



BT's response to Ofcom's consultation document

"Promoting efficient use of geographic telephone numbers"

5 January 2016

Comments on this response should be sent to:
Alex Quinn, BT Group Regulatory Affairs, via email at alex.quinn@bt.com

Contents

Section	Page
1. Executive summary	3
2. The impact of the charging scheme	4
3. Ofcom's proposals for continuing and extending the scheme	9
4. Determining which areas should be subject to charging	11
5. Administrative arrangements for the charging scheme	12
6. Proposals for amending General Conditions	13

1. Executive Summary

- 1.1 As the industry's largest user of geographic numbers in the UK, BT fully understands their value to consumers and businesses: their familiarity and simplicity provide an essential function in ensuring that people can communicate easily. It is therefore important that industry and Ofcom do what they can in order to prevent the exhaustion of geographic number ranges and minimise any impacts that occur as resource becomes scarce.
- 1.2 Moreover the exhaustion of a geographic dialling code would present BT with technical challenges such as having to recycle numbers faster or allocating new IP Voice numbers from outside of the geographic areas affected. As such, BT's desire to encourage efficient utilisation of numbers across industry is aligned with Ofcom's. The geographic number charging pilot scheme ('the pilot scheme') was one of many measures introduced by Ofcom that attempted to achieve this aim.
- 1.3 The pilot scheme has now been in place for over four years and it is wholly appropriate for Ofcom, as an evidence based regulator, to review the merits of the scheme before deciding whether to implement the scheme on a permanent basis.
- 1.4 Ofcom's review of the pilot scheme also presents Ofcom with an opportunity to explore alternative options with an open mind and with the aim of ensuring that the impacts on customers and industry of number scarcity and any mitigations Ofcom decides upon are minimised. In doing so, Ofcom needs to bear in mind the expected impacts of IP Voice and other technological developments that will likely occur over the next few years.
- 1.5 BT notes that Ofcom is currently also reviewing the General Conditions (GCs) and that any changes or amendments to GC17 in particular are likely to have an effect on number scarcity. BT urges Ofcom to consider the impacts of any proposed changes to the GCs before determining whether or not a charging scheme is still necessary and how such a scheme may operate.
- 1.6 The guidelines as set out by the European Commission in conducting an impact assessment include the following: "*Good quality data – facts as well as figures – are an essential part of any impact assessment. **You need to define the problem and the baseline scenario, and to identify the impacts of alternative options for dealing with the problem.** Particular attention needs to be paid to quality and credibility of data*".¹ [emphasis added]
- 1.7 With this in mind, BT is disappointed by the lack of exploration in Ofcom's consultation document of alternatives to a number charging scheme.
- 1.8 Nor does Ofcom appear to have provided any quantification of the impacts to consumers or industry of the consequences of number scarcity that might occur if Ofcom did not take action, and therefore has not compared them to the direct and indirect costs of the number charging scheme or alternative arrangements on industry.
- 1.9 BT believes that Ofcom's evidence of the success of the number charging scheme to date is extremely limited. Too much emphasis has been placed on a single unrepeated and unrepeatable impact (a large one off return of number blocks from BT shortly after the introduction of the scheme) that provides no justification for the continuation of the scheme. In view of this, we believe Ofcom's conclusion that the scheme should be extended is seriously flawed. Continuing the scheme will not encourage CPs to operate any more efficiently, as any spare numbering resource has already been returned.
- 1.10 Ofcom's proposals in the consultation document² will not only place an unnecessary burden upon industry (and Ofcom itself), but most importantly they will fail to achieve the shared goals of

¹ European Commission, Impact assessment guidelines, 15 January 2009, page 18.

² Ofcom "Promoting efficient use of geographic telephone numbers", 28 October 2016.

Ofcom, BT and the rest of industry, and will simply impose an unavoidable tax upon industry which conflicts with Ofcom's objectives.

1.11 In this response, BT provides its own more balanced assessment of the impact of the scheme, as well as suggestions as to alternative arrangements that will benefit both industry and consumers far more in the long run whilst reducing the burden on industry. A voluntary agreement with industry to regularly perform reviews of number stocks in lieu of a charging scheme would achieve both of these goals.

