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Dear Jasminder

Consumer Switching: proposals to reform switching of mobile communications services

SSE welcomes Ofcom's consultation on the above topic and reiterates its support for the development of Gaining Provider Led (GPL) switching processes across the board in the retail 'mass market' communications industry.

We respond to the specific consultation questions in the appendix to this letter and set out our main points on this topic below.

Support for GPL switching

Of the options presented in the consultation paper, SSE unequivocally and strongly supports Option 2 – a GPL switching process for mobile communications services. Losing Provider Led (LPL) switching processes are associated with lower sales conversion rates, due to customers being influenced by the LP during the touch points with the LP in the switching process. This undermines new entrants and therefore competition in the market, an increase in which Ofcom discusses more generally in section 6 of the consultation paper as being a potentially substantial benefit to consumers.

Fixed and mobile bundling

The majority of 'mass market' fixed line communications services now use harmonised GPL switching processes, as already mandated by Ofcom. Mobile services represent another significant category of 'mass market' retail communications services, which are increasingly likely to be offered in bundles to consumers. BT is already offering fixed line broadband and mobile service bundles through various advertising channels¹ and we would expect

¹ For example, at this link, http://www.productsandservices.bt.com/products/4g-sim-only-plans/bb.html?s_cid=con_ppc_maxus_vidZ60_T1&vendorid=Z60&gclid=CM_HI4Dm9MwCFFyV0wodZ6QJ5Q&dc_lid=CMTCrYDm9MwCFSWk7QodmosKjQ

increasing convergence of fixed and mobile services in this rapidly changing market now that BT's merger with EE has been cleared. Clearly, it would undermine switching rates for bundles of fixed and mobile services if the latter continued to use non-GPL switching processes. We urge Ofcom, when considering mobile switching, to consider the wider market picture and the benefits of a strong and clear message about 'GPL switching across the board' in underpinning consumer confidence and inclination to engage in the market to seek better outcomes for themselves by switching.

Single process for all types of mobile 'switch'

We support the development of a single 'end to end' coordinated switching process for mobile communications services, irrespective of whether a consumer wishes to keep their mobile telephone number or not. We believe that most consumers would actually wish to do this, as there is a degree of 'hassle' in notifying contacts of a new mobile phone number. Ofcom's research shows that many mobile customers are unsure of their ability to port their telephone number (paragraphs 4.43-44) and that some, in fact, are being given wrong information on this point. Allowing the GP to sort this out for a customer, as being just one part of a standard switching process, would do much to improve clarity on the switching process for customers and also, we expect, the uptake of number porting, thus reducing the overall hassle experienced by consumers currently undertaking the 'cease and re-provide' route.

The second aspect of developing a 'single process' for switching mobile is that this will have to work seamlessly along with fixed line GPL switching processes for the benefit of customers switching bundles that include both types of service. The quality of the customer experience in switching in these circumstances should be considered explicitly as part of implementation discussions so that processes are designed from the outset to be workable in a converging market of bundled fixed and mobile services that we have noted above is already becoming a reality.

Required coordination of switching process

We welcome the aspects of the proposals that put forward the need for coordination between mobile providers to underpin the successful outcome of the switch for the consumer. We note that the mobile players have developed a degree of coordination already through the use of an independently run Central Porting System and agree that this could readily be built on to coordinate other aspects of the customer journey. In particular, the discussion on the additional need for 'make before break' illustrates that this type of coordination that is clearly beneficial for consumers does not evolve naturally in a market and has to be required under statutory and/or regulatory frameworks. SSE fully supports the development of an appropriate and fit-for-purpose coordination framework for holding and maintaining market 'rules' for these sorts of requirements in a manner that is transparent and inclusive of all relevant stakeholders. Indeed, we would hope to see such a coordination framework extending across all mass market retail communications products in due course to safeguard the consumer experience 'across the board'.

