that operators are better placed to assess the merits of the proposal. Three notes, as is explained in more detail below, that a great deal of data already exists in the public domain and that without a clear consumer need for more information, Ofcom should not be looking to make interventions that will entail substantive and potentially unjustified costs for operators.

Proposals

Ofcom are proposing to provide four generic types of information to consumers. These are:

- operator specific information;
- granular geographic information;
- the consumer 'use case'; and
- network performance by time.

Ofcom also propose to provide some additional information specific to voice and data services.

Rationale

In the Call for Input, Ofcom suggests that better information needs to be provided to consumers around the technical performance of networks to enable consumers to make informed decisions about the

services and products they chose to buy. Ofcom suggest that this proposal is justified on the following grounds:

1. the technical performance of the network is the most important aspect of a service for consumers;
2. the rapid growth in the take up of data services and associated changes and improvements to the infrastructure of mobile networks;
3. the provision of such information to consumers in relation to fixed broadband has been successful; and
4. consumer complaint at the quality of service to the regulator in relation to voice services remain significant.

With regard to this last, Three notes that issues around the consumer experience are not synonymous with complaints or actual consumer dissatisfaction. Three also notes that no evidence has been presented to substantiate the assertion that the provision of comparable information on products in relation to fixed services has been successful and has met objectives with regard improvement to consumers purchasing decisions.

Response

Ofcom has sought the views of operators on:

1. what information would be useful to consumers when making choices about data services;
2. what data will need to be required from CPs provide this information;
3. what metrics would be most appropriate for presenting this information; and
4. how this information might best be collected and collated.

Ofcom has set out a number of metrics that might be used to provide comparable information to consumers on the Quality of Experience in relation to voice and data services. These are reprinted below for ease of reference.

Metric	Benefit in collecting the data
Signal to noise and interference ratio	Potentially a better indicator than signal strength alone in estimating network coverage
Network technology e.g. 2G, 3G, HSDPA, LTE etc. and which 3GPP software revision has been rolled out	Would allow the roll out of different technology types to be tracked. This could be used as a proxy for mobile broadband performance.
The radio spectrum band and number of carriers in use	Provides insight into spectrum utilisation and network capacity
The backhaul arrangements for a given cell site	Provides insights into speed, capacity and potentially latency of mobile broadband
The geographic area, number of premises, vehicles per day and/or predicted number of calls /day	

Although Three welcomes the intention of providing better information to consumers; we have a number of concerns about the proposed metrics and the wider, underlying proposals:

Firstly, Three asks that Ofcom properly take account of the information that operators already provide to consumers. Three provides a great deal of readily understandable information both on line and in

store, including coverage maps, and in relation to mobile broadband, speed maps by location, as well as detailed information on tariffs bundles and handsets. In this regard, we note that Ofcom does not appear to have analysed existing information available to consumers and the adequacy and quality of that information.

The information that Three provides to consumers is informed by customer insights and already meets many of the objectives set out by Ofcom. Perhaps more importantly, it recognises that most consumers make purchasing decisions based on a number of variables based around the total value of a tariff or bundle. Three suggests that Ofcom should focus on a much simpler set of data requirements based around most consumers needs. Three suggests that key network characteristics such as speed would have meaning for consumers. Metrics such as signal to noise and interference ratio are likely to be wholly meaningless to all but a small minority of technically aware consumers and will serve only to confuse the majority, undermining the objective of the proposals, irrespective of their proportionality,

Taken overall, we question the value to consumers of granular datasets setting out call drop rates do not seem to have an intrinsic value when these are marginal across all operators. Equally, for most customers, provision of detailed coverage maps is only relevant in the few parts of the UK where there are only one or two operators.

To this end, Three notes that in its Review of Information Remedies, Ofcom considered that provision of information is not always a benefit, Too much information can lead to consumer detriment and confusion. Three agrees with this conclusion: information must be pertinent and meaningful and address actual consumer needs. This was further elaborated in Ofcom's communications on consumer guides. The OFT has also undertaken a great deal of work on the costs and benefits of Consumer Information Remedies. This includes the following studies:

- The economics of self-regulation in solving quality issues, 2009
- Assessing the effectiveness of consumer remedies, 2008
- Price comparisons research, 2005
- Switching Costs, 2003
- Consumer Detriment under Imperfect Information, 1997¹

These studies make clear that there is a real need to provide consumers with information that they can understand. The OFT also cautions against providing too much information as this can be confusing for consumers.

