Consumer switching

Next steps and call for inputs

About this document

It is vital for consumers to be able to exercise their choice and switch providers easily in order to take advantage of competition in the communications sector.

With work already underway to help consumers change landline and broadband providers with greater ease and convenience, this document sets out our proposed future programme of work in relation to consumer switching.

To progress this phase of work, we are seeking input from stakeholders to understand better the processes used to switch providers of bundled voice, broadband and subscription Pay TV services, and mobile voice and data services. We are keen to understand the impact of these processes on the consumer experience of switching and on competition. We will continue this process over the summer and plan to publish our findings in the first half of 2015, together with a consultation, should we conclude that reforms to switching processes in any of the sectors considered in this document should be made.

The document also sets out our proposal to consult on switching processes used on the KCOM copper network. KCOM provides voice and broadband services in the Kingston upon Hull area, where the Openreach network is not available. We will consult in the summer on harmonising the two existing KCOM processes to a single process led by the gaining provider. We will aim to publish a statement by the end of 2014.

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Section 1

Summary

1.1 Well-functioning communications markets require effective switching processes. The ability to switch Communications Provider ('CP') allows consumers to exercise choice, purchase the service or combination of services which best meets their needs, and switch away if they are dissatisfied. Conversely, ineffective processes constrain consumer choice, and can dampen competition, investment and market entry.

1.2 Ofcom has a principal duty to further the interests of consumers in relevant markets, where appropriate by promoting competition. In light of this duty, our objectives in relation to switching are to ensure that:

   i)   it is easy and convenient for consumers, now and in the future, to change their communications provider where they wish to do so;

   ii) consumers are appropriately protected throughout the switching process; and

   iii) switching processes do not act as a barrier to competition.

1.3 In 2010[1] we initiated a strategic review of consumer switching, which included examining switching processes on a 'greenfield' basis. On that basis, we found that switching processes led by the Gaining Provider (GPL) tend to perform better than those led by the losing provider (LPL). They are easier for consumers to navigate and are more likely to support competition.

1.4 We then began work to assess the switching processes used on and between specific networks. We prioritised work on voice and broadband switches made over the Openreach copper network. We identified this as the network which supports the largest number of switches and where the potential for consumer harm is greatest. We found that the existence of multiple processes for Openreach switches was potentially harmful and risked distorting competition. We identified further possible problems which could arise as a result of Openreach switching processes, the nature and extent of which varied according to which process was used.

1.5 Accordingly, in 2013[2] we decided to harmonise these switching processes to a single process based on the existing Gaining Provider Led Notification of Transfer (GPL NoT) model, with five additional enhancements designed to improve consumer protection. We called this the GPL NoT+ process. We said that GPL NoT+ should be implemented by June 2015; we are currently working with industry and the Office of the Telecoms Adjudicator to achieve this.

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[1] *Strategic review of consumer switching A consultation on switching processes in the UK communications sector* September 2010 Ofcom
http://stakeholders.ofcom.org.uk/binaries/consultations/consumer-switching/summary/switching.pdf
[2] *Consumer Switching A statement and consultation on the processes for switching fixed voice and broadband providers on the Openreach copper network* August 2013 Ofcom
http://stakeholders.ofcom.org.uk/binaries/consultations/consumer-switching-review/summary/Consumer_Switching.pdf
*Consumer Switching A statement on the GPL NoT+ element*s December 2013 Ofcom
http://stakeholders.ofcom.org.uk/binaries/consultations/consumer-switching-review/statement/statement.pdf

1.6   We are now moving to the next stage in our work on switching. This will extend our assessment of the consumer experience of switching and the impact of switching processes on competition to networks and services beyond Openreach. We intend to consider consumer switching in the following three areas:

    i)   Voice and broadband services switched over the KCOM copper network. We think that the consumer harm we identified for similar switching processes used on the Openreach network may also apply here, given the similar nature of the networks and services concerned. These harms include the drawbacks of the LPL MAC process and the existence of multiple processes.

    ii)   Bundles of fixed voice, broadband and Pay TV services switched between providers using the Openreach, Virgin cable and Sky satellite networks.

    iii) Voice and data services switched between mobile network operators, including mobile number porting.