Implementation discussions

There are a number of areas where further industry discussion will be required, once Ofcom has set the overall regulatory framework for mobile switching. Formal implementation groups were set up to coordinate the industry change to harmonised fixed line switching during 2015 and we would suggest that a similar formal framework of

meetings is put in place for overseeing the changes to mobile switching. We think it is important that representation at implementation meetings is welcomed from a range of Communications Providers (CPs) other than those already in the mobile market. Some other CPs have experience of the implementation of changes in fixed line switching processes and, given the points made above about the development of service bundles covering both fixed line and mobile areas, fixed line CPs and those considering offering both types of service also need to understand how the switching processes will work in tandem. Their perspective would be valuable in developing coordination across the market and avoiding any unforeseen consequences that may arise if a mobile switching process is developed in isolation from those familiar with using existing fixed line switching processes. SSE would like to be involved in industry implementation meetings about changes to mobile switching processes and recommends that the structure of the existing Consumer Switching Industry Forum is considered as a starting point. This could in any case be used to discuss matters of common interest across fixed and mobile markets, for the benefit of consumers.

I hope that this response is helpful to Ofcom's consideration of next steps for mobile switching – and we would be happy to discuss any point further.

Yours sincerely

Aileen Boyd
Regulation Manager

Response to consultation questions

Q1 Do you agree that current mobile switching processes create consumer harm in terms of difficulties and time spent contacting the current provider, requesting the PAC, and unwanted save activity, as well as loss of service and double paying when switching?

Yes – we strongly agree that the current Losing Provider Led (LPL) switching process for mobile services involving number porting, along with the lack of a formal switching process when the customer does not seek to change their number (i.e. the requirement for the consumer to arrange and coordinate their own ‘cease and re-provide’ (C&R) events), creates consumer harm. As well as the examples mentioned, we believe that the existence of more than one switching route coupled with the likely reluctance of gaining mobile providers to mention the possibility of number porting due to the subsequent required contact by the switching consumer with their current LP contributes to the confusion that Ofcom has found for some consumers in what they have to do to switch. This, in itself, undermines a positive empowered climate for consumer switching in mobile services, which in turn dampens switching activity, with the adverse qualitative effects on competition that Ofcom discusses in section 6 in the paragraphs on ‘competition benefits’.

Q2 Do you agree that consumers would benefit from clearer switching processes and information about switching?

Yes – in particular, we consider that consumers of mobile services would benefit from a clearer and coordinated switching process that reflects the overall GPL approach used in other markets and in other parts of the communications retail markets. We believe there should be no exceptions (such as the C&R approach) that put the onus on consumers to organise their own switching, albeit that this path could always be available to any consumer if they wished to do that. The promoted and coordinated switching path should work for consumers irrespective of the precise details of the switch they wish to make. This would allow simpler, generic information about ‘how to switch’ to be provided by various parties such as advice agencies, switching sites as well as gaining providers. We believe customer confidence in switching communications products – and especially bundles of these – is likely to grow once the underlying simple message that “the supplier you wish to move to will sort out the switch for you” can be provided unequivocally across the retail communications markets, as it can be for other essential services.

Q3 Do you have any other comments on the matters raised in section 4?

We are not in favour of Option 1 and note that, as set out in paragraph 4.18, Ofcom found that some providers of mobile services directly incentivise their staff/agents to attempt to retain consumers who contact the provider to request a PAC. We believe that such behaviour is likely to continue if Option 1 is taken forward, continuing the hassle felt by some customers for whom a phone call could still be the only realistic option to contact their current provider.

We agree that communication with LPs and thus potential for ‘save offers’ should not be a required feature of a switching process, as Ofcom states in paragraph 4.20. Not only is this annoying and/or intimidating for some customers as shown in Ofcom’s research but it systematically provides LPs with opportunities to frustrate the potential switch. This undermines smaller, newer competitors in the market, leading to a lessening of competition in the longer term. Furthermore, as the market increasingly moves to bundles of fixed and mobile services, the effect of an LPL switching process for mobile services will be to reduce the successful sales conversion rate for all elements of the

bundle, thereby allowing the LPL process to reduce the competitiveness of markets for other products with which it is bundled.

