

STRATEGIC REVIEW OF CUSTOMER SWITCHING

24.11.2010

INTRODUCTION

Cable&Wireless Worldwide is one of the world's leading international communications companies, providing enterprise, carrier and wholesale solutions to the largest users of telecom services across the UK and the globe. With experience of delivering connectivity to 153 countries – and an intention to be the first customer-defined communications service business – the focus is on delivering customers a service experience that is second to none. More information on Cable&Wireless Worldwide can be found at: www.cw.com

Today Cable&Wireless Worldwide has the necessary scale to meet the needs of UK enterprise customers and we are a strategic provider of retail and wholesale voice services to both the UK public and private sectors, offering a range of innovative and market leading voice & data products. Our customers include most of the UK's top companies and public sector organisations, each of whom has placed its trust in Cable&Wireless Worldwide to deliver an array of business critical services.

The Strategic Review of Consumer Switching is of primary importance to our wholesale business which covers a number of major consumer providers; who themselves hold polarised positions on Ofcom's future proposals.

In general terms it is Cable&Wireless Worldwide's impression that those companies with an established customer base tend to favour a Losing Provider Led (LPL) process for switching whilst newer entrants favour Gaining Provider Led (GPL). As Ofcom has summarised there are pros and cons for each process in what is a finely balanced choice. Our discussions with reseller partners, including our own arms length reseller, Thus revealed a similar split in attitudes.

On the one hand our partners like the ability to retain customers as offered through the LPL process and through this to offer enhanced customer service or better pricing deals; on the other we have partners that seek competition primarily through their ability to offer a more competitive offering to new customers. As a wholesale provider C&W Worldwide makes no judgement on the relative

merits of GPL and LPL processes. We believe it is important to promote competition through whichever process is selected and note that this is possible either through the more obvious market competition advantages of GPL or the potential consumer benefits offered through saving activity in LPL. However whilst we can see advantages and disadvantages to either process, we do not believe Ofcom has made a compelling case for its clear preference for GPL over LPL and expect a number of the consultation respondents to challenge this preference. Thus will be responding separately to this consultation, sharing the benefit of their expertise as a quality business focused provider of retail services in the SME and mid-Market.

C&W Worldwide has commented further on what it regards as being the key elements to be addressed in a future switching policy:

1. **Consumer focus:** The primary requirement for any switching system has to be for it to be consumer focussed and for this to be the foremost consideration of any proposed improvements. Whether GPL or LPL, it is the consumer which engages with the process and irrespective of internal systems or processes it must appear as a simple, seamless and reliable mechanism. From our experience many of the current difficulties experienced by consumers are the result not of malicious intent but instances of the current process failing and when this occurs, issues are evidence of the absence of a smooth mechanism for restoring service. Where there are instances of rogue mis-selling and 'slamming' we expect Ofcom to continue to take proactive action against those providers involved and to enforce the current regulatory powers at its disposal.

As a wholesale provider it is as equally important that C&W Worldwide is able to restore service on the occasions that things go wrong as it is to facilitate a smooth business-as-usual service. To do otherwise would be naïve. No system is infallible and we have experience of the issues caused by erroneous transfers which clearly points to the need to be able react in an efficient manner when things do go wrong. This is not a case of building for failure but a realistic best practice approach in a process which necessarily involves several different organisations and methods of working.

It is vital that if Ofcom decides upon a greenfield solution it does so to implement a process that all parties are able to interact in a simple and timely manner. The current issues consumers face will be exacerbated should focus be entirely diverted away from improving existing procedures in order to make major system changes over a prolonged timescale. This is a particular concern in relation to Consumer Code on Bill proposals. We understand that this is strongly supported by those companies with a presence in the energy industry, but we do not share the view that it represents a panacea in relation to telecommunications switching. Furthermore we note that its introduction did little to protect energy customers from initially high levels of slamming in the energy industry – an activity which would have a much lesser impact than in telecommunication where the underlying service itself would not remain unaffected. C&W Worldwide's main concern in relation to this proposal relates to the system changes that would be necessary, not only to allocate and publish on the bill a unique code reflective of both location and product set for each customer, but also to maintain such information. This is particularly an issue in the business arena where services may be added to or refreshed on a more regular basis.

2. **Cost and resource impact:** Any future proposals to improve the switching process or the introduction of a new process must be assessed by Ofcom against the cost and resource impact upon industry. It is important that any system changes and the associated costs are justified in a detailed cost benefit analysis and we welcome Ofcom's decision to conduct this work in conjunction with industry. However it is important that on an issue where opinions are clearly polarised that Ofcom is able to unify resources behind as narrow a selection of credible solutions as possible rather than attempt to pursue unrealistic goals.

C&W Worldwide questions whether the evidence supplied by Ofcom within the consultation or in the recent industry Switching Working Group is sufficient to warrant a major change to existing processes. Whilst we do not believe the current process is perfect Ofcom's consultation is taking place in the context of <0.5% of transfers resulting in a complaint about mis-selling and Cancel Other slams having declined from 33,000 in February 2006 to <3,000 in September 2010.

Improvements are still clearly necessary, but Ofcom needs to be mindful not to introduce a gold-plated switching process as a solution to a problem which can be adequately resolved by improving existing processes. Both CPS and WLR are considered to be legacy products with narrow and ever declining margins. Any introduction of additional costly switching mechanisms has the potential to cause consumer harm in the form of increased prices as Communications Providers are unlikely to be able to absorb the additional costs on these product lines.

This is particularly pertinent for the proposed Third-Party Validation (TPV) and 'Consumer Code on Bill' options. In neither case do we believe that Ofcom has been able to make a compelling argument as to the unique benefits offered by these options in a GPL scenario to warrant further analysis of what will undoubtedly be higher costs of implementation than the Enhanced Notification of Transfer (NoT). Nor has Ofcom offered evidence of any fatal flaws within the NoT to warrant rejecting it in favour of more costly options. We are not suggesting that NoT is perfect (indeed issuing letters to the correct site contact in a business context can be challenging) however it does appear to be what C&W Worldwide considers to be a preferred option from a GPL perspective.

From a broadband perspective C&W Worldwide notes that the majority of issues it has experienced have occurred due to partners ceasing to trade or as a result of inaccurate asset records – usually due to industry consolidation. In both cases it is our belief that it has been the absence of a strong process for rectifying the issues which has caused consumer dissatisfaction. We do not see in any of the high-level proposals a solution which will address any of these issues in the short-term. Indeed we question strongly whether the optimum solution is in fact to remedy the failings of this LPL process and to improve transparency and consumer understanding of the processes. It is the prolonged nature of the 'hassle' consumers report when things go awry which should be addressed rather than seeking an unachievable perfect solution. Consumer switching levels would be unaffected by the perception that things go wrong were they to know that the situation could be quickly remedied, rather than the current worse case scenario where both gaining and losing

providers fail to take ownership to resolve issues.

- 3. The different needs of businesses:** Ofcom has concentrated upon residential and small business users in the consultation and it is true that many of the issues experienced by large businesses can be managed by the services offered by companies such as C&W Worldwide. It is important however that any proposal is fit for purpose in both the consumer and large business markets. C&W Worldwide urges Ofcom to avoid the disproportionate situation that could arise where we would be required to have one process for our enterprise customers and a completely different one for wholesale partners and their consumer customers.

C&W Worldwide in conclusion believes that Ofcom should focus on improving the current processes for existing products. Where a greenfield solution is to be developed for future developments industry's resources should be focussed upon the Enhanced Notification of Transfer process as this not only offers the most efficient development of existing procedures but also addresses the majority of consumer concerns in a simple and easily understandable manner.