1.7   Fixed-line voice, fixed broadband, Pay TV and mobile voice and data services account for the majority of expenditure on communications markets and services[3]. Therefore we want to understand whether switching processes are working well for consumers in these areas, or whether there are problems which negatively affect consumer experiences or competition.

1.8   We do not at this stage intend to consider switches to, from or between other communications networks, such as voice and broadband services delivered using fibre-to-the-premises, satellite transmission, Wi-Fi or fixed wireless links. Take-up of communications services over these networks is currently limited and therefore any consumer harm arising is also likely to be low in aggregate. We will however keep this position under review as the market for these networks and services develops.

1.9   We are making a Call for Inputs to help us in this new phase of work. We have set out, both throughout this document and in Section 5, specific areas on which we would welcome stakeholders' views. However, stakeholders should feel free to make any representations they wish in response to this document.

1.10   Alongside this Call for Inputs, we will conduct further research on the consumer experience of switching. We will also hold discussions with industry and consumer organisations. We will continue this work over the summer and plan to publish a document setting out our findings in the first half of 2015, together with a consultation, should we conclude that reforms to switching processes in any of the sectors considered in this document should be made.

1.11   To the extent we consider that any further regulatory action is warranted, we will identify the most appropriate powers to use, noting that we have a variety of powers to address both consumer protection and competition issues. We will make this assessment in light of the evidence before us at the time.

1.12   At the same time, we will also consult on harmonising the two processes used for switches made over the KCOM copper network to a single Gaining Provider Led

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[3] Expenditure on fixed voice, fixed internet, television (including TV licence fee), and mobile services accounted for 95% of average household expenditure on communications services in 2012. (Figure 1.12 Ofcom's *The Communications Market Report* August 2013)

(GPL) process. We will consult over the summer and will aim to publish a statement by the end of 2014.

1.13 The issues that we set out in this document concern switching processes. Elsewhere we are taking forward work in a number of other areas that relate to switching matters. These include:

- working with industry and the Office of the Telecoms Adjudicator to implement by June 2015 the changes to Openreach copper switching processes that we mandated in 2013;

- seeking incremental improvements to existing Openreach switching processes with a view to minimising erroneous transfers;

- addressing possible contractual barriers to switching, including mobile handset device locking and unlocking, broadband cease charges, and mobile notice periods;

- auditing and accrediting price comparison websites, while also developing our understanding of the potential for new forms of intermediary and collective switching provider to enhance consumer empowerment; and

- ensuring consumers have access to clear and helpful information, e.g. through our publication of broadband speeds research and customer complaints data.

1.14 The remainder of this document sets out further background and objectives for this further phase of work. Section 2 recalls in more detail our preference for GPL processes, and our rationale for harmonising to GPL NoT on the Openreach network. Section 3 sets out the scope of our next phase of work and describes our understanding of how switching processes currently operate on the networks within scope for this next phase. Section 4 discusses possible issues with switching experiences. Section 5 sets out our Call for Inputs, and Section 6 concludes with intended next steps and timetable.

Strategic context for switching

Introduction

2.1   The assessment we made in our 2010 strategic review of switching of the broad types of switching model in use is an appropriate starting point for this wider consideration of switching processes. We concluded that Gaining Provider Led (GPL) processes are preferable on a 'greenfield' basis. This was the starting point for our work on switching on the Openreach network. To provide context for this further phase of work, this section briefly reprises our assessment to date.

