

Representing the Communication Services Industry



Simplifying Non-Geographic Numbers Consultation
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Introduction

The Federation of Communication Services is the UK trade association for the communication services sector. Our 350 members and associates deliver products and services by means of copper, fibre and radio. We are pleased to have the opportunity of responding to this detailed consultation document on behalf of our members who deliver numbering services to Service Providers, those that are TCPs and those who are Service Providers. More information and a directory of our members is available on the [FCS website](#).

Key principles

Ofcom's proposals aim to build trust by improving transparency so that callers to non-geographic and premium rate numbers are fully aware of the cost of the call they are making and are content to make the call. At the same time the end user businesses and organisations having non-geographic numbers [Service Providers] need to be content with the added value of using a non-geographic number for their business. In this way, the decline witnessed in the NGCS market will be reversed. We have reviewed Ofcom's proposals with these principles in mind.

We have consulted via an industry survey with our members on some of the key aspects of Ofcom's proposals. The respondents were TCPs and OCPS or both and we also gathered opinion from others in the industry to reach our conclusions, which are set out below.

Our initial observation is that the cost of a call is the total charge – comprised of an access charge (AC) and a service charge (SC). For the 084 and 087 number ranges, the SC could well be dwarfed by the AC, particularly from mobile operators. By only advising consumers of the SC in marketing material we are cautious as to whether the industry will demonstrate adequate transparency to build the much needed confidence to restore the trust in calling these numbers.

We are also unconvinced that the consumer will understand the concept that a further unknown charge will be added by their Communications Provider to the rate that they see advertised for the service. For this reason we are concerned that Ofcom will potentially make matters worse than already exist.

Our members support the proposal that calls to 0800 should be free to the caller from all devices but they are concerned about the level of the mobile termination charge.

The Access Charge

Ofcom has avoided consideration to place a cap on the access charge [AC] in this consultation. We consider that this would have been the single most important action to improve transparency for the NGN caller under the unbundled tariff proposals. We fail to understand how Ofcom will achieve any of its policy objectives without this safeguard in place. The FCS does not share Ofcom's confidence that healthy competition will develop when setting the level of ACs. Instead we believe that large operators will only view the AC as a margin correction tool within the bundle where the AC will consistently rise to allow for greater inclusion of landline and mobile calls.

Ofcom is basing its proposals on the "good chance" of competition among major OCPs maintaining affordable ACs for the consumer. This appears to be an echo of the recent 0870 policy changes where Ofcom's objectives were clearly not achieved and in fact have led to

untold industry disputes. This is a cause of concern that we believe Ofcom must address before proceeding with any implementation.

Ofcom has proposed several limits to the AC as an alternatives;

- ***A single AC for all calls within the number ranges:*** Members have generally supported this proposal commenting that a uniform charging structure would be simpler and could encourage competition; DQ providers were particularly supportive. However some members cautioned that it may not be well received by the public as they would continue to find it difficult to determine the total cost of a non- geographic call. Others are concerned that this would limit their ability to vary the charge. Some members have expressed a concern that a single AC may be inflated for calls to low value numbers due to the requirement for bad debt provision for higher rate PRS numbers.
- ***Pence per minute rate:*** This proposal was generally supported, although for CPs the concern is how interconnect rates are charged. Some commented that a one minute minimum is much longer than is needed to cover any costs or risk of fraud. Other members have suggested that a pence per minute charge does not provide adequate cost recovery for pence per call number ranges where the call is only a short duration.
- ***Time of day variation:*** There was general support for the simplicity of the proposal.
- ***No maximum AC price caps:*** There were certain differences of opinion on this proposal from the respondents to the FCS survey. This was mainly driven through no clear indication of how wholesale billing arrangements would work in practice. One member commented that “capped call charging presents a billing headache and a contractual and sales headache.” On the other hand, TCPs argue that applying a cap to the SC and not to the AC is inconsistent and potentially discriminatory. Many members have questioned the likelihood of Ofcom achieving any of its policy objectives without a safeguard in place to protect the consumer against excessive ACs.
- ***OCPs must publish ACs in advertising and promotional material:*** This was supported by a majority of FCS respondents. However, TCPs questioned how this would work in practice. One TCP highlighted how previous attempts to improve price transparency through amendments to GC 14.2 were largely ignored and required Ofcom to conduct two investigations to gain any form of compliance.