1.12 BT hopes that Ofcom will consider these proposals with an open mind and will seriously weigh their costs and benefits against Ofcom's proposed continuation of the charging scheme.

2. The impact of the charging scheme

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

2.1 As outlined above BT is disappointed with the quantity and quality of analysis of the geographic number charging pilot presented by Ofcom in its consultation document.

2.2 Ofcom provides no evidence of the negative impacts of the charging upon industry. In 2012 Ofcom stated "*we estimate that the revenues from the pilot scheme will be around £2.1m per year*"³.

2.3 The cost of the pilot scheme to BT alone over the first three years has already accumulated to over £1.5m, and the total cost to industry is well over double this amount⁴. So whilst Ofcom has regularly dismissed the charge of 10p per number per year as insignificant, the cumulative charges are clearly not insignificant. Continuing the charging scheme, and extending it to further areas would see the annual charge increase, and by 2025 the cumulative cost to BT could be in the area of £9m, with the total cost to industry expected to be well over £20m.

2.4 Furthermore there are significant costs in administering the number charging scheme and the application for discounts to CPs (particularly smaller CPs), and presumably within Ofcom too.

2.5 It is important to note that the vast majority of these costs would still apply even if Ofcom's scheme was incredibly successful and full utilisation of numbers was achieved. Therefore these costs should not be considered a cost of failure, but unavoidable costs necessary to operate and serve consumers and therefore more closely resemble an operating tax or licence fee than a charge for waste or inefficiency. For example in the pilot scheme areas that Ofcom is planning to keep within the charging scheme BT currently has a utilisation rate of 84%, so even if the other 16% could be returned to Ofcom (which they clearly cannot given that BT must maintain some spare capacity, and that numbers can only be returned in blocks) then BT would only save a small fraction of the existing charge. Ofcom's charging scheme therefore places a burden on efficient CPs that is only incrementally smaller than it would be if they were inefficient.

2.6 It is therefore disappointing that Ofcom has not provided an estimate of these costs in order that it can compare the benefits of such a scheme, and the costs and benefits of alternative arrangements against them.

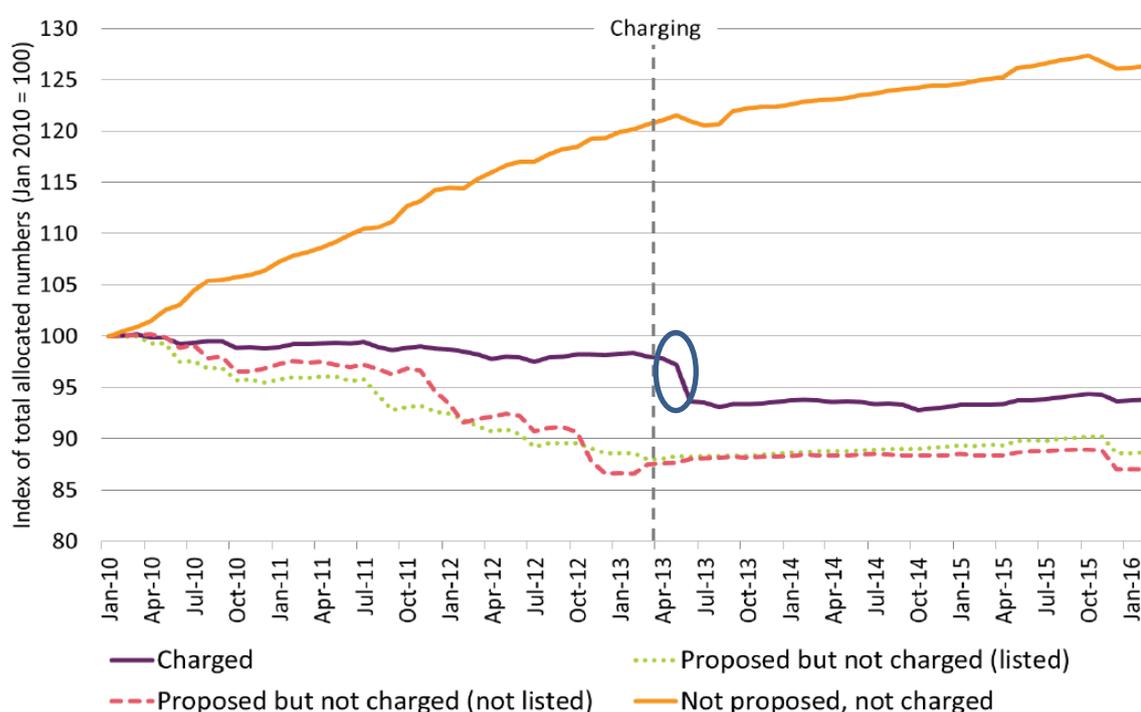
³ Ofcom statement - "Promoting efficient use of geographic telephone numbers", 18 July 2012, para 3.44