Therefore, we ask that Ofcom seriously consider whether the information that Ofcom is seeking to provide is either useful or necessary to the vast majority of consumers. We ask that Ofcom keep in mind that consumers want information that demystifies the market, the sheer scale of the information desired by Ofcom is unlikely to meet that goal.

Three notes that the Key Fact Indicators published by operators through the Broadband Stakeholder Group to provide consumers with consistent and comparable information in relation to traffic management practices. Few of these metrics are as granular as those suggested by Ofcom.

Above all, consumers appreciate clear and meaningful information that satisfies their needs and assures them of the basics. This is in itself difficult to provide in relation to mobile. Comparison of service provision in relation to fixed is relatively straightforward: cost, speed and data limits are clearly the key determinants. With regard mobile, there are many more variables at play, including by way of example handset, text, voice and data packages, coverage, and speed. Clearly, in this context, where

¹ These are available at: <http://www.ofcom.gov.uk/OFTwork/research/economic-research/completed-research#.UVQm5he8CJs>

services and bundled together, comparison of the proposed datasets can become meaningless. We also note that Ofcom do not set out how it proposes to account for variations in mobile broadband speeds (as compared to fixed) or the impact of other externalities beyond the control of operators on those speeds

Three suggests that there are also a number of further measures in relation to Quality of Experience that would have a clear benefit to the consumer if published in comparable form that Ofcom has not included in its proposed metrics. For instance, Ofcom do not propose to set out the specific tariffs and the operators that do not allow access to VOIP services. This is a missed opportunity; it is clearly useful information and of particular importance to large numbers of consumers.

Three also notes that there is already a great deal of information on Quality of Experience provided to consumers by respected third parties. These include YouGov, uSwitch, RootMetrics, ARCCChart. With regard to YouGov, much of the information presented relates directly to consumer's experience of networks and services. It is not clear what additional information provided by the regulator would bring by way of tangible benefit to this well established mix, or that it should be the role of the regulator to provide additional comparative information.

Second, Ofcom has said that that most operators will already have access to this information, and suggest it could be collated easily through predicted performance data and through coverage and capacity planning tools. Three respectfully suggests that is not entirely correct, data will have to be collated and converted to fit with a common framework agreed with the other operators.

Furthermore, additional work may need to be done on data pertaining to a given network to ensure that it is comparable. In order to ensure the data is correct this work may need to be carried out by an independent third party. There are actual and resource costs associated with this. In the case of Three, this will be resource that would otherwise be used to improve our network and enhance and improve the customer experience.

In this context, Three also note that Ofcom propose to use Actual Performance Data, suggesting that some of this might be provided by the operators (the results of network test driving and the use of fixed-probes) but also might be sourced from third parties including through crowd sourcing. Three has concerns with regard to both approaches. In the first instance it would necessitate the involvement of third parties and agreement across the industry on a shared framework and common metrics in relation to drive data. We estimate at least £200,000 across the industry for a service for which there is no proven need.

We also have concerns at the use of crowd sourced information. Whilst it is of course right that information presented on Quality of Experience should reflect the consumer experience, Three is concerned that if such material can present disproportionately the views of a very small number of disgruntled customers rather than a fuller and more rounded picture of the customer experience.

Three notes that much of the data published by YouGov is based on actual customer experience, and is not only accessible but is well used and understood by consumers. It is not clear what additional value the Ofcom proposal would bring in this regard. We also recognise that word of mouth is not only the best form of publicity for operators but for many consumers will also be the determining consideration in their decision to buy.

Third, we are slightly perplexed as to why the Ofcom proposal makes no mention of handsets and the impact of the consumer's choice of handsets on their quality of experience. As the regulator is aware, the handset and the interface of that device with the network are perhaps the significant determinant of a consumers quality of experience. It is well established that the hardware can significantly impact on the user experience of a network: some devices are not known for the quality of the antenna design,

while others may have, for instance, more or less processor power. Whilst we accept that the ever growing number of handsets available through operators, to say nothing of those available through other sources, would make meaningful comparison almost impossible, it is misleading to omit the influence of a handset on quality of experience from the proposals entirely.