Switching processes

2.2   Communications service providers are switched by consumers using one or more of three broad process types or switching models. These are:

- **Gaining Provider Led** ('GPL') - a switching process in which the consumer contacts their new (ie. gaining) provider to arrange for their services to be transferred from their existing provider to the new provider;

- **Losing Provider Led** ('LPL') - a switching process where the consumer needs to contact their existing (ie. losing) provider in order to enable the switch to go ahead; and

- **Cease and Re-provide** ('C&R') - this refers to situations where no formal switching processes exist. Here the consumer needs to organise and coordinate the cessation of services by the losing provider (LP) and the start of services with a gaining provider (GP).

Preference for GPL on 'greenfield' basis

2.3   Our September 2010 consultation (section 6) assessed these three switching models on a 'greenfield' basis. We considered that GPL processes should be preferred for a number of reasons. We noted that the GP has a naturally greater incentive to facilitate the switching process than the LP, and that the process, with its one touch point, is easier for consumers. We considered that GPL processes can be expected to lead to lower switching costs than other processes, and in turn may support more vigorous competition.

2.4   Furthermore, we considered that LPL processes can facilitate 'reactive save' activity in which LPs are, by virtue of the switching process, able to identify and target customers who are switching away and make them a save offer not to switch. We considered that this can in certain circumstances cause harm to consumers, and risks dampening competition across the market.

2.5   We noted that GPL processes have some weaknesses compared to LPL processes. In particular, since the process is led by one provider, with less upfront validation of consent compared to other processes, there is a greater risk of switching occurring without the consumer's consent (often called 'slamming'). We nevertheless noted that in our view GPL weaknesses could be addressed through modifications to the

GPL process. We thought that this could be done more easily than addressing the weaknesses associated with other processes.

Harmonisation to GPL on the Openreach network

2.6   A consumer seeking to switch fixed voice and/or broadband provider over the Openreach network may need to use one or more of the three types of switching model. We assessed how each Openreach switching process performed in terms of consumers' experiences of switching and the consequences for effective competition. We used a variety of evidence sources to inform our assessment, including consumer and experimental research, and academic input on the forms and effects of switching costs.

2.7   We found that consumers faced eight key problems as a result of the way current switching processes operated over the Openreach system. Section 4 below reprises these problems and seeks views on whether the consumer and competition issues they raise in relation to the Openreach network may be relevant to and /or present in switching processes used on other (non-Openreach) networks.

2.8   In summary, we found that significant consumer harm arises because multiple switching processes are used on the Openreach network, and that this multiplicity did not appear to deliver significant countervailing benefits. We decided that this warranted harmonising to a single switching process for the Openreach network.

2.9   We then considered which process should be adopted. We decided that, on balance, a GPL process was more likely than other processes to minimise consumer harm and to support competition on the Openreach network. In particular, we considered that GPL was more likely to minimise difficulties in switching and hence switching costs, and should reduce opportunities for reactive save, compared to an LPL process. Furthermore, we considered that a GPL process would support the natural incentive for a GP to facilitate a switch. For these reasons we suggested that GPL could be better expected to support competition for services delivered over the Openreach network.

Section 3

The next phase of Ofcom's work on consumer switching

Introduction

3.1   Ofcom's regulatory responsibilities cover a wide range of communications markets, networks and services, and in light of our duties to consumers, we are interested in understanding consumer experiences of switching across these more widely. In our first phase of switching work, we concentrated on the Openreach network, as we identified this as the network which supports the greatest number of switches and where the potential for consumer harm is greatest.

3.2   We now consider it appropriate to consider consumer switching beyond the Openreach network. The networks in scope for the next phase of our switching work are summarised in the table below. The rest of this section discusses the switching processes used for services provided over these networks.

Table 1 – Switching processes within scope of our next phase of work

Network, platform	Switching of services and service bundles
KCOM	• Switches of fixed voice and broadband providers within the KCOM copper network
Fixed service bundles	• Switches of fixed voice, broadband and Pay TV service bundles to/from/between Openreach, cable and satellite networks
Mobile	• Switches of mobile provider involving number porting • Switches where there is no number porting

We do not intend to consider services with low take up, e.g. FTTP and fixed wireless broadband, as part of the next phase of work. However we recognise that both Openreach and other providers plan to extend FTTP coverage in particular, and so we will continue to monitor this position.