⁴ Ofcom Section 400 Licence Fees and Penalties Accounts for 2014/15 and 2015/16

Ofcom's evidence for the success of the pilot scheme

- 2.7 Ofcom states in its conclusions in the consultation document “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.”⁵ [emphasis added]
- 2.8 BT does not disagree with this conclusion, however it does not follow from this that the pilot scheme has been a success nor that it should be extended on this basis. It is quite clear from Ofcom's evidence displayed in Figure 3.1 that there was a large one off return of number blocks shortly after the introduction of the charging scheme (circled). At this time BT carried out a review of the areas with number shortages and returned 772,000 numbers on 22 May 2013. Ofcom's records show a drop in the allocated stock of 760,000 numbers for this month, thus we can conclude that it does not appear that any other CP contributed significantly to this drop that we can see on the graph below.

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



- 2.9 However Ofcom does not analyse this data in any further detail. It makes no comment on the fact that the allocated stock of numbers in pilot charging areas was falling slightly prior to the introduction of charging, nor the fact that after the one off impact there was no further fall in the allocated stock.
- 2.10 In Ofcom's 2012 statement it refers to a point that BT made that it would be difficult to determine the impact of charging when it is introduced alongside other administrative measures, Ofcom admitted it might make such an assessment more complicated.⁶ However it appears that Ofcom has not attempted to perform any assessment of whether the trends seen in the graph above are due solely to the charging scheme or to in some part the other administrative measures they have introduced.

⁵ Ofcom's consultation document, paragraph 3.34

⁶ Ofcom statement - "Promoting efficient use of geographic telephone numbers", 18 July 2012, para 3.63

2.11 It is highly likely that the other measures introduced at the time, namely allowing CPs to request number blocks of 1,000 rather than 10,000 will have had a large impact therefore we reiterate our point that any positive effects seen since 2013 cannot be confidently attributed to the number charging scheme.

2.12 BT draws the following conclusions from this data:

2.12.1 The issue that Ofcom had identified that necessitated the introduction of the charging scheme - that the stock of number blocks was decreased and would soon run out - was already becoming less of an issue with the stock of allocated numbers decreasing slightly between 2010 and 2013 for the charging areas, and decreasing dramatically for most of the non-charging areas. It is therefore reasonable to conclude that whatever was previously driving the demand for new allocations of number blocks had already abated prior to the introduction of the charging scheme. It is also likely that once the issue of number scarcity had been highlighted, CPs started to manage their resource better regardless of a charge. Ofcom does not seem to consider these effects.

2.12.2 Ofcom states in paragraph 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 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.”* BT agrees that the potential for number charging may have encouraged CPs to hand back number blocks (though other than BT it does not appear that any did so in any great quantity as discussed in paragraph 2.8). However Ofcom also encouraged CPs to hand back number blocks at this time in order to prevent the need for closing local dialling and introducing overlay codes. Thus the added awareness of number scarcity issues cannot be solely attributed to the threat of charging being introduced. The fact that the allocation of stock post the introduction of charging in April 2013 amongst these areas has flattened out should not be interpreted as the incentive being removed once number charging had not been applied to these areas. It is clear from Figure 3.1 that the stabilisation in the stock of numbers allocated in these areas occurred between three and six months prior to the introduction of charging. It is therefore likely that CPs managed to return any spare number blocks prior to this point and had little scope to continue handing them back afterwards.

