

Zzoomm response to Ofcom consultation on easy, quick, and reliable switching



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Introduction

Zzoomm is pleased to respond to Ofcom's consultation: Easy, quick, and reliable switching.

Zzoomm builds and operates new ducted Full Fibre networks in selected UK market towns. It delivers services to homes, businesses, and enterprises within each service area over a combination of shared XGS-PON and point-to-point fibre infrastructures. It commenced operation in September 2019 in Henley-on-Thames, served its first customers there in January 2020 and completed network construction and was in a position to serve all the properties in the town by the end of 2020. Take-up of broadband and leased line services has been encouraging, with approximately 16% of properties passed taking a Full Fibre service as at the end of 2020.

Zzoomm commenced construction of a Full Fibre network in Hereford in February 2021, and in March 2021 announced plans to shortly commence construction in Thirsk and Ascot. Subject to the availability of capital, Zzoomm expects to build new Full Fibre networks in approximately 80 market towns over the next 5 years, providing approximately 1 million properties with access to multi-Gigabit services.

The need for an Inter-platform switching platform

Zzoomm agrees with Ofcom that there is an urgent need to implement a gaining provider led inter-platform switching system in the UK. At present, customers wanting to switch to a service provider that is not using the Openreach network, there are no systems to make this process easy and seamless for customers.

The need to coordinate separate switch-off of existing services and start of new services is a significant deterrent from moving to an alternative network provider. This puts alternative network providers at a substantial disadvantage compared to ISPs offering services on the Openreach platform where the Notification of Transfer provides for a relatively smooth and seamless switching process.

UK switching options

The European Electronic Communications Code (EECC) rightly highlights the need for a gaining provider led switching process that includes customers switching from one network to another. Ofcom therefore asked industry to develop the specification for such a process, but industry was unable to agree on a single specification and presented Ofcom with two options:

1. the One-Touch-Switch (OTS) option, and
2. the Code-to-switch (CTS) option

Ofcom has, in this consultation document, reviewed the two options and has found that the OTS option meets all of Ofcom's criteria and policy objectives, whereas the CTS does not. Ofcom is therefore recommending that the OTS option be implemented across fixed telecoms providers in the UK. Zzoomm has reviewed Ofcom's analyses and agrees with Ofcom's conclusion.

Ofcom applies the following criteria to assess and compare the two options:

- Is the solution easy to use?
- Does the solution provide for a quick switching process?
- Is the solution reliable? and
- Is the solution based on informed consent?

We comment on these briefly in turn.

Ease of Use

One main difference Ofcom identifies between the two options under this heading, is that the CTS option requires the customers to take two separate actions – namely to contact the losing provider to request a switching code and switching information¹ - and then subsequently contacting the gaining provider to request the new service (and pass the switching code to the gaining provider).

Ofcom points out that its research shows that customers frequently have to make several calls to the losing provider in order to effect the switch, and that this is considered a significant deterrent to switching.

In contrast, the OTS option requires a single action by the customer – contacting the gaining provider, during which contact the gaining provider contacts the losing provider and losing provider makes available the switching information to the customer (via a hub service), enabling the customer to make an informed decision of whether to proceed with the switch.

Another significant difference between the two options is that the OTS does not require the customer to contact the losing provider. Having to contact the losing provider was found in Ofcom's research to be a significant deterrent to switching.

Linked to the need for the customer to contact the losing provider is the probability that the customer would then become subject of unwanted save activities by the losing provider, which was again identified in Ofcom's research as being a significant deterrent to switching.

As the OTS option requires no need for the customer to contact the losing provider at all, it was found to score highly under the ease of use criterion.

Ofcom therefore concludes that the OTS is significantly easier to use than the CTS, citing the following reasons:

- it is simpler to understand and follow;
- it gives greater control to customers over the extent and type of contact they have with the losing provider; and
- it is likely to involve less effort for most customers.

Zzoomm agrees with Ofcom's analysis and conclusions.

Speed of switching process

Ofcom concludes that the time to complete the actual switching process under both options is similar.

Zzoomm, however, believes that, from the time the customer decides to switch, the CTS option is almost bound to be longer than the OTS option. This is because the customer needs to take (at least) two separate actions and wait for the switching information from the losing provider in between the two. Zzoomm therefore considers that the OTS options must be quicker for the customer than the CTS option.

¹ Switching information is information about the individual customer's existing services and what the consequences of switching away from the losing provider would mean. This includes the impact on potential bundles the customer currently takes and/or any early contract termination payments.

Reliability

Ofcom found that both options were likely to be reliable. Zoomm does not have sufficiently detailed information to assess this point but tends to agree with Ofcom's assessment.

Informed consent

With regards to whether each option ensures that a customer's switching option is based on informed consent, Ofcom concludes that both options fulfil this criterion.

However, Zoomm is concerned that the potential for unwanted save activity under the CTS option could interfere with the objective assessment of the switching information by the customer and thus compromise the informed consent process.