The Service Charge

Many of Ofcom's proposals relate to transparency and regulation of the SC, particularly for 084 and 087 number ranges. This would bring a large number of businesses and organisations using these number ranges into a new numbering regulatory framework. Our members asked if this was proportionate in principle and cautioned whether such new regulation - however light touch - would be acceptable to end user businesses as there is little evidence of consumer harm from calling these number ranges. There is some concern that a backlash against this new regulation might take place leading to a migration away from using non-geographic numbers altogether.

One member commented that out-of-bundle calls are charged at 7.95 pence on the BT network and much higher from mobile networks and for this reason questioned why there is a need to even consider to offer price transparency within advertising material for calls to numbers on the 084 ranges. Another member felt that adequate transparency could be achieved through promotion of a robust National Telephone Numbering Plan (NTNP).

Ofcom has proposed:

- ***Prohibiting bespoke SCs:*** This was generally supported provided there are sufficient number bands. One respondent commented that there should be a specific exception for SC subscription services, which would allow for innovative pricing flexibility. Another TCP questioned what would happen in the event that an OCP has not built the required price points into their billing systems and only has limited price points at the time of implementation. An example being that all 084 calls are charged at 8 pence per minute even though the actual SC price point may only be 4 pence per minute. In this example, would the TCP be able to recover the SC that the OCP has actually charged?
- ***A maximum [ex VAT] of 5.833ppm for the 084 range:*** Some members commented that this would appear to the consumer to be an increase to the cost of dialling the 084 SC and may cause confusion. However, it is imperative that SCs are set at the level of the prevailing interconnect rates to ensure revenue certainty. Given that the AC would be in addition to the SC, the total cost of a call could rise significantly, particularly if Ofcom's envisaged competition amongst ACs does not materialise. For some consumers the price of an 0845 call could rise significantly, particularly if the TCP elects to align their 0845 price point to the highest 084 price point. In this example callers from the BT network could see a threefold increase to the cost of making these calls plus the AC.
- ***A maximum [ex VAT] of 10.83ppm for 087 ranges:*** Views were similar to those for 084 above.
- ***Reduce the price points to 60-100:*** Some members commented that this would add clarity and simplicity but considered this may be too few price points. However, others noted that many price points are underused, so this may be too many. As a balance, some respondents commented that underused price points were due to a market failures under the current regime where there is no incentive to select a number range at a price point which is significantly below the maximum that many mobile operators currently charge. Another member commented that the limited number of proposed price point for higher value PRS ranges will not provide any flexibility for a competitive environment. This led to a concern that further migration to mobile voice short codes may occur.
- ***SCs to apply to 10k number blocks:*** Some members cautioned that this may be too inflexible; if SPs seek numbers for several SC price points for just a few customers then most of the number block will be unused. This is due to 10k

number blocks being applied to a chosen price point on 0844/0843 ranges at the present. Alternatively, members suggested that a provision for number to be allocated in 1k blocks to be considered for new number applications.

- ***SPs to publish SCs in advertising and promotional material:*** Members were cautious about the cost to SPs of publishing their SC “on every bit of advertising, promotional material, business cards, letterheads and phonebooks etc”. There has to be a simpler and proportionate way forward to implement Ofcom’s proposals. Many members are of the view that Ofcom is responsible for promotion of the amended NTNP and SPs would refer to the numbering plan using a standard text (with a link to the Ofcom website) such as: “Our call costs comply with Ofcom’s Numbering Plan.”
- ***SP promotion to be enforced via an industry code:*** If necessary, an industry code is considered far preferable to any regulation by PhonePay Plus. An industry code would need to have the support of SPs and be simple to administer. Many members also commented that under a new unbundled regime there is no need for 0871/2 to remain within the PRS condition and be regulated by PPP. The regulation of these number ranges should be moved to a new light touch industry code. This is due to the clear and compelling evidence that no significant consumer harm occurs on these ranges.
- ***Will there be a competitive market in service charges?*** Many TCP members commented that the competitive market currently exists within the value added advanced options offered within the TCP’s network in addition to charges or revenue share arrangements to the SP for these services. In certain cases, revenue share does drive the SP’s preference. However, in many cases the service the TCP offers is the overall driving factor. Another TCP commented that, as an example, some SPs utilise lower rate 084 number ranges for international dial through services where the distinction of price points is paramount for competition to be effective.
- ***Who should manage a database of SCs:*** FCS members were equally divided as to whether this should be Ofcom or a commercial entity. However one member pointed out that logically the database should be maintained within the BT carrier price list as this is where the commercial arrangements will exist under the new unbundled regime.
- ***Mapping existing price points to new SC price points:*** This should be led by industry under a clear self regulatory organisation that ensures all relevant participants in the industry can be informed and contribute to the work. Initially, agreement to the number of price points and the SC caps by number range will need to be agreed. From here TCPs can choose the migration path of each number block to the SC price point. The likely issue that will arise is the division of opinion among the TCP’s customers of where they feel the SC should be positioned, this will be particularly prominent within the 0845 and 0870 blocks.