2.12.3 Although the introduction of the charging scheme had a one off impact, it has had no continued effect as the stock of numbers allocated has remained steady ever since. Compared to the 772,000 numbers returned in the one off exercise in May 2013, since then BT has only returned a total of 14,000 numbers in over three years. In comparison, BT has returned 98,000 numbers in non-charging areas during the same period. BT considers that had the charging scheme been withdrawn after the initial effect there would not have been any increased demand for numbers given that this was not occurring prior to charging, nor did it occur in the vast majority of the non-charging areas (excluding the not proposed, not listed). Ofcom has not presented any evidence that suggests that the charging scheme has had any continuing effect after the one off return of number blocks in 2013.

2.13 In Figure 3.2 Ofcom provides a split between those areas where local dialling has been closed (i.e. where number scarcity has been a concern for some time), and those areas where local dialling is still open (i.e. where number scarcity is not as pronounced or where it is a more recent concern). Ofcom concludes in paragraph 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 closed 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”

2.14 BT agrees with this analysis, however it doesn't appear as though Ofcom has taken this into account at all in its proposals. It follows logically that if CPs are already maximising use of allocated number blocks in certain area codes, then charging in these areas would provide no incentive to return number blocks, and therefore would have no effect which is what we see in Figure 3.2. Given this evidence even if Ofcom justifies the imposition of charges in some areas based on the fact that it might instigate a one off return of number blocks then there is certainly no justification for doing so in the areas where local dialling has already been closed. In fact the most effective way of determining which areas charging would have no effect in, and therefore Ofcom should look to other alternative solutions, would be to assess the utilisation rates in each area code and exclude anywhere utilisation is already very high and there is no scope to hand back numbers. Alternatively Ofcom could assess the utilisation rates of CPs in such areas, and any CP with a high utilisation rate (and therefore no scope for returning or more efficiently using numbers) could be excluded from charges.

2.15 Figure 3.3 is reproduced below

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%

2.16 Ofcom rightly states that there has been a significant decline in new allocations for all area codes, indeed a greater decline in those not charged is seen than in those where the charge was introduced. Ofcom concludes “Therefore it is difficult to draw inferences about the impact of charging based on number allocation rates.” BT would dispute this conclusion and suggest that it is relatively easy to infer that the impact of charging on new number applications is non-existent. However BT would also suggest requests for numbers are likely to have dropped for a number of other reasons:

- 2.16.1 The administrative changes brought in at the same time, which allow CPs to apply for 1,000 rather than 10,000 blocks;
- 2.16.2 A decrease in whichever factors were previously driving increasing demand, such as those described by Ofcom in paragraph 3.20 of the consultation document;
- 2.16.3 Greater awareness of the risks of number scarcity and better behaviour by CPs since Ofcom's original consultation;
- 2.16.4 Transition to mobile services, resulting in lower demand for geographic numbers.

2.17 In Figure 3.4, Ofcom presents data around the increase in sub-allocation rates. BT agrees with Ofcom's analysis that although rates have increased (in all areas) the rate remains very low. BT therefore does not believe this data to be significant and considers that any charging scheme has had or will have a negligible impact on sub-allocation. BT has not attempted to increase the rates of sub-allocation either to or from other CPs in reaction to the introduction of charging as any costs of doing so would outweigh the benefits or savings. For the record, where BT does sub-allocate numbers to other CPs it already has strict processes in place to ensure efficient utilisation.

2.18 Ofcom's final supporting evidence is presented in Figure 3.5 where it shows the extension in the forecast dates of exhaustion for each area code. Although BT is pleased to see that the forecast exhaustion dates have been extended, we would challenge Ofcom's conclusion that this can be attributed directly to the pilot charging scheme.

