Consumer switching

Ofcom consultation on proposals to change the processes for switching fixed voice and broadband providers on the Openreach copper network

Response by TalkTalk Group ("TTG")

18 May 2012

1. Introduction

TTG welcomes the opportunity to comment on this consultation from Ofcom. It is an important consultation for both consumers and communications providers. The implementation of a single switching process across all communications markets (Openreach, cable, satellite and mobile) will significantly improve consumer protection by increasing consumer awareness and reducing mis-selling but importantly will also facilitate more effective competition (across Openreach, cable and pay-TV infrastructures) and thus shape how providers compete with each other for consumers' business.

TTG believes that effective competition between communications providers in itself is a fundamental agent in achieving a high level of consumer protection. Ofcom obviously has to ensure there is no consumer harm and may choose to take specific steps to ensure this objective is achieved. However reduced competition is virtually guaranteed to lead to greater consumer harm and a lower degree of consumer protection. The design of a single switching process must therefore be based on the principle of enhancing conditions for effective competition rather than making it more difficult for consumers to change provider when they want to.

When designing a single switching process, it is tempting to believe that consumers must be provided with every single detail about their current package at the point of switching to ensure they are fully informed about the implications of going to another provider. The argument goes that otherwise the consumer risks being mis-sold or slammed. TTG agrees that it is important that consumers are aware of what might happen if they leave their provider, e.g. if there are any early termination charges payable, but these considerations must be assessed in the round of what an "average" consumer may want to know.

It is indeed easy to ensure that consumers are not harmed by a switching process and that is by simply ensuring that they are not allowed to leave their provider at all (!). This is an

exaggeration of course but it serves to illustrate the point that a communications provider acting in their own commercial interest does not always have the consumer's best interest at hart. It will come as no surprise to anyone that a communications provider has a strong commercial incentive to try and keep their customers and make it as difficult as possible for them to leave. When a communications provider argues that it is vitally important that consumers should be "fully informed" of the consequences of leaving for another provider, it is arguably the case that that viewpoint is heavily influenced by the provider's own commercial interests rather than some utilitarian urge to protect consumers.

TTG is obviously also a communications provider and it would be very easy for us to take a view along the above lines. However, we do genuinely believe that we are better off commercially if we make it easy for consumers to join TTG from other providers rather than making at as difficult as possible for our customers to move to other providers. We also believe it is simply the "right thing to do". That is why TTG supports a single switching process that is "gaining-provider led" (GPL) rather than "losing-provider led" (LPL). A single GPL-led switching process should be implemented for services based on the Openreach network infrastructure and then extended to apply to pay-TV and cable as quickly as possible.

Ofcom believes its analysis shows that the Third Party Validation (TPV) form of GPL process *"delivers the highest net benefit to consumers (considering both our quantitative and qualitative assessment of the costs and benefits of the options)."*[1] TTG strongly supports a GPL-based switching process and we agree that the TPV option in the round would seem to offer many benefits in terms of consumer protection and ease of switching. That said, we have some key concerns about the TPV option:

(i)   It is very expensive. Ofcom estimates the cost of implementation (capex and opex over 10 years) to be almost £100million which would have to be borne by the industry. This is a significant investment which would need to be funded by the industry and it is very important that Ofcom does not impose any unnecessary "gold-plating".

(ii)   Although Ofcom's net benefit analysis is very thorough and detailed, it is undeniably the case that the high estimated cost of implementation would be a point of focus if (which must be considered likely) a provider or providers were contemplating an appeal of Ofcom's final statement. And even if Ofcom's statement were to stand on appeal, the entire appeals procedure is very likely to stall any implementation work and so delay the introduction of a single switching process by at least a year. We appreciate Ofcom cannot prevent providers from appealing but finding ways of reducing the cost of implementing the TPV option might make it more resistant to

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[1] Ofcom consultation document, paragraph 1.37.

challenge and/or indeed provide providers with more confidence that Ofcom's decision is sufficiently robust to withstand scrutiny on appeal.