KCOM

3.3   KCOM owns and operates the telecommunications network in the Kingston upon Hull area. It delivers fixed voice, broadband and TV services over its own copper network through its KC brand. In addition KCOM is currently expanding its fibre network within its footprint to deliver fibre services through its KC Lightstream brand. We understand that this primarily involves use of fibre to the premises (FTTP) technology rather than fibre to the cabinet (FTTC).

3.4   A number of providers take a wholesale service from KCOM, and use this to provide retail voice and broadband services directly to businesses and consumers over its copper network. Switches between these providers, and to and from KCOM retail, currently follow a GPL NoT process for voice services, and an LPL MAC process for broadband. We understand that most switches relate to businesses rather than residential customers.

3.5   We believe there may be consumer benefits to harmonising the two KCOM processes to a single GPL NoT+ process, in the way that we did for the two Openreach processes. We plan to include KCOM within the scope of our work, and will consult separately on this issue in the summer. We expect to issue a statement by the end of 2014.

Fixed services sold in bundles

3.6   Fixed voice, broadband and Pay TV services can be delivered using a number of different platforms. These include:

- the Openreach copper network (offering fixed voice, broadband, and TV services delivered via broadband),

- Virgin's cable network (fixed voice, broadband and TV services), and

- Sky's satellite system (TV services only. Sky offers broadband and voice services using the Openreach copper network).

3.7   The Openreach copper and Virgin cable networks account for the large majority of the UK's 33 million fixed voice and 23 million broadband connections[4]. The Sky satellite and Virgin cable networks account for, very broadly, about 90% of the UK's 16 million[5] subscription Pay TV households, although TV services delivered via broadband including over the Openreach copper network are increasingly common.

3.8   Communications are increasingly purchased in 'bundles' of two or three services offered by a single provider; at the start of 2014, around 63% of UK households take some form of bundle. Just over a quarter (28%) of UK households take a fixed voice and broadband service bundle; a further 23% take a bundle which also includes Pay TV (ie. 'triple play')[6]. About half of those switching fixed voice, and over half those switching broadband services, also switched another service at the same time.[7]

3.9   Given their importance, we plan to consider switching processes for bundles of fixed voice, broadband and Pay TV (including triple play) provided over the Openreach, cable and satellite platforms as part of the next stage of our work. We now describe our understanding of the switching processes used for these networks and services.

Fixed voice and broadband switches over the Openreach network

3.10   Currently these take place using a combination of GPL, LPL and C&R processes, depending on the operator and the service(s) switched. Following the first stage of our work on consumer switching, all such switches should follow the harmonised GPL NoT+ process from June 2015.

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[4] Tables 2 and 16 Ofcom Telecommunications market data tables Q4 2013
http://stakeholders.ofcom.org.uk/binaries/research/cmr/telecoms/Q4-2013.pdf
[5] Based on data from operators
[6] Derived from Ofcom Nations & Regions Tracker - Main Set - Quarter 1 2014. 4th January to 28th February 2014.
http://stakeholders.ofcom.org.uk/binaries/research/statistics/2014apr/2014w1.pdf
[7] Figure 133 Ofcom consumer research The Consumer Experience of 2013 Research report 28 January 2014
http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/TCE_Research_final.pdf

Fixed voice and broadband switches between Openreach and cable platforms

3.11   Switches of fixed voice or broadband services (or bundles) between the Openreach copper and Virgin cable networks are not typically supported with formally agreed industry processes. Consumers use a C&R mechanism to coordinate the transfer. This requires them to arrange with their existing provider for their current service to cease on the old network, and with their new provider for the new services to begin on the new network.