2.18.1 First, there is no comparison with areas not included in the pilot scheme, therefore it's impossible to know whether there have been effects other than the pilot scheme that would've led to the dates being extended regardless. BT would suggest that this would have occurred given the evidence presented in Figure 3.1 for non-charging areas:

2.18.2 Second, without viewing the data that Ofcom has used to create its forecasts it is hard to see how they have accounted for the one off impact of the charging scheme within their trend. If this impact has been incorporated into the trend, then the new dates will assume continuing returns of number blocks that will not occur.

2.18.3 Finally, Ofcom states it has used a linear trend. BT doubts that such a linear trend is observable in reality, and this could lead to a miscalculation of exhaustion dates.

2.19 In examining the unintended consequences of charging Ofcom refers to CPs returning number blocks which have low utilisation, thereby either disconnecting or changing numbers for customers in order to do so.

2.20 It is not entirely clear to BT how Ofcom views the removal or changing of customers numbers by CPs (perhaps in return for compensation) in order to be able to return number blocks. BT considers this kind of action to be in direct contravention of Ofcom's stated goals and justifications for introducing the charging scheme, namely minimisation of the impact on consumers. It is also worth noting that if a business was forced to change number by a CP, then the impact would likely be very significant.

2.21 BT also considers this cost to the consumer to be too high in all but the most extreme circumstances and would not countenance and has not so far engaged in such actions. However Ofcom's evidence suggests other CPs have gone down this route, albeit on a small scale. The majority of these customers had not been compensated, and for those that had the amounts they had received have been relatively small (as low as £5).

2.22 Ofcom appears to have dismissed this impact as relatively insignificant based purely on the numbers alone and has not contacted affected customers in order to judge the impact on them, or to ascertain whether they were consumers or businesses. Given Ofcom's stated goals this seems odd, and had Ofcom done so it may have found that the 'unintended consequences of charging' are greater than it imagines.

In summary

2.23 Considering all the evidence that Ofcom has presented, BT accepts that there was a one off impact that occurred around the time of the introduction of the charging scheme but there has been no continuing effect of the scheme and any other trends present can be better explained by other factors. The one off impact occurred due to Ofcom encouraging BT to return unused number blocks, this encouragement was due at least in part to dialogue between Ofcom and BT rather than simply the introduction of a charge. Therefore BT believes that the impact made would or could have been achieved regardless of whether a charging scheme was introduced which would have been less burdensome, as we discuss in the next section of this response.

