

Strategic Review of Consumer Switching

Response by KCOM

26 November 2010

Introduction

KCOM Group delivers communications services to a range of businesses and consumers throughout the UK under a number of different brands. Kcom provides communications services for national multi-site enterprise and public sector organisations across the UK. In Hull and East Yorkshire, KC provides a range of communications services to businesses and consumers. Nationally, Eclipse Internet delivers a portfolio of internet based communications services with a focus on the SME market.

Both KC and Eclipse offer services to customer segments (i.e. residential and small business customers) in which switching processes are mandated. Eclipse has had extensive experience of the MAC process however KC's exposure to switching processes is much more limited due to the low levels of competitive entry in the Hull market, particularly in the residential market. We have however recently seen the entry of providers using KC calls and access services to supply services to the business market. As a result we have implemented a notification of transfer process to use with those providers when a customer wishes to switch.

KCOM agrees that current switching processes are far from optimal in delivering benefits either for end users or providers. We are therefore generally supportive of moves which would improve switching processes and lead to greater consistency, clarity and ease of use. However, we are concerned that Ofcom has been too quick to focus on a preferred option (i.e. Gaining Provider Led processes) driven by key principles which we do not believe encapture what should be the overriding aim – to deliver a single process which is cost effective and works.

We are also concerned that the focus is on processes to support customers who are provided with service using BT infrastructure. While we appreciate why this is the case, we would urge Ofcom to ensure that consideration is also given to alternative infrastructure providers and how processes would work with their services. In this context we are particularly mindful of the incumbent nature of our network infrastructure in Hull and the fact that we are subject to SMP obligations which require we provide both narrowband and broadband wholesale network access. We are therefore in the position of not only having to use mandated processes within our retail business where customers wish to switch providers but also having to provide underlying wholesale support for switching processes. If processes are designed on the basis of BT's system and process capabilities this has the potential to create issues in replicating those processes for use on networks with different system and process capabilities.



More generally we would flag the following areas of concern:

- Information and education are key in improving customer's experience of switching and should be addressed as part of this review.
- Further consideration should be given to the impact of save activity and the benefits it can deliver before a decision is made as to whether it should be prohibited.
- Further clarity is required on the costs of implementing and maintaining the various options as they are key criteria in assessing preferences for switching processes.
- There is a need for flexibility to be built into any process to ensure that smaller providers are not faced with excessive compliance costs.
- While fixed-line and broadband services are a priority, the implications for other services must also be considered to ensure that a consistent approach is achievable.

Our response to Ofcom's specific questions is set out below.

Question 1: Do you think hassle is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

KCOM agrees that hassle is a key issue which should be tackled in Ofcom's review, but it would be unrealistic to imagine that any process will be completely hassle-free for customers. However, issues which can be addressed such as the number of touch points should be key in the consideration of process options by the Industry Working Group which Ofcom is establishing. We also note that the main source of hassle identified by customers was searching for information about other providers they could use, while knowing the steps which a customer needs to take in order to switch was also a concern. This suggests that there is also a need for customers to be provided with clearer information about switching options and processes and is a further issue which Ofcom should address.

Question 2: Do you agree there is a lack of clarity about the switching processes that consumers need to go through to switch and this may create a barrier to switching? Please provide an explanation for your answer and any supporting evidence.

We agree that there is a lack of clarity about the processes that consumers need to go through to switch. This is particularly the case where the appropriate process to use is driven by the underlying infrastructure used to provide services to the customer (e.g. WLR and SMPF vs LLU provision). The key concern for consumers is that services are provided not how they are provided.



Additionally, as current processes are designed around and refer to the BT Wholesale and Openreach product sets it can be confusing for other providers using alternative infrastructure and service models to understand the appropriate processes they should use. We are therefore also keen to ensure that Ofcom addresses the issue of the provision of services across alternative infrastructure. As the incumbent provider in Hull with obligations to provide wholesale narrowband and broadband access to other providers KCOM is in a unique position which we do not feel has been properly considered in the development of existing processes which are very much designed around BT's system and process capabilities. We are keen to ensure that in developing new processes Ofcom and industry consider the implications for alternative network providers.

To address these issues KCOM would support the introduction of processes which are consistent across services regardless of the retail service being delivered or the wholesale services being used in their delivery.

Question 3: Do you think clarity is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

We agree that clarity is a key issue which should be tackled in this review and refer to our comments in response to Q2 above. Additionally, as we have also flagged above we believe that as well as addressing process issues there is an important education element to be addressed to ensure that consumers have access to clearer information about switching options and processes.

Question 4: Do you think continuity of service (including unwanted breaks and double billing) is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

KCOM believes that continuity of service is an important issue for customers and that as far as possible any new processes should ensure continuity of service. We appreciate further investigation of switching scenarios may mean that it is not always possible to avoid a break in service and where it isn't the rules governing the use of switching processes should require that consumers are provided with clear information regarding a possible break in service.

Situations where the customer continues to be billed by the losing provider despite their services being transferred to a new provider are particularly concerning. Ensuring that this situation is avoided should be addressed in the design of any new switching processes.

Question 5: Do you think the ability of providers to frustrate the switching process is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

Our main concern regarding Ofcom's analysis of this issue is that it focuses only on problems experienced with Losing Provider Led processes. While we accept that Gaining Provider Led processes should minimise the ability of providers to frustrate customer transfers, they are not without problems (for example, the use of Cancel Other



in the current NoT process). They should therefore also be considered in Ofcom's analysis.

Question 6: Do you think consumers' experience of save activity is a key issue we should tackle in this review? Please provide an explanation for your answer and any supporting evidence.