Cost analysis

The OTA has collected costing information from operators and solution providers and provided that to Ofcom for this assessment process. Ofcom notes that the information it has received is not complete, but it has enabled a reasonable assessment of the likely capital and operations costs of the two options.

With regards to capex, the information provided to Ofcom suggests that the OTS is the lower cost option of the two and for opex all estimates were for the cost level to be similar or lowest for the OTS option.²

Ofcom thus concludes that the OTS option is likely to be the lowest cost option of the two.

Revised CTS option

On March 29th, 2021 Ofcom published a revised CTS option, supplied by the group of operators supporting that solution. This was two days before the original closing date for this consultation, and Ofcom consequently extended that deadline to April 14th, 2021 to allow stakeholders to analyse and respond to the revised CTS option.

Importantly, however, Ofcom has not presented its own analysis of the revised CTS option. Nor has Ofcom indicated whether it anticipates that it will need to reissue the consultation, replacing its current analysis with an analysis of the revised CTS option. This has resulted in considerable added uncertainty regarding which option will be implemented and the overall timing of this process.

In the absence of any guidance from Ofcom, Zoomm sets out briefly below its assessment of the revised CTS option, we also reserve our right to review any new analysis by Ofcom of the revised CTS option and to comment on such analysis in a subsequent public consultation process.

It is Zoomm's understanding that Ofcom would not be able to change its recommendation without going through a new full consultation process.

² With the one exception of one provider that anticipated an annual opex saving of more than £7k from the CTS option. Zoomm considers this a significant outlier that should not be included in Ofcom's analyses. Further, it would seem that this anticipated saving is a consequence of the provider's current inefficient systems and processes and such conditions should not be taken into account when comparing the two options.

The new IVR functionality

The revised CTS option only proposes a single change, namely the addition of an interactive voice response (IVR) interface to replace the need for customers to speak to a representative of the losing provider in person.

We assume that the IVR interface is proposed by the CTS supporters to address the significant concerns Ofcom has expressed about customers being subject to unwanted save activity when calling the losing provider under the CTS option.

Ofcom is particularly concerned about customers who would call the losing provider (as opposed to using other interfaces) and potentially be subject to unwanted save activities. Those customers, according to Ofcom, are typically customers who take a voice-only service (so have no other means of contacting the losing provider) or who find the use of other interfaces too complex. The IVR would therefore be primarily targeted at those customer groups.

Those customer groups are, however, also likely to find it the most complex to navigate an IVR system and would likely often choose the standard voice call, if that option were available. It is therefore, in our view, unlikely that an IVR interface would significantly reduce the number of customers speaking to losing provider staff in person and (consequently) potentially being subjected to unwanted save activity.

Further, as another key concern of Ofcom is that the CTS requires a minimum of two actions by the customer (compared to the OTS single action process), the IVR will do nothing to redress that difference between the two options.

Impact on cost comparisons

The introduction of an IVR interface would increase costs for all providers using the new switching platform, thus widening the cost gap between the two options further, in favour of the OTS option.

Conclusion

Zzoomm concludes that the addition of an IVR interface to the CTS option would not change the overall assessment of the two options and that the OTS option would remain the option that best meets Ofcom's evaluation criteria as well as Ofcom's strategic objectives.

Proportionality

Based on Ofcom's detailed assessment and our comments above, Zzoomm further concludes that the most proportionate option to introduce is the OTS option. Zzoomm believes that, in light of the lower and more uncertain benefits of the CTS option and its higher costs, it is unlikely that the CTS option could be considered a proportionate solution to the issues it is intended to address.

Governance and funding

Although Zzoomm agrees with Ofcom's analysis and conclusions in relation to which of the two switching options complies best with Ofcom's evaluation criteria and strategic objectives, we are very concerned that Ofcom has offered no guidance or support on the subject of governance and funding of the new switching systems.

Both options include a hub function, so it will be necessary to establish an organisation to deliver the hub services, regardless which switching option Ofcom eventually mandates. The governance of such an organisation, on which all fixed providers in the country will be dependent to win new customers, are critical and likely to be both complex and contentious.

Although Ofcom has asked that industry start making preparatory plans for the hub services and has recently asked that the OTA set up a working group for this purpose, Ofcom has offered no guidance at all on the critical governance issue and appears to not want to get involved at all. Zzoomm finds this disappointing and inappropriate.

The terms of business for the hub provider will be critical to the proper functioning of the new switching solution. The fixed market in the UK has more than 100 players of very different profiles, sizes, and characteristics. There will likely be a wide range of preferences for how the hub organisation should be funded, structured, and make decisions. The control of the hub functionality could be critical to the smooth functioning of the overall switching process and platform.

Zzoomm is concerned that some large providers, who may have more to lose than to gain from the new switching platform, may seek to control the hub service to the detriment of consumers and competition. Zzoomm is one of many small operators without specialist resources in this area and we would expect Ofcom to, as a minimum, set out principles that must be applied to the hub service and its governance and to support the governance design process through the creation of a properly resourced formal project office.