3. Ofcom's proposals for continuing and extending the scheme

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?*

- 3.1 Given BT's assessment of the evidence in Section 2 above, we believe there is no justification for continuing the scheme, let alone extending it to further areas.
- 3.2 Whilst we accept that the original pilot may have contributed to a one off positive impact early on (prior to the CPs having received their first charging schedule) there has been no repeat or continuation of any positive effects.
- 3.3 Continuing the scheme in the pilot areas will therefore simply impose an unavoidable burden upon CPs, and create a large amount of administration work for them and Ofcom.
- 3.4 It may be Ofcom's position that introducing a charging scheme in new areas where number scarcity is a concern would see a similar one-off return to that witnessed after the imposition of the pilot scheme. BT considers that this approach is not necessary and that such a return of number blocks can be more easily achieved with no significant cost to industry through engagement with CPs and voluntary agreements to return unused number blocks to Ofcom.
- 3.5 Such voluntary agreements would not only reduce the administrative burden on Ofcom, and the charges on CPs, but they would also be far more flexible. BT is willing to work with Ofcom to commit to undertake an annual review of utilisation of number blocks in areas of concern, and return any spare number blocks to Ofcom when possible. Such a review will allow Ofcom to update and amend the areas of concern much more frequently and allow BT to be far more responsive in assisting Ofcom and reacting to changing demands.
- 3.6 We propose that Ofcom should approach the rest of industry and discuss whether they would be willing to conduct similar reviews on a periodic basis in lieu of a charging scheme.
- 3.7 If Ofcom were to find that such reviews were not carried out or were insufficient for their needs, then they could always re-introduce charging if they believed it would be more efficient. This threat alone would encourage CPs to engage in 'good' behaviour where geographic numbering is concerned. Indeed the threat of the potential of the scheme would have much more of an incentivising impact on the CP than the actual scheme being in place would [as seen in the fall in allocated stock in figure 3.1 prior to the introduction of charging and described in para 2.12.2]. This is due to the fact that once the scheme is in place the vast majority of the costs are unavoidable [as explained in para 2.5] and engaging in 'good' behaviour only reduces the costs by a small amount. Whereas ensuring that there is no need to impose a scheme saves the CP the total costs of the scheme which would by definition be much larger.
- 3.8 It is unlikely that CPs currently have a policy or programme in place to review on a regular basis their number block usage and whether any spare capacity can be returned to Ofcom: if this were the case, then regular returns of numbers after the initial one off impact should have been expected. However, Figure 3.1 does not appear to show any evidence of such returns, and neither does BT's record of numbers returned since May 2013 [paragraph 2.12.3]. This suggests that returns of numbers are made regardless of their charging status. Such action would not necessarily be sensible for CPs to take in reaction to a charging scheme, since the small incentive for returning a fraction of the numbers they hold would not reduce the total charges to them very much. A commitment to a periodic review in lieu of a charging scheme, on the other hand, would be sensible since savings would be much larger and more numbers would likely be returned. Under such an arrangement, it would also be possible for Ofcom to ask CPs to review different areas depending on demand.
- 3.9 Since the publication of this consultation, BT has reviewed the areas of concern, both those that were included in the pilot scheme and the new ones proposed. BT is currently undergoing the preparatory work to return the number blocks that it has identified so far and will shortly be

returning 118 1,000 number blocks to Ofcom. It is worth noting that all of these number blocks come from the new areas proposed in this consultation and that BT has been unable to find any number blocks that it can return from the original pilot areas. This demonstrates the relative lack of benefit that could be obtained once an area has been through an initial review and unused blocks have been returned already, compared to the returns that can be achieved from areas which have not undergone a wholesale review previously and where there is scope for a large one off return.

- 3.10 BT has also identified further blocks which could potentially be returned, subject to further investigation and analysis. BT will commit to carrying out this work and returning number blocks where possible regardless of whether the charging scheme is in place. Again, the vast majority of these blocks are in the newly proposed charging areas. Once this exercise has been carried out there will be no further number blocks in these areas that BT could return in order to reduce any charge. Therefore such a charge would simply place a cost burden upon BT without going any further towards achieving Ofcom's aims.
- 3.11 BT will be performing this review and returning the blocks irrespective of whether Ofcom presses ahead with their proposal to impose charging in these areas. Ofcom can conclude from this that it is not necessary to have imposed a charge in order to achieve returns of number blocks, and that and awareness of which areas face number scarcity along with the threat of a possible charge is more likely to encourage such activity [as described in para 3.7]. BT would expect that other CPs would engage in similar behaviour prompted by the review of this charging scheme.
- 3.12 Therefore Ofcom can expect a repeat of the large one off return of blocks they received in 2013, however this is likely to occur prior to the charging scheme coming into place and certainly would occur irrespective of whether charging is introduced to these areas or not, thus there is no justification for introducing charging to these areas.

Ofcom's review of General Conditions of Entitlement

- 3.13 Ofcom is currently reviewing the General Conditions (GCs), including GC 17 on the allocation, adoption and use of telephone numbers. Ofcom explains within its consultation document⁷ how it is looking to extend its ability to withdraw telephone numbers in order that it can better encourage the efficient use of numbers.
- 3.14 In order to propose these changes Ofcom must believe that they will help mitigate number scarcity issues, yet in this consultation it does not consider the positive impact these proposed extended powers will have and to what extent a charging scheme would still be necessary once these powers are in place.
- 3.15 BT would encourage Ofcom to wait until the impact of their new powers could be assessed prior to imposing any further charging upon industry. If Ofcom is minded not to wait then they should at least commit to performing a review at some point in the future and remove charging wherever these new powers have had a significant impact such that number scarcity is no longer an issue.