Q4 Do you agree that our Option 1 (PAC automation) and Option 2 (GPL) address the consumer harms we have identified as arising from current switching processes?

We do not agree that Option 1 will address all the issues outlined due to the remaining interaction with the losing provider. Ofcom has already noted that a significant proportion of switchers cite 'getting information on PAC' as major difficulties when switching or thinking about switching – as discussed in paragraph 6.34b). This is in the context of a phone call being the prescribed method to initiate the request for a PAC, although we understand that some mobile CPs have provided other methods of requesting this. Option 1 still includes a phone-call as one method to request a PAC, although Ofcom proposes to require other routes as well. We consider that for some types of customer – particularly elderly and/or vulnerable customers, who may not be comfortable with using online facilities or text messaging – the phone remains the most practicable route to obtain the PAC in the proposed new process and with this, the risk of the difficulty in actually obtaining it and/or being exposed to unwanted save activity would continue for these customers. Indeed, in maintaining the need for the customer to engage with his existing provider to request the PAC, Option 1 continues a degree of ongoing unnecessary time and hassle for all consumers when compared with the removal of this step. It could also continue to contribute to an ongoing degree of confusion, for some customers, on how switching processes work for communications products as it would perpetuate a different approach for mobile services compared with harmonisation elsewhere on GPL processes.

Any element of required contact with the LP is removed in the GPL process – Option 2 – and this is the option we prefer. As a point of principle for switching processes, these should be designed to remove all necessity for any audio or web-based two-way contact between the LP and the switching consumer as a part of the transfer process. This type of contact gives the LP an unfair opportunity to selectively seek to 'save' the consumer and persuade them not to switch, to the detriment of the competitive forces in the market, which Ofcom discusses at paragraph 6.37 onwards.

We agree that Option 2 would be able to address the consumer harms identified as arising from the current switching process.

Q5 Do you agree that the three main methods for PAC request and receipt under Option 1 should be SMS, online account and phone?

We understand why Ofcom has added SMS and an online account option to the phone route which is currently mandated for requesting a PAC but – as discussed in response to the previous question – we believe that, for consumers who, for whatever reason, have to continue to use the phone method, the consumer harm that Ofcom has identified around unnecessary time and hassle along with the discouraging 'save activity' in the current process will continue.

Q6 To what extent do you think each of our options ensures that consumers are adequately verified, and protected from being switched without their consent?

We think that the requirement for confirmation reply texts, made from the handset device containing the SIM of the mobile number that the consumer is seeking to switch should provide adequate verification of the decision to switch in the case of the GPL Option 2.

Q7 Do you agree that our proposals ensure consumers are sufficiently informed before they switch?

In the GPL fixed line switching processes already in place, parts of General Condition 22 specify the types of information which must be provided by the LP in a Notification Letter sent to the switching consumer. GC22.15 requires that any such communications by the LP do not contain any marketing material aimed at inducing the consumer to remain with the LP. We propose that these protections for the switching process are repeated in the elements common to both switching options set out in the consultation.

Whilst we agree that consumers should be adequately informed of the implications of switching away from their current mobile service offering, we do not believe that the relevant information would be more complicated or lengthy than what is provided for in fixed line switching of phone and/or broadband services. We believe there are significant dangers in Ofcom's proposal at paragraph 5.50 that, as part of the SMS text message with prescribed information that the LP must provide via the Central Porting System (CPS), the LP should provide links to the customer's online account – if they have one. This is because the LP can then control the customer's visual experience in visiting his account page and use marketing techniques to frustrate the switching process.