(iii)   It appears to us that Ofcom is simply trying to resolve too many issues with a single switching process, e.g. consumer proper consent, consumer awareness of switching implications, strong asset validation, erroneous transfers, working line takeover issues, etc. TTG appreciates that all of these concerns are valid but we are not convinced that it is the right approach to try and resolve them all at once. The risk is that the design of the single switching process becomes over-engineered, too complicated and unnecessarily costly to implement. A significant contributor to the complex process design for the TPV option is that it has been done by committee through the Switching Working Group. TTG believes the TPV process design can be simplified and improved. By way of example, we believe the requirement to generate a transfer code (TxC) at the point of transfer is unnecessary and can be simplified. We believe the switching process can ensure a strong degree of asset validation without such a transfer code. In fact it is worth noting that the transfer code was originally introduced as a way of replacing the MAC code and as such the transfer code as currently designed is in fact a remnant of an LPL-based process where Ofcom's clearly articulated preference is for a GPL-based process.

In light of the above concerns, TTG has developed an alternative TPV option which is described in the following chapter. Essentially, we support the TPV option as the best way forward but believe it can be designed in a much more cost-efficient manner whilst still meeting Ofcom's objectives (i.e. avoid multiple processes, address back-end system deficiencies, sufficient consumer consent and avoidance of slamming, avoid reactive save activity and adequate customer awareness of the implications of switching).

2. Revised TPV option

TTG believes that the TPV option can and should be simplified in order to make it more cost-efficient and more effective in terms of achieving Ofcom's goals to provide better consumer protection. The revised TPV option rests on the principle that it is unnecessary for the TxC to be generated dynamically at the point of sale and that this requirement introduces a risk of the losing provider to frustrate the switching process (knowingly or unintentionally).

The problem with the TxC element is that it requires real-time system interaction and cooperation between a number of separate wholesale and retail providers in the "losing provider value chain". By way of illustration, it is quite possible that the losing retail provider may be buying their wholesale service from a reseller who in turn may be purchasing from an LLU operator who in their turn obviously buys from Openreach.

In the envisaged TxC scenario, each of these four separate companies would need to interact in order to produce the TxC. For each "link in the chain", there is an inherent risk of

confusion, mis-communication, errors and system downtime. For a gaining provider to have confidence in the process would require strict service levels backed up by service level guarantees which in turn would require the immediate identification of the "missing link" such that it could be fixed without delay and appropriate compensation be paid. TTG believes this would be extremely difficult if not impossible to achieve in practice.

Apart from these concerns, TTG believes that the TxC element suffers from a lack of incentive to comply. The power to authorise the release of the TxC rests with the losing retail provider who has little incentive to build a robust system and every incentive to find ways and excuses to block the TxC request. In other words, the TxC element is very much LPL-based and thus pollutes the TPV option with the same concerns and reservations that Ofcom has expressed about the LPL options in terms of incentives to comply and potential for consumer harm.

TTG therefore believes there are sound process design and compliance policy reasons as to why the TxC element as currently proposed should be removed from the TPV option. Needless to say, the removal of a requirement of real-time cooperation between multiple entities would also bring capex and opex cost savings.

Instead of a complex real-time provision of the TxC, TTG suggests that the fields of information in the hub should be expanded to include a type of transfer code against each network asset or service. At the same time as the gaining provider updates the hub with their new subscriber information, they would tag each service with a unique transfer code and possibly also the relevant network details, e.g. the Openreach access line identification number. This information would be stored in the hub and could then be accessed by a future gaining provider who wished to transfer the customer to their communications service (or services).

TTG believes this alternative TxC option has numerous advantages over the design produced in the Switching Working Group[2]:

(i)   The transfer code would not need to be produced in real-time but would be added to the hub information after the point of sale in an orderly fashion. We would expect there to be cost savings as a result although the cost of the hub might increase marginally due to the additional information.

(ii)   There would be no need to create and maintain a real-time chain of independent providers to produce the transfer code and hence no risk of breakages or errors with unclear allocation of performance and financial responsibility. The risk of consumer harm caused by failed orders would be reduced.

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[2] The SWG design discussions were heavily influenced by BT who originally proposed the idea of a transfer code as a replacement of the MAC.