3.12   An exception arises where the consumer switches a fixed voice service, and wishes to retain ('port') their telephone number. We understand that some CPs using the Openreach platform, and Virgin on its cable network, have adopted an informal switching process under these circumstances. This enables coordination of the transfer using the fixed number port order as a trigger.

3.13   It appears to us that elements of these arrangements might offer benefits to consumers. For example, they require the consumer to contact only one provider. This may save time and cost when compared to the C&R mechanism, under which they must contact two providers. However, these arrangements do not appear to operate in all circumstances where a number is ported between the cable and Openreach platforms, and they do not apply at all where a port is not involved in the switch. We would like to understand better the precise arrangements that are used, and explore the advantages and drawbacks they may offer.

3.14   We also note that some CPs, in seeking to acquire new consumers, offer facilities or services designed to help the consumer terminate arrangements with their existing provider. The exact nature of these services appears to vary by provider, and may depend on cooperation from the losing provider. We would also like to understand more about these arrangements.

Pay TV services

3.15   BT and Talk Talk both offer Pay TV subscriptions using the Openreach network to consumers who subscribe to their broadband service. Virgin and Sky offer Pay TV subscription services via their cable and satellite platforms respectively. In all cases Pay TV can be bought in a bundle with voice, broadband and sometimes other services[8]. This can require delivery using more than one platform; Sky for example uses Openreach to deliver fixed voice and broadband, and satellite to deliver the Pay TV component of its triple play offering.

3.16   Switching standalone Pay TV services is always done on a C&R basis. When included as part of a bundle, Pay TV is sometimes switched using GPL and sometimes with C&R, depending on provider and network. This process is not always symmetric.

3.17   For example, our understanding of present processes is that where a consumer takes both broadband and Pay TV from BT or Talk Talk, and then switches to either BT, Talk Talk or Sky, the GP acquires the consumer under the GPL process applying to voice and broadband switches. This is because the Pay TV element falls away once the broadband service stops (assuming no remaining contractual obligations) because BT and Talk Talk TV services are delivered over broadband. The consumer

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[8] A number of providers also offer TV services for purchase and delivery via broadband

is not obliged to contact the LP to cancel these services. As this reduces the steps a consumer needs to take in order to switch, it may make it easier for the consumer to switch away. It also means that the LP has limited opportunities to make a save offer (including any 'reactive save') to the consumer.

3.18   By contrast, a consumer switching broadband and Pay TV from Sky to BT or Talk Talk must follow a C&R process for the TV component. This is because Sky TV is provided by satellite and hence not subject to the GPL NoT+ process, which applies to voice and broadband switches on the Openreach network. This requires the consumer also to contact the LP (in this case Sky) in order to organise the cease of their current service. As this increases the steps a consumer needs to take in order to switch, it may increase the difficulty of switching for the consumer. It also creates a save opportunity for Sky.

Summary

3.19   Table 1 summarises the principal processes currently used for switching fixed services and bundles over the three platforms we have in scope, assuming implementation of harmonised GPL NoT+ on the Openreach network in June 2015. We will seek to understand better the form and effects of these processes in our next stage of work.

Table 1 – Principal forms of switching for fixed services by platform

		Switch to a CP delivering services on:					
		Openreach (copper)*		Cable		Sky satellite + Openreach (copper)*	
Switch from a CP delivering services on:	Openreach (copper)*	Voice Broadband Pay TV Triple play	GPL GPL N/A‡ GPL	Voice Broadband Pay TV Triple play	C&R, GPL† C&R C&R C&R	Voice Broadband Pay TV Triple play	GPL GPL C&R GPL
	Cable	Voice Broadband Pay TV Triple play	C&R, GPL† C&R C&R C&R			Voice Broadband Pay TV Triple play	C&R,GPL† C&R C&R C&R
	Sky satellite + Openreach (copper)*	Voice Broadband Pay TV Triple play	GPL GPL C&R‡ C&R+GPL	Voice Broadband Pay TV Triple play	C&R,GPL† C&R C&R C&R		

*   Following implementation of harmonised GPL NoT+ from June 2015
†   If the fixed number porting process is used to effect a GPL type approach
‡   Present principal offers of subscription Pay TV services delivered over the Openreach network are offered in combination with broadband services. Hence switches from standalone Sky Pay TV services to subscription Pay TV services delivered over Openreach system likely to require uptake of broadband + TV package.