If it really is the case that the relevant information cannot all be included within the SMS text message, then we suggest that any link provided to the customer within the text message should take the customer to a neutral and controlled part of the LP's website that satisfies the following criteria:

- **The further information is provided in a neutral, non-marketing manner consistent with the application of GC22.15 for LP communication with a switching customer for fixed line services; and**
- **There are no opportunities to navigate readily from that page to other parts of the LP's website.**

Thus, while we wish to see that consumers are sufficiently informed of the implications of switching at a suitable point before they make the final decision to do so, we are very against the provision of this information leading to the possibility of marketing activity by the LP. We suggest that protections against LP marketing are put in place such that there is equivalence on this point between the fixed and mobile switching processes.

Q8 Do you agree that both options should require providers to use a 'make before break' approach to switching in order to address the risk of service loss during the switch?

Yes. We very much support a greater level of coordination between providers, on a formalised and transparent basis, to accomplish a smooth switching experience for consumers. Therefore we agree that providers should take a 'make before break' approach to address the risk of loss of service during a switch and would expect that this should be automated as much as possible, for the sake of efficiency.

The coordination that allows for 'make before break' should be established for all mobile service providers to use, not just the Mobile Network Operators. We are aware, for example, that the current Mobile Number Porting arrangements do not extend to all relevant parties – such as downstream 'virtual' MVNOs. While the details of coordinating approaches for 'make before break' are properly left to industry implementation groups to develop, we think it would be helpful if Ofcom set the expectation that these industry

coordinating arrangements for the benefit of consumers should be transparently developed to be available to all relevant market participants.

Q9 Do you agree with our proposal for providers to give clear consumer guidance on the porting and switching process?

Yes. We also believe that the consumer guidance for switching mobile phone services should, at high level, be the same irrespective of whether the consumer wishes to keep their phone number or not. In other words, although there will be some process differences if the consumer wishes to keep their number, the same coordination should take place for the previous C&R process for switching without a change in phone number as would be applied for the number porting process – and the same ‘front end’ for the process described for consumers as part of the industry guidance, as this is developed.

Q10 Do you agree with the measures we have set out under both options to enable consumers to coordinate better their switch, including to manage the interaction between the switching time frame and any required notice periods?

Yes. We would observe that there is a greater support for the consumer on this point in Option 2, where he is able to have a dialogue with the GP about the date for the switch that will best suit him, with the GP then looking after any required deferral of processing the switch in order to achieve that.

Q11 Do you have any other comments on the matters raised in Section 5?

We have 2 further comments on section 5 matters. The first is around one aspect of the proposed GPL process in Option 2 and the second relates to governance of the further industry implementation discussion that will be necessary.

As described in figure 6 and paragraph 5.37, Ofcom proposes that, in addition to the LP sending specified information about their current contract (‘accurate switching information’) to the consumer during the switching process initiated by a chosen GP (step 3 in figure 6), they should also provide this in response to a consumer request (step 5 in figure 6) where the GP would not necessarily have been selected by the consumer. We have no objection to provision for a second route whereby the consumer can elect to receive the ‘accurate switching information’ independently of an actual switch taking place. In order to simplify the process steps for this option, we suggest that it would be unnecessary for there to be a separate confirmation step that the customer should take – as described in step 5. Instead, we believe that both the required processes and the explanations of these for the consumer would be simpler if the standard consent process of step 3 applied in both cases. The consumer would receive a very similar set of ‘accurate switching information’ in the prescribed SMS text message if he decided to switch very shortly after requesting that information on a stand-alone basis (step 5) but we do not think that this would inconvenience the consumer. Taking this simplifying step would still allow the consumer to request the ‘accurate switching information’ whenever he liked but maintain a single standard GPL process for the actual switch – easier for process design and explanations to the consumer.