(iii)   There would be no opportunity or incentive for the losing retail provider to frustrate the process whether knowingly or unwittingly. Also here, the risk of consumer harm caused by failed orders would be reduced.

(iv)   The gaining provider would be able to identify with much greater accuracy the correct line to be taken over in the first place thus reducing greatly the risk of failed orders or erroneous transfers.

In the longer term, TTG believes that an expanded version of the hub might generate further positive externalities since the information could be used for purposes other than just safe and secure switching. TTG can see possibilities for using the hub to resolve porting issues, enable direct routeing to avoid the current inefficient "tromboning" via the range holder network and assist in resolving industry line ownership discrepancy issues.

TTG envisages that the description of the revised TPV option process would look as follows:

- A customer wishing to switch a service would tell the GP which services they wish to switch, and their account reference with their current provider (if available). As part of the sign up process, the customer would also supply a set of data such as: their name, address, postcode, CLI and current provider. The GP would locate on the Hub the correct line and services to be transferred.[3]

- Once the sale is completed and the account has been successfully located on the Hub, the GP would transfer the customer to an independent TPV body.[4] On successful handover, the GP would close the call with the consumer. The TPV agent would then record a statement of consent from the customer, e.g.: "Do you wish to switch service(s) X from CP Y to CP Z?" This statement of consent would be stored, and would be able to be retrieved in the case of a slamming allegation.

- After the conversation with the TPV, the call would be finished and the TPV would then electronically notify the GP that consent had been validated, and the GP would then request a Transfer Code from the Hub to begin the back end switching processes.

- The TPV would also "unlock" the service(s) on the Hub, allowing the service(s) to be switched. If the service(s) have not been "unlocked" this would suggest that consent had not been given, and the GP would be unable to acquire the Transfer Code from the Hub.

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[3] There would need to be some kind of validation or access verification mechanism in place to ensure that hub information is only accessed for genuine customer service enquiries. TTG believes there are several options that could be considered, including a method whereby the GP obtains a search token from the TPV that authorises a search and any misuse can then be monitored and traced back to the individual agent and GP.

[4] TTG believes that it is absolutely essential that communications providers should have access to a competitive supply of TPV providers to ensure that the cost of using TPV is kept as low as possible. Serious consideration should also be given to the idea that providers may choose to provide TPV services inhouse. There is no logical reason as to why this should not be possible provided the proper safeguards, e.g. Chinese Walls, are introduced. Most large companies have independent internal audit teams that are capable of ensuring that the TPV function is maintained separately from other operational parts of the company.

In this way, the TPV acts as a "gatekeeper" to assist in the prevention of slamming abuse by GPs.

- The TPV process would be handled by phone call for telesales, retail shop and door-to-door sales. Customers using an online sales channel would be presented with a TPV web form to collect a record of consent.
- Customers would be made aware of the implication of the switch (including service impacts and ETCs) through a written durable communications after agreeing to switch but before the switchover happens.
- After the customer's line and services had been transferred, the GP would send an instruction to the Hub to update the customer's details with the new services, network details and a new unique Transfer Code.

TTG has produced some indicative flowcharts of the revised TPV option process which can be found in the attached Annex. We would welcome an opportunity to explore the proposal with the industry perhaps as part of the ongoing work of the Switching Working Group.

3. Consultation questions

Section 3

Question 1: Do providers support (i) each of the different order type processes (ii) Linked Orders (iii) Parallel Orders processes? Where providers do not support each of these individual processes, please explain why you think this is the case? Please provide evidence to support your view.

In relation to each of the switching processes concerned:

MPF to MPF: [CONFIDENTIAL]

WLR+SMPF to MPF: [CONFIDENTIAL]

MPF to WLR +SMPF: [CONFIDENTIAL]

WLR+SMPF to WLR + SMPF: [CONFIDENTIAL]

TTG is unable to comment on what processes other providers use.

Section 4

Question 2: Are gaining providers currently able to correctly advise consumers at the point of sale on the correct switching process to follow (e.g. do agents have access to and the ability to use Dialogue Services and have access to information on which technology will be used to supply the service to the customer)? Please provide any evidence you have to support your views.