Mobile

3.20   There are currently around 83 million UK active mobile subscribers[9], and we estimate that around 9 million consumers switch provider each year[10]. Mobile services are, therefore, clearly important to UK consumers. The scope for consumer harm if mobile switching processes do not work well is, in our view, therefore also likely to be

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[9] Table 3 Ofcom Telecommunications market data tables Q4 2013
http://stakeholders.ofcom.org.uk/binaries/research/cmr/telecoms/Q4-2013.pdf
[10] Figure 133 Ofcom Consumer Experience of 2013 Research report 28 January 2014
http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-13/TCE_Research_final.pdf

significant, as is the potential for this to adversely affect competition. For these reasons we also intend to include consideration of mobile switching within the scope of this phase of our work.

3.21 Mobile switches follow one of two processes, determined by whether or not the consumer wishes to retain - or 'port' - their mobile number. Number porting is more common for consumers taking mobile services on contract.

3.22 For a switch between mobile networks that includes retention of the consumer's existing mobile number, an LPL process is followed. The process involves the following broad steps:

- the consumer requests a 'Porting Authorisation Code' ('PAC') from their existing provider (ie. the LP);

- the LP makes validation checks and conducts port authorisation using information provided by the consumer;

- the LP must inform the consumer of any subscription charges payable to the minimum contract term to be settled, before a PAC can be issued;

- the LP is required to provide the PAC to the consumer, either immediately over the phone, or within two hours of the request by SMS text;

- the consumer passes the PAC to the new provider (ie. GP) within 30 days;

- the GP sets up the consumer's new mobile service and arranges the port activation for the next working day (or a date specified by the consumer); and

- the port activation is coordinated between the LP/GP and the consumer typically transfers seamlessly to the GP while retaining their existing mobile number.

A number of aspects of this process are regulated under General Condition 18.

3.23 Under the mobile number porting process, the consumer is required to contact both the GP and LP in order for the switch to proceed. This raises opportunities for the LP to engage in save activity, including 'reactive save'.

3.24 Where the consumer does not port the mobile number, a switch occurs via a C&R process. We estimate that around two fifths (43%)[11] of mobile switches follow this route. Here the consumer terminates the contract with their existing provider and requests a new service from their preferred provider (although not necessarily in this order - ie. the consumer may choose to request a new service before terminating the old service). The process is therefore consumer led and it is the responsibility of the consumer to co-ordinate this.

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[11] Table 75 Ofcom Switching Tracker 2013. 15th July to 13th August 2013.
http://www.ofcom.org.uk/static/stats/OfcomSwitchingTracker2013.pdf

Potential issues with switching experiences

Introduction

4.1   We are keen to receive stakeholders' views on how well the existing switching processes work in the areas we have identified as being within the scope of our next phase of work.

4.2   In order to stimulate that discussion, we have set out below the eight principal problems which we identified in relation to switching providers on the Openreach network. We have set out initial thoughts on their potential relevance to this next phase of our work.

(i) Multiple processes for switching the same service / bundle of services

Our finding for switches on the Openreach network

4.3   We found that a number of different switching processes exist on the Openreach network and that this can mean that consumers lack clarity about what they need to do to change provider. Consequently, consumer perceptions about the level of difficulty and hassle involved in switching can be affected. Complexity may be compounded for consumers switching bundles of services because multiple processes may need to be followed simultaneously. Furthermore we found that it is possible that CPs themselves may not always be able to advise consumers about the correct process to be followed. We concluded that consumer switching costs on the Openreach network were higher than they needed to be.

