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Dear Elizabeth,

Geographic Telephone Numbers

We welcome Ofcom's consultation on safeguarding the future of geographic numbers and we are grateful for the opportunity to respond.

We support Ofcom's aim of managing the supply of geographic numbers and we agree that steps need to be taken to ensure that ongoing consumer requirements for geographic numbers can be met.

Number supply measures

We agree that measures such as overlay and removal of local dialling are preferable to more disruptive measures such as changing existing phone numbers by adding extra digits. With the widespread adoption of mobile phones and IP technology, users are now accustomed to having to dial the whole telephone number. We would therefore have no objection to such a measure being introduced nationwide, rather than in areas of immediate shortage; we believe this would minimise the need for more extreme measures such as charging for numbers. The vast majority of areas are already classed as number conservation areas and we believe a consistent approach across the country would increase consumer awareness of the measures.

Allocating a limited amount of geographic numbers in blocks of 100

Ofcom is considering making a limited amount of numbers available for allocation in blocks of 100 numbers, possibly in the seven areas which are currently forecast to run out of numbers by 2015. We would welcome such a move. Our network consists of both TDM and NGN elements, so we are already able to decode the additional digits.

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We see no reason why CPs should not have to demonstrate demand for numbers in these smaller blocks in order to secure an allocation. Such demand might take the form of requests from end users or wholesale customers.

We would not object to the allocation of blocks of 100 numbers being extended beyond the seven areas that may require more numbers before 2015. We would appreciate clarification from Ofcom on the extent to which it is able to introduce this measure, as we believe it should be used as extensively as possible, in preference to charging for number blocks.

Reservation Process

We agree that there is currently no incentive on CPs not to apply for number allocations before they are actually needed. We therefore think that the reservation processes described in paragraphs 5.33 to 5.41 could be useful in the case of CPs who have yet to establish interconnect arrangements with other carriers. We do not believe that such a system would be anti-competitive, since Ofcom would not withhold numbering allocations from anyone who was in a position to utilize them. Indeed, reserving an allocation for a CP should assist that CP in securing an interconnect agreement and thus entering the market. We see no reason why a network operator would not enter into interconnect negotiations with a CP with a reserved (but as yet unallocated) block.

However, it would not be appropriate to apply this procedure to established CPs who have long-established interconnect arrangements and are already terminating calls on their own number ranges. Ofcom will need to decide upon the extent to which it will require evidence that a CP has at least one interconnect agreement in place. In the case of many established operators, this will be obvious. But there may be some CPs where it is not so apparent. What evidence of interconnect agreements will Ofcom require? We look forward to discussing the details further with Ofcom.

Changes to the Geographic Number Application Form

Ofcom have suggested that they might request information on how and when the numbers will be marketed to customers and the type of service for which the numbers will be used. We do not believe that, for number allocation purposes, Ofcom needs to record the type of service for which numbers will be used. This may well differ from number to number within a block, particularly where sub-allocation is involved. For the purposes of number block allocation, Ofcom should only be concerned that the CP is using the number in compliance with the Numbering Plan.

If, at some point in the future, we move to a more automated allocation procedure where individual numbers are taken from and added to a database, then questions as to use will certainly be redundant. Whilst the use to which a number is to be put may help to focus the mind of the applicant, we believe that it should not be a pre-requisite to obtaining an allocation because it is not, strictly speaking, relevant.

Ofcom should keep in mind the fact that some network operators require numbers for the use of resellers and/or other CPs for sub-allocation. These applicants should only need to demonstrate that they have received a request for a number from a wholesale customer as a pre-condition to being granted an allocation. We look forward to responding to Ofcom's consultation on changes to the application form when it is published.

Ofcom is considering whether to examine the extent to which CPs have actively marketed numbers when conducting audits of number block utilisation. Again, we would caution that wholesale providers will tend to market their services more directly and less overtly.

Charging for Geographic Numbers

We agree with Ofcom's objectives in seeking to charge for numbers, i.e. to promote the efficient use of numbers, to minimise competitive distortion between CPs and to minimise negative impacts on consumers.

For the reasons set out in the consultation document, we agree with Ofcom that Administrative Incentive Pricing is preferable to auction, and a periodic annual charge is preferable to a lump sum charge.

We do, however, have two concerns about Ofcom's proposals. Firstly, operators who have long-standing allocations are likely to be holding many blocks of 10,000 numbers, whereas operators who are new to the market will have been given mostly blocks of 1,000 numbers. This puts the more established operators at a disadvantage. We would therefore suggest that CPs are charged per block, rather than per number, and are charged the same for a block of 10,000 as they are for a block of 1,000. According to your table on page 140, this approach seems to have been taken in Belgium, Czech Republic, Lithuania and Slovak Republic.

We understand that Ofcom will be concerned to provide an incentive to CPs to give back unused blocks of 1,000 within 10,000 blocks. However, this is only possible in a few instances, since CPs are likely to have allocated numbers within most or all of the 1,000 blocks within a block of 10,000. We suggest that a better way of getting back unused blocks would be to conduct a thorough audit of CPs' holdings in those areas with acute number shortage and request that unused blocks are returned.

