



**RESPONSE BY BRITISH SKY BROADCASTING GROUP PLC
TO OFCOM'S CONSULTATION DOCUMENT "GEOGRAPHIC TELEPHONE NUMBERS –
SAFEGUARDING THE FUTURE OF GEOGRAPHIC NUMBERS"**

Summary

1. As the SkyTalk subscriber base grows, so too does Sky's demand for numbers. Continuity in the supply of telephone numbers is essential to foster competition, consumer choice and innovation. As such and in accordance with its duties, Ofcom is required to manage this scarce resource effectively and efficiently.
2. To date, the process for allocating and retrieving geographic numbers has been inefficient with large volumes of numbers being inappropriately allocated to some communications providers ("CPs") who will only ever use a small proportion of their allocations. This inefficiency is exacerbated by a failure by some network operators to invest in NGN technology that would facilitate better number husbandry and call routing. In the first instance, all efforts should be taken to audit number usage and to claw back unused and under-utilised number ranges.
3. Furthermore, demand for new numbers could be contained through improvements to the porting regime. Calls to ported-in numbers (or ported-in sub-allocated ranges) are less profitable to a CP compared to calls to numbers from its own ranges. Meanwhile, donor operators are continually rewarded for calls to customers who have left their network and on a basis of old, higher technology costs. Consideration needs to be given to removing or reducing porting conveyance charges and to exploring solutions that circumvent the need to onward route calls from donor operator networks¹.
4. Ofcom's proposals to create new supplies of geographic numbers, through the introduction of closed local dialling and overlay codes will cause disruption and prove unpopular with consumers. However, should such measures be required, closing local dialling is a fairer way to deal with scarcity than overlay codes because it does not penalise customers and CPs with growing demand for new numbers.
5. Introducing number charging to incentivise the efficient use of numbers would be premature at this stage. Charging should be treated as a measure of last resort and, as such, Ofcom should wait until it has gauged the efficacy of all other measures aimed at resolving number scarcity.

¹ We note that Ofcom considered some of these changes in its *Changes to the Mobile Number Porting Process* statement, 8 July 2010.

Inefficient Number Allocation

6. Analysis of existing telephone number allocations shows that large amounts of number blocks have been given to CPs who are unlikely to issue many of them to their end-users, despite the requirement under General Condition 17.6 that the

“..provider shall secure that such Telephone Numbers are adopted or otherwise used effectively and efficiently”

7. For example, Ofcom has allocated around 33m geographic numbers across eight companies who have neither the customer base nor the turnover to warrant such large allocations. None of these companies are household names but all of them have a larger geographic number allocation than Sky which is one of the largest providers of residential telephony in the UK.
8. Ofcom is duty bound to manage numbering resources efficiently on behalf of the nation but it is clear that more work needs to be done. It would be inappropriate to require consumers to shoulder the burden of intrusive and costly changes when there is still a significant amount of unused numbering capacity.
9. In the first instance, an extensive audit of allocated numbers is required with a view to recalling numbers that are unlikely to be allocated by range-holders to their end-users. Only once this audit has been undertaken and unused or under-utilised ranges recalled would it be appropriate to consider technical solutions like the closure of local dialling or the introduction of overlay codes.

Potential Technical Solutions

Porting

10. Demand for new numbers is, in part, driven by weaknesses in the current porting regime that effectively discourage CPs from porting-in numbers to their networks. At the same time, because of the growing popularity of email, social websites and mobiles, consumers are less dependent on retaining their existing fixed telephone number when they switch supplier or change address.
11. Given these conditions, more can be done to improve porting and, thus, reduce demand for new numbers. In this context, we note that the OTA is currently undertaking a review of porting processes.
12. However, until there are drastic reductions in the porting conveyance charges (e.g. APCCs) levied by donor operators, many CPs will elect to encourage relatively acquiescent consumers to adopt new numbers instead. APCCs have the effect of reducing the net termination revenues for calls made to a CP's end users with ported-in numbers. Put simply, end users taking new numbers are more profitable and easier to activate.
13. In fact, the onward routing of calls from the donor network to the recipient network is hugely inefficient and continues to reward CPs for customers that have long since left their network on a cost basis (a hypothetical ongoing TDM network) that bears little

resemblance to the actual cash costs of largely depreciated legacy networks. In light of these circumstances, there is little incentive for these operators to adopt more efficient technical solutions such as a shared ported number database that can be queried to identify the recipient network prior to efficiently terminating calls.