TTG agents are currently able to correctly advise consumers at the point of sale on the correct switching process to follow. This is because TTG generally provisions customers on MPF and so all those customers will follow the NoT process.

We do believe that the arrival of fibre products will complicate the picture also for MPF providers (particularly as the MAC process is currently being used for Openreach GEA fibre products) and as such we support the overall proposal to move to a single consumer switching process.

Question 3: Do you agree it will become more difficult for Gaining Providers to advise consumers at the point of sale on the correct switching process to follow as new technologies or new combinations of existing technologies are rolled out? Please provide any evidence you have to support your views.

We do believe that the arrival of fibre products will complicate the picture (particularly as the MAC process is currently being used for Openreach GEA fibre products) also for MPF providers and as such we support the overall proposal to move to a single consumer switching process.

Moreover, the existing switching processes do not cover cable and pay-TV services (or mobile) which will increasingly inhibit cross-platform competition where bundling of services is becoming increasingly common (telephony, broadband, pay-TV and mobile).

Question 4: Do you agree there is lack of competitive neutrality from having multiple processes? Please provide any evidence you have to support your views.

We understand why Ofcom may conclude that there is a lack of competitive neutrality from having multiple switching processes based on the reasoning outlined in the consultation document. It is worth remembering of course that any disadvantage allegedly experienced by an operator who currently uses an SMPF-based service (which uses the MAC process) is mitigated when they want to switch a customer from an MPF-based service (which does not require a MAC to be obtained from the MPF provider).

Question 5: Do you agree with our assessment of Problem 1: Multiple switching processes? If not, please explain why you disagree.

Yes we agree with Ofcom's assessment.

Question 6: Do you agree that the current switching processes are likely to become less reliable in the future? Please explain your answer and provide any evidence you have to support your views.

We would tend to agree that current switching processes may become less reliable in the future although perhaps not for all the reasons cited by Ofcom. To illustrate, we agree that the current reliance on the CLI will become more difficult with the arrival of fibre-based services. However we are less convinced that other factors cited by Ofcom are necessarily the result of inadequate switching processes themselves but rather poor data quality and data access (e.g. erroneous transfers, need to do cease and reprovide). With regard to the emergency restoration process, it is worth noting that TTG's experience of this is very poor mainly due to lack of responsiveness by Openreach.

Moreover, as mentioned above, the existing switching processes do not cover cable and pay-TV services (or mobile) which will increasingly inhibit cross-platform competition where bundling of services is becoming increasingly common (telephony, broadband, pay-TV and mobile).

Question 7: Do you agree with our assessment of Problem 2: Back end system deficiencies? If not, please state why you disagree.

We generally agree with Ofcom's assessment. It is all the more important to address back end system deficiencies in anticipation that the single switching process should extend to cable and pay-TV in due course.

Question 8: Do you have evidence to suggest that the incidence of slamming has changed significantly? Please provide any evidence you have to support your views.

We do not have any independent evidence showing industry-wide slamming levels. Our own impression of the trend in slamming complaints coincides with the data from Ofcom's contact centre presented in Figure 16 (page 61) of the consultation document.

Question 9: Is there further action you think could be taken to help tackle slamming (e.g. preventative measures to stop it from occurring or enforcement activities after it has happened to act as a deterrent) under the existing processes? Please explain your answer.

We believe there are potential measures that could be taken to tackle slamming under existing processes or by making very little change to existing processes. For instance, one might consider imposing an obligation to have a third party validation step of the current NoT process whereby the gaining provider must be able to provide a call recording of the

customer confirming to a third party (i.e. a person that is independent of the sales agent and who does not receive any commission or other incentive from the sale being made) that they consent to the sale.

Question 10: Do you think it would be more appropriate to introduce stronger upfront consumer protections within the switching process or continue with the current reliance on enforcement to tackle slamming? Please explain your answer.

We would suggest that Ofcom's enforcement activities have been very helpful in reducing slamming levels and that this is shown by Figure 16 (page 61) of the consultation document. That said, as explained in our response to Question 9 above, we do believe that the current NoT process could be improved with possible additional consumer protection steps.