We are also concerned that 10p per number is an unreasonably high price. Very few countries charge more than 10p and most charge considerably less. Ofcom justifies the 10p charge on the grounds that it does not propose to impose charges for numbers in area codes where it does not foresee scarcity. We do not agree with Ofcom's reasoning. Broadening the reach of the charge remains a possibility unless Ofcom is prepared to rule it out. Indeed Ofcom admits that the scheme could potentially extend to 79% of allocated UK numbers if it decides to extend charging to all 590 conservation areas. It would be problematic to introduce a lower charge at a later date. So a charge should be levied on the assumption that it could, one day, apply everywhere. We believe it should be around 7p, in line with the European average.

Sub-Allocation - Improving utilisation of existing blocks

Since charging for numbers changes the business model for communications service providers, it should not be introduced without an appropriate period of notice and only in those areas where the shortage is most acute.

Ofcom suggests that efficient utilisation of number blocks could be improved if unused numbers were sub-allocated to CPs who require numbers, instead of those CPs requesting new number blocks from Ofcom. We agree in principle, and indeed sub-allocation has been a core part of our business for the last decade. Since the advent of VoIP, there has been increased demand for sub-allocated numbers, both from smaller operators who wish all of their numbers to be hosted, to larger operators who would rather not take on an entire number block in areas where they have fewer customers.

In paragraph 6.85 Ofcom suggests that CPs with low utilisation of “opened” blocks may be able to reduce the impact of charging by sub-allocating numbers to other CPs. Ofcom acknowledges that there is likely to be an excess of supply of numbers in the secondary market for a period of time. Realistically, larger operators are more likely to sub-allocate to smaller operators than the other way around. So those small CPs who find themselves with number blocks that, if charging is introduced, become uneconomic to continue to hold may not be able to find other CPs who are willing to take numbers from them. Even CPs who are willing to sub-allocate numbers are unlikely to want to hold a large number of blocks per area code, since they would be unlikely to be able to pass on sufficient numbers within multiple blocks to other CPs.

So some small CPs may find themselves unable to find another CP to host their number blocks. It is these small CPs, those likely to have the lowest utilisation rates, who will be hardest hit by Ofcom’s proposals. Ofcom should not, therefore, impose such charges unless CPs are either given the opportunity to give back blocks of 100 numbers within each 1,000 block that they hold (as suggested in Section 5) or given a very long period of notice (5 years, for example) before the introduction of charging.

Faced with the new charging regime, they might be forced to give back their number blocks and require their customers to obtain new numbers from a different block already allocated to another CP. This would obviously result in inconvenience and expense for consumers. We note Ofcom’s suggestion in paragraph 6.112 that, where a CP wishes to return an under-utilised number block to Ofcom, Ofcom might facilitate the transfer of that block to a different provider. We would welcome this approach. An alternative could be to allow a CP notionally to return number blocks to Ofcom, whilst retaining those numbers already allocated to end users for a period of, say, five years, to give customers the ability to migrate away from those numbers over time. The CP would be unable to allocate any further numbers in that block. At the end of the period of amnesty, the block would be handed back to Ofcom.

Porting Issues

Some CPs have raised concerns that sub-allocation of numbers introduces problems and complexity into the porting process. Some feel that the process for porting sub-allocated numbers is not clear. We disagree. The process manual which is used by the industry for porting numbers makes clear that porting is carried out between the donor range holder and the network on which the recipient’s numbers are hosted and there are processes in place that cover the communication between network operators and service providers.

The fact that the range holder may not have a contractual relationship with the end user does not impact on the range holder’s obligation to provide Portability under General Condition 18.5 (formerly 18.2). The sub-allocatee has its own obligations to deal with requests for number portability under General Condition 18.1. We acknowledge that the UK’s antiquated system of number portability can lead to problems with multiple providers in the value chain, but this is no more a problem with sub-allocation than it is in the case of switchless resellers.

The main concern of donor operators would be facing an annual charge for numbers which have been ported out to another service provider. However, we note Ofcom’s proposals in paragraph 6.98 and Annex 4 to allow the range holder to recover that cost from the current service provider. Ofcom proposes that the range holder should be allowed to recover a cost

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per number based on average utilisation of the range holder's blocks that are subject to charging, subject to a cap of 50p per number per year.

Whilst we welcome this proposal, we think a lot more work would need to be done to consider the practicalities. How would CPs bill each other for this? Where billing is automated, how would they know whether the charge did or didn't apply to a particular number? How could it be introduced retrospectively into porting contracts? How would it work in the case of subsequent ports?

Increasing the number of blocks which are sub-allocated could actually alleviate problems with customer switching. Some CPs currently choose to obtain their own number blocks, whilst hosting them on another CP's network. If the CP then ceases trading, there is no obligation on the CP who is hosting that block to continue to do so once the numbers are ported to another service provider. If numbers are, instead, sub-allocated from a network provider's block, their obligations as range holder are clearer.

If you have any queries with regard to any of the points made in this response, please do not hesitate to contact me.

Yours sincerely

Linus Surguy
Director