Secondly, there is undoubted need for further industry discussion on how the chosen option and the additional elements are to be developed. Some examples of areas where industry discussion would be needed are: the form and content of information to be relayed from the LP to the consumer before the switching process starts; the inclusion of

MVNOs; and how the end-to-end coordination between GP and LP will be effected; as well as others that Ofcom has already noted. The latter include: developing an effective Cancel Other mechanism; developing the detail of consumer guidance on mobile switching; and further potential discussion on approaches to managing notice periods. From these examples, it can be seen that a wide range of topics should be covered in industry discussion in order to develop details of the process that become agreed and documented. SSE's proposal is that all such matters are transparently and inclusively discussed within a formally governed series of industry meetings to establish principles for the detailed design work. We see the implementation discussion process as building on the experience of the implementation of the harmonised fixed line GPL processes and being open to fixed line participants due to their previous relevant experience and legitimate interest in how bundles of fixed and mobile products are to be switched.

Q12 Do you agree with our assessment of the consumer benefits of our proposals?

The likely benefits of the two options are discussed in section 6. While noting that Ofcom has a marginal preference for Option 2 (paragraph 6.13) and that the quantified benefits of Option 2 exceed those of Option 1 e.g. in figure 9, we can also see that many of the unquantified benefits are intuitively larger for Option 2 than Option 1. These benefits are discussed at paragraphs 6.19, 6.24 and 6.42.

Paragraph 6.19 states that the quantification of the benefits of reduced time and hassle 'significantly underestimates' the total reduction in harm from this source due to the difficulty in quantifying 'hassle'. When considering the relative qualitative benefit from this perspective between Option 1 and Option 2, we consider that Option 2 would score more highly than Option 1 as it allows any consumer, whether or not expecting to change their mobile number, to speak to their chosen GP, who would then handle the whole process in a coordinated manner for them, just excepting the need for the consumer to send a confirmation text, as a security measure. For those consumers who would previously have to obtain a PAC, that step is removed and for those working out their own uncoordinated C&R process, they are saved the hassle of coordinating this themselves – and would also have the additional ability to keep their number when prompted about this as part of the standard process.

Paragraph 6.24 notes the unquantified benefit that Ofcom expects to accrue to the third of switchers who currently undertake the C&R process in order to change to a different mobile provider. We agree with Ofcom that many of these are likely to use a coordinated switching process if one was available to them – and then actually opt to keep their number as part of that. We believe that the Option 2, in providing the GP as the initial contact point, will be more encouraging for these consumers than Option 1 where the first contact is with the LP. We consider that many consumers are likely to have embarked upon the solo C&R effort to switch in order to avoid speaking to the LP in the first place, so we expect the uptake of the formal switching process from these customers – and therefore the size of the benefit overall from this perspective – would be larger if GPL Option 2 is the chosen option.

Finally, paragraph 6.42 refers to the benefits flowing from an increase in competition and that these could, in fact, be 'significantly larger' for the market as a whole than the reduction in harm that Ofcom has analysed. As we have noted in response to earlier questions, we believe there is significant danger to competition when there is any required contact between the LP and the consumer intent upon switching, as there is opportunity for the LP to selectively seek to 'save' that individual consumer. This makes it

harder for new and smaller potential competitors to enter the market, as well as all the points which Ofcom notes about higher switching costs reducing competitive pressures overall. Again, from the competitive point of view, GPL Option 2 is intuitively preferable to Option 1, where consumer contact with the LP is a required part of the process.

While more analysis on these points might add to the quantification of benefit for Option 2, we believe that Ofcom's work has already made the case for GPL Option 2. GPL switching is the way that other network-based essential services are switched and intuitively forms an easier front end to any switching process than a requirement to contact the LP.

Q13 Do you agree with our assessment of the likely costs of our proposals? No comment

Q14 Do you agree with our preference for GPL?

SSE unequivocally supports GPL switching throughout the retail communications markets and believe that Ofcom has made the case for imposing a GPL approach for switching of mobile communications services.

Q15 Do you have any other comments on the matters raised in this Section 6? No comment

Q16 Do you have any other comments on our proposals? No comment