Some may well request that their 0845 SC is no more than the current BT charge of around 2 pence per minute while others may request the maximum 084 price point in view in increasing revenue share. Of course the TCP cannot accommodate both scenarios within a 10k block..

Freephone

The vast majority of FCS members support Ofcom's proposals that 0800 and 116 calls should be free to call from mobiles and all other phones and two thirds thought that their SP customers would pay to receive these calls. However several were concerned that small businesses would react to increased costs to them and may well migrate to 03 or another number range. This would place additional cost and burden on the CP. The main factor affecting CPs and SPs would be the interconnect rates. Respondents thought that the marginal cost of the call should be much smaller than the current mobile operator charges for 0800 calls at the moment. The concern outlined from some members was that of the certainty of the charging arrangements. This is driven through the likelihood of any rate implemented by Ofcom being challenged. This is of particular concern if a challenge is in progress post implementation where the actual rate could change.

TCPs hosting 080 and 116 numbers will be required to notify SP customers of revisions to charges within 2 months of any free to caller requirement.

Members commented that the more notice that is given the better. There are TCP to reseller to SP relationships and each party in this chain needs adequate time to adjust their systems and processes and pass the information on.

General comments

The FCS considers that this consultation document was too lengthy for an in depth analysis within the consultation period and is concerned that many of its members may continue to be unaware of the detailed proposals.

Generally, while some of the proposals, such as 0800 free to call, were widely supported the impact on the industry and the reaction of SPs and the general public overall may not deliver the anticipated market benefits.

The industry groups that have been set to look in detail at implementation of Ofcom's proposals are limited to a few companies whereas the impact of the proposals will fall on many more organisations. Ofcom should take the responsibility of ensuring that all relevant organisations or their representatives are included either in face to face discussions or in a wider e-mail grouping. FCS reiterates the need for a more organised co-regulatory body to implement this and other Ofcom's policies.

Consultation questions

Please note that we have responded to selected questions only.

Question 10.2: Do you agree with our proposed structure for the AC, in particular that: (i) that the AC should be a pence per minute charge only, but can be subject to a minimum one minute call charge (ii) that the AC should not vary by time of day and (iii) that the AC can be included as part of call bundles/inclusive call minutes provided that inclusion does not differentiate by number range? If not please explain why.

We agree.

Question 10.3: Do you agree with our proposal not to impose a cap on the AC in the first instance? If not please explain why

We disagree.

Question 10.4: Do you agree with our proposed approach for the structure of the SC? In particular that: (i) bespoke SCs should be prohibited (ii) that no further restrictions on the SC structure should be required (e.g. allowing ppm and ppc SCs, no restriction of ToD charging subject to ability of billing systems to pass through the charges) If not, please explain why and provide evidence if possible.

We agree but see comments above.

Question 10.5: Do you agree with our proposals to impose maximum SC caps for the purposes of protecting the identity of the number ranges? Do you agree that the caps should apply to the 084, 087 and 09 ranges and that they should be set exclusive of VAT in the Numbering Plan? If not please explain why and provide evidence to support your position if possible.

We agree

Question 12.3: Do you agree with the need for reformation of the existing processes for number range building and tariff change notification? If so, what do you consider to be the key characteristic of a revised set of processes? Do you consider that there is a need for regulatory intervention in their establishment, if so why and on what basis should Ofcom intervene.

FCS supports a voluntary number range code of practice.

Question 12.6: Do you agree with our proposal that existing price publication obligations (with some modifications) are sufficient to ensure that consumers are made aware of their ACs? Do you agree that we would need to specify the AC as a key charge?

We believe that Ofcom should lead on this.

Question 12.7: Do you agree with our provisional view that the requirement for SPs to advertise their SCs could be implemented through a condition on SPs that is enforced through an industry Code of Practice and the ASA? Are there any other options (beyond the two outlined) which

Ofcom should be considering? What do you consider is the best approach for securing industry commitment and developing a Code of Practice?

We support an industry code of practice.