Question 11: Do you agree with our assessment of Problem 3: Insufficient customer consent? If not, please explain why you disagree.

We would generally agree with Ofcom's assessment in this regard.

Question 12: Do you agree with our assessment of Problem 4: Lack of awareness of the implications of switching? If not, please explain why you disagree.

We agree that the key implication of switching for the consumer is whether they are liable to pay an early termination charge to their current (losing) provider. We do not necessarily agree with a suggestion that it is vital that the customer is aware of the absolute level of the ETC at the time when they are considering switching (i.e. at the point of sale). We would argue that it is likely to be sufficient at that point in time for the consumer to have a reasonably good idea of the likely ETC (e.g. whether it is likely to be under £50, between £50 and £100 or over £100).

We would also observe that there are other ways in which consumer awareness of ETCs could be improved. For instance, there is a temptation among some providers in the industry to have a very complex "matrix" of different ETCs depending on customer call and/or broadband package. We believe this practice should be avoided and that a provider should seek to have a limited number of ETC price points. This will improve the customer's overall understanding of their contractual commitments and will aid them at the time when they consider switching. Moreover, a simpler set of ETCs will also enable the gaining provider to advise the customer on what the likely ETC or ETC range might be.

In relation to the revised TPV option put forward by TTG, this would allow the GP to identify the services currently received by the customer and so advice on any particular implications of switching (e.g. potential change of email address, access to photo storage facilities, voicemail settings, PIN resetting, etc).

Question 13: Do you agree with our assessment of Problem 5 Unnecessary switching costs/hassle? If not, please explain why.

We entirely agree with Ofcom in this regard and in particular in relation to the MAC. It is very difficult to foresee any situation in which the requirement to obtain a MAC would not be perceived by the consumer as adding hassle to the switching process. In fact it is difficult to imagine any other industry where the customer is required to obtain a code made up of an 18+ long sequence of digits and characters in order to be able to switch to another provider and exposed to save activity that they might not want.

Question 14: Are there any other key problems with the existing Notification of Transfer and Migration Authorisation Code processes that we have not identified? Please provide evidence to support your answer.

We believe Ofcom has identified all relevant key problems with respective switching process.

Section 5

Question 15: Do you agree with our assessment that a prohibition on reactive save activity under the LPL process would be difficult to enforce effectively? Can you suggest how enforcement of a prohibition on reactive save may be made effective?

We agree fully with Ofcom's assessment in this regard. When designing a switching process, it is very important to consider the incentives on providers to comply and in the case of reactive save activity, we believe that the incentives to "cheat" are very strong since the risk of detection is so small. It is worth contrasting this situation with the prohibition on save activity in the NoT process in which the gaining provider is able to play quite an important enforcement role since the customer has to contact them to cancel their order if they have changed their mind because of a save activity. It is fairly straightforward for the gaining provider to enquire with the customer as to the reason for their change of mind and so could quite easily detect any prohibited save activity on the part of the losing provider. This opportunity does not exist on a LPL process since the customer does not need to go back to the gaining provider if they are subjected to a successful reactive save.

Section 6

Question 16: Are there other enhancements that you think should be included in the Enhanced NoT specification to help protect consumers both now and in the future? Please explain your answer and provide any supporting evidence.

We believe there are other enhancements that one might consider for an enhanced NoT process. For instance, one could require the gaining provider to "voice reach" (via automatic calling) all new customers reminding them of the fact that they are switching or one could

even require the gaining provider to verify each sale through a third party validation step. [CONFIDENTIAL]

Question 17: Do you think strengthening record keeping obligations for consent validation would increase protection against slamming? Would this be adequate to safeguard consumers now and in the future? Please explain your answer and provide any supporting evidence.

There is of course already a requirement on providers to keep sales call recordings for a period of at least six months. We are doubtful as to whether lengthening that period of time would make any significant difference in terms of protection against slamming. One might instead consider a requirement on providers to carry out sample tests of call recordings as part of an internal audit.

Question 18: Do you think that the introduction a requirement to include specific information about early termination charges (ETC) and/or minimum contract periods (MCPs) in bills should form part of the enhancements to the current NoT process? What are the likely costs and benefits of such an approach? Please provide any evidence to support your answer.