14. In summary, demand for numbers could be dampened by making porting more efficient and commercially attractive to recipient networks. The range of options that could be considered include the removal (or reductions in) porting conveyance charges.

Closed local dialling

15. Ofcom identifies two options for alleviating the lack of geographic numbers at some point in the future: the removal of local dialling; and the introduction of overlay codes.
16. Of these options, the most appropriate is closed local dialling. Ofcom's research highlights that growing mobile usage has made customers more accustomed to including the local dialling code when dialling geographic numbers. We consider this to be the least intrusive option for consumers.
17. Sky is aware that a consumer education campaign would be essential to support any initiative to remove local dialling. However, only closing local dialling in those areas where numbers are scarce could exacerbate customer confusion because dialling requirements will vary from one area to the next.
18. One alternative could be to close local dialling everywhere. A single nationwide awareness campaign could reduce confusion and be simpler to undertake than multiple (and likely staggered) local campaigns. However, the benefits of this approach would need to be weighed against the disruption caused in those areas where number scarcity is not an issue. The severe impact either approach would have on consumers merely reinforces the need for Ofcom to ensure it has taken all possible steps to audit and recall unused ranges first.

Overlay codes

19. The use of overlay codes is likely to be even more unpopular with consumers than closed local dialling. This has already proven to be the case with the new 0203 overlay code for London. But, unlike the London overlay code, a second local dialling code in most conservation areas will be dissimilar to the original area code and, as a result, confusion and unpopularity will be exacerbated.
20. Consumers will often be unaware of which of the local dialling codes to use. Additional issues will arise for those consumers with "mirror" numbers (where numbers are the same but the local area codes are different) as they will receive unwarranted calls and miss calls that were intended for them.
21. These likely consequences are borne out by Ofcom's consumer research

*"However, in our qualitative research, overlay codes were seen as potentially confusing by almost everyone, and generally people did not like the idea of dialling a different code to call someone who lived close to them.."*²

² 2010 consumer research. See page 4 *Geographic Numbering and Local Dialling* – referenced at paragraph A3.25 *Geographic telephone numbers*

22. However, Sky acknowledges that Ofcom believes that the implementation of overlay codes will be needed at some point irrespective of whether local dialling is closed.

Administrative options

23. Reducing number blocks sizes from 1,000 to 100 numbers could alleviate number scarcity in areas that are likely to experience shortages. However, it could prove unduly burdensome for residential providers who allocate large volumes of numbers to their customers. An operator like Sky could consume 100 numbers in an area very quickly.
24. We recommend that, if 100 number block sizes are adopted, then multiple blocks should be allocated to any CP who is able to demonstrate sufficient demand. An allocation methodology could be based on confirmation of firm orders (for Business telecoms providers) or on previous consumption rates and network roll out investments. A failure to build in the option for multiple number block allocations in this way would deprive consumers and business in constrained areas of the benefits of competition, innovation and choice.
25. Given that too many numbers have been allocated to CPs without clear need of them, it may also be appropriate to introduce new rules for how CPs utilise their allocations. These could include rules for activating numbers and more stringent rules for ensuring that unused and under-utilised ranges are freed up and returned to Ofcom.

Charging for Numbers

26. Ofcom proposes the introduction of number charging on the basis that the consumer impact is likely to be immaterial, with per subscriber costs increasing by around 10p p.a.. Sky notes that, of Ofcom's three options for cost recovery for BT's WLR service³ (if a charging regime is introduced), Option 1 is preferable as it provides the strongest incentive for BT to maintain efficiency.
27. However, charging for numbers should only be considered as the last resort when all other viable options have been considered. As stated above, in the first instance, a comprehensive number audit and retrieval programme could alleviate some number scarcity issues. Then, technical measures including measures aimed at addressing weaknesses in the number porting regime should be allowed time to alleviate more immediate number shortages (i.e. those areas where supplies are forecast to run out by 2020). Only once the efficacy of these remedies has been assessed, should Ofcom consider the introduction of charging.

Sky

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³ *Op cit*, Section 4, Annex 4.10a