Conclusions

- 3.16 Ofcom should work with industry to create a less burdensome, more effective programme to encourage better number management, as well as applying any new powers they have after the review of General Conditions is completed. They should suspend the number charging scheme and monitor the effectiveness of the alternative arrangements, with a view to reintroducing the scheme if these are not successful.

⁷ Ofcom's consultation document - "Review of the General Conditions of Entitlement." Paragraphs 7.13-7.27, 2 August 2016

4. Determining which areas should be subject to charging

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?*

- 4.1 BT believes the number charging scheme should not be continued in any areas. However if Ofcom goes ahead with its proposals, in spite of the evidence and arguments presented above, then it should also revisit many of its assumptions regarding which areas should face charges.
- 4.2 Using a linear trend to project areas that may have less than 10% of number stock remaining by 2025 is flawed in several ways:
- 4.2.1 A forecast of almost 10 years out is unlikely to be accurate even if the model for doing so was far more refined than the simplistic one Ofcom have used, as a small variance in the near future is likely to significantly alter a forecast a decade after. A 10 year forecast is also unlikely to be realistic if it is based off just two and a half years' worth of data as Ofcom's forecast is. On the other hand, if Ofcom were to generate such a forecast by using many years of data, then the forecast would also be unrealistic given the amount of changes that have occurred over such a timeframe that would have impacted the data but will not necessarily persist into the future;
 - 4.2.2 Ofcom has conducted its calculations using a linear trend which is unlikely to occur in reality. Figure 3.1 shows that for non-charging areas stock allocation has been anything but linear. Drivers for growths in demand are likely to be sporadic and isolated such as the development of a new housing estate or emergence of a new CP, rather than consistent and uniform across all areas. To project a linear trend based upon existing data that presumably does not follow such a path will only produce arbitrary results, missing areas that may need to be included and including ones that don't.
 - 4.2.3 10% of the number stock is a large percentage to use, considering that most CPs will also hold unused stocks they can continue to utilise for some time even if Ofcom were to run out of spare number blocks.
- 4.3 Ofcom has chosen 2025 as the date to use to determine scarcity issues because of its belief that by then the switch over to all IP Voice will have occurred and this technology will significantly mitigate number scarcity issues. Ofcom should take into account that although 2025 is the projected completion date for IP Voice, its introduction will start much sooner and as soon as it starts being introduced this will start to have some effect on the issue of number scarcity. Thus the issues Ofcom identifies will start to taper off well in advance of 2025. This is another reason why a linear projection so far out is not realistic.
- 4.4 For these reasons BT believes 2025 is too far in the future. Instead Ofcom should consider a shorter timeframe, perhaps looking at areas likely to experience number scarcity issues by an earlier date such as 2020.
- 4.5 If there are any areas where Ofcom has identified that the issues are so severe and it believes it will have to introduce alternative measures (such as closing local dialling or adding an overlay code) regardless of any impacts that could be achieved by a charging scheme, then it seems superfluous and an unnecessary burden to impose charging in these areas as well.
- 4.6 Ofcom has not considered the impact it believes the charging scheme will have upon the areas it has chosen. If Ofcom believes that the charging scheme will create a large one off impact where CPs return unused number blocks, then once this impact has occurred the projections for many of these areas would change drastically and they would not present as concerns even with Ofcom's 2025 timeframe. This would be consistent with the fact that seven area codes within the pilot scheme were considered to be at severe risk of number scarcity issues and would be exhausted

between 2018 and 2024⁸, yet they now do not have such a risk prior to 2025. Indeed the forecast year for Camberley, for example, has been pushed back 55 years to 2079, with 29% of number blocks projected to still be available by 2025. Ofcom has determined that charging should no longer apply in these areas, suggesting either that the one off return was so significant to solve the issue, or that the original linear projections were inaccurate. Either way it would make sense under any scheme after the initial period to re-assess and remove any areas that were no longer of concern. This would also provide a greater incentive for CPs to return numbers as their savings would be larger if an area fell out of the scheme [in line with our arguments in paragraph 3.7]