We believe that it would be feasible to introduce such a requirement and that it would likely enhance customer awareness of ETC to quite a considerable extent. Depending on the level of detail required, we do not believe the costs of doing so would be particularly large. For instance, it would be relatively straightforward to include a simple reminder of the monthly ETC charge per outstanding month of the minimum contract period. That said, we would hesitate to incur any costs in improving the current NoT process if Ofcom were to decide that an entirely new switching process were anyway to be implemented (e.g. a TPV process).

Question 19: Do you agree that Cancel Other call recording obligations should not form part of the Enhanced NoT model? What are the likely costs and benefits of introducing Cancel Other call recordings? Please provide any evidence to support your answer(s).

We agree with Ofcom's proposal although the incremental cost of recording cancel other calls is likely to be small since providers are already required to record all sales calls. [CONFIDENTIAL]

Question 20: How can Ofcom best address competition concerns relating to reactive save activity through enhancements to the MAC process? What are the likely costs and benefits of such an approach? Please provide any evidence to support your answer.

We doubt it is worth spending time and effort on seeking to address competition concerns arising from MAC save activity. Given the incentives to "cheat" are so high, introducing

additional safeguards is likely to be wasteful and unnecessary. It is better to move to a single switching process based on GPL as proposed by Ofcom, as quickly as possible.

Question 21: Are there any particular issues that you think would need to be considered in establishing the hub and database under any of the GPL options (e.g. general practicability setting up and/or ongoing operation)? Please explain your answer.

We believe the key consideration is to ensure that the work of setting up and running the hub is put out to competitive tender to ensure that a cost-effective solution is implemented.

Question 22: Do you agree that the GP staying on the TPV call should not be a mandated part of the TPV model? Do you think there are significant benefits from the GP closing the call with the customer after the TPV conversation? Please explain your answer(s) and provide any supporting evidence.

We agree that it should not be a requirement on the GP to remain on the call when the prospective customer is talking to the TPV agent. That said, there may be some benefit of the GP remaining on the call for instance to clarify any part of the deal presented to the customer but we do not believe this is a particularly significant benefit that needs to be taken into account in the design of the process.

Question 23: Are there any particular data protection and/or privacy related issues that you think would need to be considered under the GPL TxC and/or the GPL TPV options? Are these issues likely to be significantly different to the issues that need to be considered under the current processes? Please explain your answer.

We do not see any particular data protection and/or privacy related issues that would need to be considered. Obviously, the design of the process and the hub would need to ensure that data protection requirements (consumer consent to processing, data security, etc) are met but we do not believe any particularly difficult or specific issues would arise.

Question 24: Are there circumstances in which you can envisage that consumers would be likely to be distressed and/or harmed by the sharing of their personal data as required under the GPL TxC and/or the GPL TPV options? Do you think that consumers will object to the sharing of their data in this way? Please explain your answer.

No we do not believe consumers would be distressed or harmed by their data being shared provided that they receive the necessary level and amount information to ensure they are aware of how the process works. It is of course possible that individual consumers may object in which case the process must be able to cater for such exceptions (which are likely to mean that the consumer would not be able to proceed with the switching).

Question 25: Are there any particular issues that you think would need to be considered in terms of the practicalities involved in setting up the TPV body and its ongoing operation under the GPL option? Please explain your answer.

We do not believe that there should be a single TPV body but that Ofcom should be able to accredit organisations who would like to offer TPV services. The appointment of a single TPV body would create a bottleneck with resulting inefficiencies and higher costs. The provision of TPV services must be subjected to competitive forces to ensure quality and cost efficiency.

Question 26: Are there any particular issues that you think would need to be considered in terms of the practicalities involved in setting up the Transfer Code Issuing Authority and its ongoing operation under the Losing Provider Led options? Please explain your answer.

We believe there is a significant risk that the Transfer Code Issuing Authority becomes a bottleneck with no commercial incentive to provide TxCs on a timely and efficient basis.