Fourth, Three also notes that the proposed data metrics set out by Ofcom do not account for the fixes that operators make available to correct issues in relation to network performance. Three also notes that poor indoor coverage in a given locality does not necessarily correlate to poor external coverage and can be fixed. Three currently provides a technical fix to consumers which makes use of a user's home wireless connection to radically improve their indoor reception where this may be an issue. However, under the current proposals this would not be caught in the information provided by the regulator to consumers and may lead them to make purchasing decisions that are suboptimal.

Fifth, Three offers all of its customers a Service Promise. This means that a customer is entitled to return their device and receive a full refund within fourteen days of purchase if they are not satisfied with the voice coverage provided by Three. Three also offer an In Life Coverage Policy to customers. This enables our customers to leave Three without incurring early leaving fees, should the should the quality of the voice and data service provided to them deteriorate during the lifetime of their contract. Three suggest that, these tools in addition to the data we already provide and supplemented by that available through respected third parties, provides consumers with the information they need to make informed and good purchasing decisions.

Evidential Base

Three is also concerned that the evidential base underpinning Ofcom proposal's in relation to Quality of Experience is weak. Three notes that although Ofcom has presented some very limited evidence of consumer dissatisfaction at network performance, Ofcom has not presented evidence of consumer need for more information or information different to that already provided by operators or established third party sources.

Three notes that these are not the same thing and that dissatisfaction and the need for more or different information should not be conflated. Nor has Ofcom presented any evidence to suggest that had those consumers had access to different information that they would have chosen a different network. Absent such evidence, Three is not convinced that requiring operators to provide considerable additional information around network performance is proportionate or meets any clear consumer need.

Further, Ofcom has sought to justify this intervention through comparison with the success of price comparison websites in relation to fixed broadband. Three makes two points in this regard. Firstly, Ofcom has not presented any evidence either for the success of price comparison websites in determining consumer choices, (although Three does not doubt that they are well used by consumers), and, second, makes no attempt to link such information with consumer purchasing decisions.

Switching

Whilst we welcome efforts to provide better information to consumers, Three questions what likely impact this information will have, particularly if consumers are unable to act on it. Three believes that Ofcom will only succeed in promoting effective competition if consumers can switch from one communication provider to another without the undue hassle and delay for consumers that characterise the current porting system. Until this happens, consumers will still face unnecessary and unhealthy barriers when trying to move between providers and will not be able to act on information around networks and make the better purchasing decisions that will improve competition and the all round consumer experience.

In this respect, Three notes that while Ofcom's Draft Annual Plan placed considerable emphasis on improving the ability of consumers to make informed choices, it set out no measures through which the processes by which such choices are exercised will be improved.

Unless Ofcom proposes to take concerted and determined action with regard to mobile switching, and Ofcom has given no indication that this is the case, then consumers will not be able to act on the information available to them and exercise effective choice in the mobile market. As Three have previously noted, given that switching is intrinsic to the exercise of consumer choice Ofcom must improve switching if it is to achieve its wider policy aims

General approach

Three is also concerned that the Call for Inputs leaves a number of questions unanswered. There is a lack of detail as to the use that any collated information will be put. Ofcom has not made clear how the information would be presented. We have real concerns that the additional information would languish unused; it would not be readily accessible to consumers and not deliver benefits proportionate to the potential and likely costs to either operators.

The question also remains, what will consumers do with this information, given that switching will prevent UK consumers from effectively acting on that information? The pursuit of a costly and unevidenced information remedy seems to be further evidence of a trend, highlighted by Three in previous responses to Ofcom, of a failure of ambition and progress on big decisions and instead a growing focus on reactive micro-management of issues as they arise. Three believes that this is the wrong approach. It will only deliver only short term changes while unnecessarily increasing the regulatory burden.

Lastly, three asks that if Ofcom seeks to impose new obligations in respect of information provision, it should allow and encourage the industry to work together to develop a suitable solution that works both for consumers and operators and builds on the knowledge, expertise and infrastructure already existent. Ofcom should not only look to the industry to provide a solution but should also ensure that sufficient time is given for an industry developed solution to be to take affect.

We would of course be happy to discuss any of the matters raised further, if that would be of assistance.

Yours sincerely



Xavier Mooyaart
Head of Legal – Regulatory and Competition