The issue of save activity is important in so far as it needs to be clear for CPs whether save activity is allowable or prohibited and a consistent approach should be taken across services. KCOM's view is that there may be some benefit for customers in allowing save activity but that if it were allowed then clear rules should be put in place determining when and how save activity can be undertaken and the transfer of information between different parts of the losing provider's business concerning the customer request to switch.

Question 7: Are there issues specific to either residential or business consumers' experiences of the switching processes that you think we should tackle in this review? Please provide any evidence you have to support your views.

Linked to our comments concerning save activity, we believe that in many cases business consumers would welcome the opportunity to engage with their existing provider in order to improve the package they are currently on rather than switch supplier. Additionally, in the small business market we have seen a degree of misinformation provided to customers where they have had discussions with an alternative provider about switching their services, both concerning the services they are able to provide and the gaining provider's relationship with our business. Our concern is that a Gaining Provider I Led process would not enable us to engage with the customer and address these types of issues.

Question 8: Do you agree with our analysis of switching costs? Please provide any evidence you have to support your views.

We have no particular comments to make on Ofcom's analysis of switching costs.

Question 9: Do you agree with our analysis of save activity? Please provide any evidence you have to support your views.

We have no particular comments on the analysis which Ofcom presents on the theoretical economic effects of save activity. However, we are concerned about Ofcom's conclusion that in a Losing Provider Led environment save activity is likely to weaken competition and reduce the benefits from competition overall. While economic theory may support this view there is no evidence that this has been the impact in the broadband market. We also note that Ofcom acknowledges that consumer research conducted in 2010 indicated that the large majority of consumers who were subject to save activity reported a positive experience with the practice. We believe that clear evidence of the negative impacts of save activity on competition should be demonstrated before Ofcom reaches any conclusions on whether save activity should be allowable.



Question 10: Do you agree with our analysis around the multiplicity of switching processes? Please provide any evidence you have to support your views.

KCOM agrees that the multiplicity of switching processes is likely to increase switching costs both for consumers and for providers. We also accept that multiple switching processes for the same service provided over different technologies may result in some providers having a competitive advantage over others.

We note that the multiplicity of services processes cause confusion not only for consumers but also for providers. One key issue which we have experienced in the Hull area is understanding which process should be used when. This lack of clarity has arisen not only as a result of the fact that different processes apply depending on the underlying technology but also because processes currently map to BT product definitions. For example, in the Hull area while we do currently offer a WLR service we do provide competing CPs with a calls and access service which enables them to provide services to end customers. For the purposes of compliance with GC 24 we have assumed that the NoT process is applicable and therefore use that process where customers are switching either to or from other providers however a requirement to do so is not clear on the face of industry documentation relating to NoT.

We believe that a single process the application of which is defined by the service provided to the end user rather than the underlying technological delivery mechanism would assist greatly in addressing these issues.

Question 11: Do you agree with the general switching principles we have identified? Please provide an explanation for your answer.

KCOM generally supports the general switching principles identified by Ofcom.

Question 12: Do you agree with our proposed tier structure for the general switching principles? Please provide an explanation for your answer.

We have some concerns regarding the proposed tier structure for the general switching principles. KCOM's overriding concern is that Ofcom ensure that there is a single cost effective process which works. If this can be achieved then we strongly believe that the other principles will flow from the utilisation of such a process.

Question 13: Do you agree with our proposal that the preferred switching approach assuming a 'greenfield' basis is GPL?

KCOM is still considering its preferences in terms of switching processes and makes no comment on whether we agree with Ofcom's preference for a Gaining Provider Led process assuming a 'greenfield' basis. In particular we find it difficult to comment in the absence of a greater understanding of the process and the associated costs of implementation.



Question 14: Which of the identified GPL switching options do you support? Please provide an explanation for your answer.

We would echo our comments in response to Q13 above. We are also concerned that Ofcom seems to be channelling industry discussions to focus on a particular option, i.e. third party validation, without consideration of the costs. From discussions at the initial Industry Working Group meeting it seems clear that there is shared concern across industry about this approach. While Ofcom is still in the consultation phase we feel that it would be appropriate for industry to consider the costs and benefits of a wider range of options. By focusing on a very limited number of options there is a danger that viable alternatives are not given the benefit of further scrutiny.

Question 15: Do you have any information or views on the costs of the switching options outlined above? Please provide any supporting evidence.

Our one comment in relation to the costs of switching options would be that Ofcom must ensure that there is flexibility in the way in which switching processes are implemented in order to ensure that smaller CPs do not face excessive costs, particularly in terms of systems development. For example, manual processes may suffice in some cases where volumes are low and will help ensure that CP and consumer costs are minimised.

Question 16: Do you agree with our proposals and implementation priorities for taking forward our work in relation to existing switching processes?

KCOM agrees that fixed line and broadband services are priority areas for implementation of new switching processes. However, we reiterate our concern that in advance of considering responses to the consultation Ofcom intends to focus industry discussions on Gaining Provider Led processes. We appreciate that Ofcom has indicated that if Gaining Provider Led processes do not cost in or the responses to the consultation cause a rethink of the preference for Gaining Provider Led processes then it will reconsider whether further consideration of Losing Provider Led processes should be taken forward. However, we are concerned that if alternatives are not considered at first pass a potentially viable alternative will be dismissed. We are also concerned about the timing implications if work has to be restarted to consider those alternatives.

Finally while we see fixed line and broadband as priority areas we do not believe that it would be sensible to consider switching processes for these services without also having some understanding of the implications those processes would have if used for other services. One key area which has not been mentioned in Ofcom's consultation is fixed geographic number portability. We are very conscious that in many cases where customers are switching provider they will also wish to port their number as part of the switch and therefore it is important that this aspect of the service is considered.