Question 27: Do you agree with the proposed specifications for each of the options? If not, please specify what changes you consider should be made to the specifications and the basis for this.

We explain separately the changes we believe should be made to the TPV process to make it more cost efficient, future proof and ultimately better for the consumer.

Question 28: Are you able to provide an estimate of the time it would take to make the necessary changes to your systems and processes to implement each of the options? Please explain your answer.

It is difficult to provide a precise estimate but it is reasonable to assume an implementation period of 12-18 months. This period would start when TTG would be able to commence the work taking into account other system development priorities. TTG would obviously also be depending on the implementation work by other parties, e.g. the company setting up the hub.

Question 29: How could the switching process options be used (or amended) to support the WLTO process to deal with the problem of ETs in the context of a homemove? Please explain your answer.

We are concerned that the TxC element of each of the switching process options may not resolve the fundamental problem of address matching that tend to cause the majority of erroneous transfers in the context of home moves. The gaining provider would likely face the same difficulties as today in identifying the correct line in multi-occupancy units, e.g. converted houses or blocks of flats. If the gaining provider is unable to obtain the correct address details from the customer in order to identify the correct line to be taken over, the

TxC element of the process is unlikely to help since the losing provider will simply reject the request.

It should be borne in mind of course that the losing provider has no incentive to cooperate with the gaining provider (e.g. by suggesting possible alternatives to the request put forward) because they stand to lose a customer.

Specifically in relation to the LPL TxC option, we believe this is likely to create even more problems than today because it assumes that the customer of the gaining provider will contact the customer in the target property and convince the latter to assist them. It is simply too idealistic to expect this level of cooperation between two individuals who do not know each other, to happen smoothly enough to support an high transactional home mover process.

We believe that the alternative TPV option explained above may be helpful because it relies on the hub containing more information, including the correct line identification. This should assist the gaining provider to identify the correct line in the premise where the customer is moving certainly more accurately than today where Openreach's address matching capabilities suffer from quality issues.

Section 7

Question 30: Do you agree with our assessment of the options regarding multiple switching processes? If not, please explain why you disagree.

It is rather self-evident that retaining multiple switching processes would not deal with the perceived problem of having multiple switching processes.

Question 31: Do you agree that the Options 2b (GPL TxC) and 2d (TPV) are likely in practice to deal effectively with homemove ETs? Can you foresee any problems with adopting this process for homemoves? Please explain your answer.

We would refer to our response to Question 29 above.

Question 32: Do you agree that the Option 2c USN and Options 3a-b LPL TxC and LPL ALT are unable in practice to deal with homemove ETs? If not, please explain how these options could be used to deal with homemove ETs?

We agree with Ofcom's assessment in this regard.

Question 33: Do you agree with our assessment of the options regarding back end processes? If not, please explain why you disagree.

We would tend to agree with Ofcom's assessment [CONFIDENTIAL].

Question 34: Do you agree with our assessment of the options regarding consumer consent? If not, please explain why you disagree.

We agree with Ofcom's assessment.

Question 35: Do you agree with our assessment of the options regarding the implications of switching? If not, please explain why you disagree.

We would question analysis that only Options 3a and 3b would "largely deal with the problem". In relation to awareness of ETCs, we would refer to our response to Question 12 above. It is possible to improve consumer awareness of ETCs outside the actual switching process and we also believe it is incorrect to assume that the consumer would need to be aware of the exact amount ETC payable in order to be deemed to be fully aware of the implications of switching.

Question 36: Do you agree with our assessment of the options regarding unnecessary switching costs/hassle? If not, please explain why you disagree.

We agree with Ofcom's assessment. It is the correct approach to view the switching process from the eyes of the "average" consumer and how they would perceive a particular process whether based on GPL or LPL. TTG believes that a requirement on the consumer to speak to their current provider (and obtain a MAC-type code from them) has a dampening effect on switching behaviour. The consumer should have the choice of whether they want to speak to their current provider (outside the formal switching process) but making it a requirement introduces completely unnecessary switching costs and hassle.

Question 37: Do you agree with our assessment of the options regarding reactive save activity? If not, please explain why you disagree.