Zzoomm is aware of other similar (but arguably less complex and contentious) processes for which a project office has been set up. This includes, for example, the recently introduced Auto-Switch solution in the mobile market, where only four providers needed to agree and where an existing governance model was in place for the legacy switching and number porting solutions.

Zzoomm urges Ofcom to take a more active role on the topic of governance and funding of the hub services. Principles that Ofcom could mandate might include:

- that services are defined to meet the needs of a wide range of providers,
- that all service must be provided on a non-discriminatory basis to all providers,
- that the services must, at all times, be compliant with requirements set by Ofcom or agreed in industry (allowing sufficient time to implement any changes required),
- that interfaces must be open and non-proprietary,
- that fees must be cost-oriented, and
- that implementation of the hub service must be done in a cost-efficient manner.

Zzoomm notes that in its recent consultation on emergency video relay services, Ofcom mandated that the provision of the video relay services must be available on fair reasonable and non-discriminatory terms. Zzoomm considers that, as a minimum, a similar requirement should be applied to the switching hub services provision.

As for the options for how the hub organisation is structured, Zzoomm is aware of a number of possibilities which we believe will need serious consideration:

- private company (operator owned);
- mutual company;
- trade association;
- co-operative society;
- social enterprise;
- trade for consumers; and
- commercial switching services provider.

Ofcom has suggested in Section 7 of the consultation document that industry start these discussions now, in advance of a final decision by Ofcom on which option to impose and in advance of Ofcom publishing confirmed changes to the General Conditions (GCs), which Ofcom does not propose to start consulting on until at the time it makes its final decision on which option to impose.

Zzoomm is aware of several providers who are unwilling or reluctant to participate in the funding and governance discussions until such time the GCs have been confirmed. Because of the nature of governance and funding negotiations, there is little or no value in a subset of the providers agreeing something in a vacuum, as likelihood is the discussion would have to restart once everyone is around the table.

As well as being concerned at the outcome of the industry hub governance and funding discussions, Zzoomm is concerned that Ofcom appears to not allow time for this process to take place. We discuss below Ofcom's proposed implementation timeframe and why we believe that Ofcom is likely setting industry up to fail.

Implementation timeframe

Ofcom requires that industry have the new switching platform operational by December 2022. Ofcom even goes as far as reminding providers that it has the power to impose penalties of up to 10% of relevant revenues, should a provider fail to meet that timeframe.

Whilst Zzoomm has every intention and incentive to implement the new switching platform as quickly as possible, we are concerned that the time allowed by Ofcom is simply not realistic. Other similar (but arguably less complex) systems have been given an 18-months implementation period, starting when the amended GCs are published.³

Given the added complexity of establishing the funding and governance framework for the hub services, it is Zzoomm's view that the implementation of this system will take at least as long as the Auto-Switch system, but it would seem that Ofcom is likely to allow substantially less time.

At present, Ofcom is planning to issue its Final Statement in Q2 2021, closely followed by a consultation on changes and additions to the GCs to implement the new switching obligations. This would likely result in the GCs being published no earlier than September 2021, potentially later. That would leave a maximum of 15 months for the implementation (including the funding and governance element).

However, given the newly introduced uncertainty of the revised CTS option, it is possible that Ofcom has no alternative but to issue a new consultation that includes its analysis and assessment of the amended CTS proposal. We estimate that this would introduce at least a 3-month delay, thus the GCs would be finalised no earlier than December 2021 – potentially later. That would leave a maximum of 12 months for implementation (including funding and governance of the hub services). This could potentially be shortened if Ofcom were to include the changes to GCs in the next consultation (should an additional consultation be required).

Zzoomm is concerned of what appears to be an unduly inflexible position by Ofcom on the implementation deadline. Like Ofcom, Zzoomm wants the new switching platform to be operational as soon as possible, but given the significant interdependencies and complexities of finding solutions

³ This was, for example the implementation for the Auto-Switch system introduced in the mobile market in 2019.

that work for more than 100 provides, we urge Ofcom to show both more guidance on the principles and more flexibility on the timetable.

We strongly support Ofcom's intention to incentivise industry to introduce the new switching platform quickly and efficiently, but do not think that setting a fixed deadline, and (indirectly) threatening to apply penalties if that deadline is missed, is necessarily the best way of doing this. This is particularly the case, when much of the uncertainty in timing is in Ofcom's control, not that of industry.

Overall conclusions

- Zoomm supports and agrees with Ofcom's analysis of the two switching options and Ofcom's conclusion that the OTS option should be implemented in the UK;
- Zoomm does not believe that the revised CTS option should change Ofcom's conclusion that OTS is preferable;
- Zoomm is very concerned that Ofcom is not supporting and setting an appropriate framework for funding and governance of the hub service provider. That process is likely to be complex and contentious and would benefit substantially from the creation of a properly resourced project office;
- Ofcom's implementation deadline of December 2022 may be unrealistic. There is still considerably uncertainty of when Ofcom's final decision and the finalised GCs will be available. Given that uncertainty, Ofcom should change the deadline to be a maximum of 18 months after the publication of the new GCs, rather than a fixed date that may prove unworkable.