- 4.7 BT is returning number blocks where possible prior to the new scheme starting [see paragraphs 3.9-3.11], and we believe other CPs are likely to be considering the same action given they now have a good idea of Ofcom's areas of concern. As with the explanation in the previous paragraph, this would likely adjust some of Ofcom's projections significantly such that whole areas would fall out of the risk category. In view of this, charging for numbers in such areas indefinitely would seem unproductive.
- 4.8 BT would recommend that if charging is in place, then Ofcom should perform a review before the end of the first full charging year and remove any areas where returns prior to or just after the start of the scheme have had a large enough impact that they are no longer of concern. Ofcom should then perform reviews at least every three years, but more frequently if possible, to remove any further areas where there is no longer an issue and to add in any new areas where there might be. We would reiterate, however, that in our view that most flexible option would be for CPs to voluntarily agree to undertake reviews of areas of concern identified by Ofcom on a regular basis.
- 4.9 Ofcom proposes no end date to the scheme, or any official review dates during it. BT would suggest that any scheme should at least have a date by which a review should be completed, but that Ofcom would have the flexibility to conduct it earlier if desirable, in order to provide some regulatory certainty.

5. Administrative arrangements 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?*

- 5.1 BT understands the importance of providing discounts to CPs for any numbers they have ported out, used for WLR or public payphones. It is obvious that it is unfair to levy a charge against a CP for a number that another CP is using, or that it has no choice but to use, especially given that some CPs will be affected by this far more than others.
- 5.2 Therefore BT believes that Ofcom should continue to provide a discount and that this discount should be above the rate which is charged. There are two reasons for our view. First, there is no option to return a number block if one number is ported out, so in effect for every ported out number a CP will have to hold many numbers, some of which it may not be able to utilise itself. Second, CPs are not charged for numbers which they have ported in (as Ofcom has not assigned them to that CP). This means that CPs that port in a disproportionate percentage of their numbers are in effect receiving a discount within the scheme. This means that applying a larger discount to those that disproportionately port numbers out levels the playing field somewhat.
- 5.3 BT is however confused by Ofcom's proposal to use an individual CP's utilisation rate to determine their discount for numbers provided under WLR. The calculation put forward by Ofcom ensures that the higher a CP's utilisation rate the lower the discount the number they receive is.

⁸ Ofcom statement – "Promoting efficient use of geographic telephone numbers" Figure A2.1, 18 July 2012

This goes against the principle of incentivising higher utilisation and punishes those who achieve it. For example Ofcom states the industry utilisation rate is 54%⁹, yet BT's utilisation rate is significantly higher than this, as such BT would receive a discount for every ported out number significantly lower than other CPs purely because it utilises far more of its numbers. Therefore BT suggests that the whole of industry receives the same discount rate based upon the industry average utilisation rate in order to ensure they have the same incentives to maximise their utilisation. Furthermore this approach will be easier to administer for Ofcom.

5.4 For the same reasoning BT believes that the discount rate applied to numbers used for public payphones under the USO should also be based upon the industry average utilisation rate.

6. Proposals for amending General Conditions

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

- 6.1 As laid out in section three BT does not believe that number charging should continue, therefore the General Conditions should either be changed to remove GC17.13-GC17.18, or edited to reflect that GC17.13-GC17.18 will be postponed whilst Ofcom trials alternative arrangements.
- 6.2 If Ofcom chooses to press ahead with charging for numbers, then as explained above BT believes that GC17.17(b) should be amended to state "(the total number of the Communication Provider's WLR Numbers) x £0.1/(the Average Industry Utilisation Rate)".
- 6.3 GC17.17(c) should also be amended to state "(the total number of the Communication Provider's Public Payphone Numbers) x £0.1/(the Average Industry Utilisation Rate)".
- 6.4 Notwithstanding our objections above, and the fact that the General Conditions are being reviewed independently of this consultation, if Ofcom proposes to press ahead with its charging scheme and other changes as detailed in its consultation document then BT has no objections to the proposed amendments to GC17.33.

⁹ Ofcom's consultation document, paragraph 4.30