We agree fully with Ofcom's assessment. It is obvious that a losing provider has a strong incentive to try and save a customer if they know the customer is leaving and are able to speak to the customer early in the switching process. An LPL-based switching process provides a particularly strong incentive to the losing provider and even if the process bans save activity, we agree with Ofcom that it would be very difficult to enforce. In particular we would note that the gaining provider has little or no means of monitoring non-compliance in this area because the customer would not have placed any order with them. This should be contrasted with a GPL-led process where the customer needs to speak to the gaining provider to cancel their order if they change their mind following a conversation with their current provider. In this way the gaining provider is able to identify and so constrain non-compliant behaviour by the losing provider because they can enquire with the customer as to why the customer has changed their mind.

Question 38: Do you agree that we should discard options 1a (status quo), 1b (enhanced NoT and MAC unharmonised) and 2a (enhanced NoT harmonised) on the basis that they fail to adequately address the current and anticipated future problems? If not, please provide your reasoning.

We agree it is sensible to discard these options in the context of this exercise.

Question 39: Do you think that the payment of a TPV fee for each sale is likely to be a significant barrier to entry for smaller CPs? Please provide any supporting evidence.

No we do not believe the payment of a TPV fee (estimated at £2.70 per switch) is likely to be a significant barrier to entry for smaller CPs. The retail market for telecoms services (certainly between providers who rely on the Openreach network) is highly competitive which tends to keep customer acquisition costs at a high level. [CONFIDENTIAL] A small TPV fee is unlikely to constitute a significant barrier in those circumstances. We would add here our previous comment that the provision of TPV services should be on a competitive basis and one should even consider allowing operators to provide TPV services inhouse provided the appropriate Chinese Walls safeguards can be demonstrated. This will keep TPV costs at a minimum level and thus minimise any impact on efficient market entry.

Question 40: We welcome stakeholder views on whether the additional cost of the TPV option over the GPL TxC option is justified due to the superior protection against slamming?

We believe that TPV would provide a superior protection against slamming compared to the GPL TxC option. The TPV option is likely to drive compliant sales and marketing behaviour by the gaining provider because they know that if the sale does not pass TPV, they would lose the customer and consequently the cost and effort of making the sales pitch would be lost. The GPL TxC option would not drive the same kind of behaviour by the gaining provider. We believe the additional cost of the TPV option would therefore be mitigated to some extent by the fact that the company could employ a smaller internal sales quality and compliance function.

Question 41: Do you agree with our assessment that the TPV option should be preferred to the USN option. If not, please provide your reasoning.

We agree with Ofcom's assessment. TTG believes that the USN option would have quite a detrimental impact on competition because it would require the consumer to have their USN at hand when they wanted to switch. This is likely to dampen switching activity because a proportion of consumers would be unable to find their USN without difficulty or would simply find it too much work and so would stay with their current provider. This is likely to impact all sales channels and particularly those where the consumer is not at home when they want to discuss a particular offer with a potential new provider. In contrast, the TPV

option allows the consumer to agree to the switch at any time whilst being protected against slamming through the specific safeguards in the TPV process.

Question 42: Do you agree with our assessment that the TPV option is pro-competitive relative to the LPL TxC option? If not, please explain why you disagree.

We agree with Ofcom's assessment. We would add that there would still be considerable hassle to the consumer simply by having to speak to their current provider if one were able to construct (which we do not believe can be done) an LPL process where save activity was banned and the ban could be effectively enforced. In a sales scenario, if the gaining provider would have to advise the consumer that they would have to contact their current (losing) provider in order to place an order is likely to result in a significant proportion of consumers not bothering to go ahead because the switching costs caused by the additional hassle would become too high. In other words, an LPL option with no save activity is still likely to act as a constraint on switching behaviour and so have a dampening effect on competition.

Question 43: Do you agree that the TPV is the most proportionate way to deal with the problems identified? If not, please provide your reasoning.

We agree that the TPV is the most appropriate way to deal with the problems identified. However, as described separately, TTG believes that the proposed TPV switching process option can be simplified and made more cost-efficient.

Question 44: Do you have any other comments on our option assessment?

We do not have any other comments at this stage.