4.4   We also found that the existence of multiple processes on the Openreach network might distort competition between CPs due to a lack of competitive neutrality. For example, for a given amount of marketing spend, a provider would find it relatively hard to gain customers who use an LPL switching process, and relatively hard to retain customers if they switch away under a GPL process.

Possible relevance to other networks and services

4.5   Current arrangements for both fixed and mobile mean that consumers can face different switching processes or a mix of processes in order to switch. In some cases there are two processes available for switching the same service (eg. GPL for broadband delivered over Openreach, C&R for broadband switched to or from cable, LPL or GPL processes in mobile switches). For switching some bundles, consumers need to use two separate processes (eg. to switch triple play services away from Sky, GPL is used for the voice and broadband elements, and C&R for the Pay TV component).

4.6   We would be interested in stakeholders' views on the efficacy of the current arrangements. This includes whether they give rise to any lack of clarity over how to switch, and/or any perception of difficulty or hassle for consumers wishing to switch, and if so, to what extent.

(ii) Consumer difficulty and unnecessary switching costs

<u>Our finding for switches on the Openreach network</u>

4.7   Our previous work noted that switching provider can involve costs for consumers. This can include time spent and any anxiety and confusion that arises, as well as direct financial costs. These costs may vary between switching processes. We noted that higher switching costs are also likely to be detrimental to consumers in that they will tend to discourage switching and so dampen competition.

4.8   Our research and evidence suggested that, on balance, LPL and C&R switching processes are associated with higher switching costs than GPL. For example, when switching on the Openreach network under GPL, the consumer need only contact one CP. The LPL MAC process, by contrast, requires the consumer to contact both the LP and GP, resulting in them spending more time than under GPL processes.

4.9   We also noted that, compared to GPL processes, LPL can create more opportunity for the CP to attempt to persuade the consumer not to switch. We acknowledged that some forms of save activity, such as discounts offered, are appreciated by consumers. However, we also concluded that unwanted save activity by the LP can have a negative impact on both consumers' experiences and competition, where this prevents them from moving to their provider of choice. We found that this was a particular problem under the LPL MAC process used for switching broadband on the Openreach network.

<u>Possible relevance to other networks and services</u>

4.10   The switching processes we have in scope are either C&R or LPL processes. LPL mobile number porting processes both involve multiple touch points and create potential for save activity. C&R processes for both mobile and fixed services, as well as for switches of bundles where two switching processes must be used, also result in multiple touch points.

4.11   We are interested in stakeholders' views on the extent to which these processes raise similar issues of confusion and/or unnecessary switching costs for those areas within the scope of our next phase of work.

(iii) Lack of consumer awareness of the implications of switching

<u>Our finding for switches on the Openreach network</u>

4.12   Our previous review noted that it is important that consumers are informed of the financial and service implications of switching before they change provider. In particular, they should be made aware of any Early Termination Charge ('ETC') before they commit to a switch.

4.13   We assessed the effectiveness of the LPL MAC and GPL NoT processes at informing consumers of the implications of switching. We concluded that LPL processes would be likely to make consumers more aware of the implications of switching than GPL processes. However, we noted that under the current GPL NoT process applying on the Openreach network, LPs are required to write to consumers to inform them about the implications of switching, and that this process is effective in informing consumers prior to the switch occurring.

Possible relevance to other networks and services

4.14   The switching processes we have in scope generally require the consumer to contact the LP to organise a cessation of service, and so give LPs corresponding opportunities to inform the customer about any financial or contractual implications of switching.

4.15   Formal LPL processes for mobile number porting allow switchers to be informed according to standard industry practice. However, for C&R switches, no formally agreed industry standard exists, and CPs' practices for informing consumers about the implications of switching vary.

4.16   We are interested in stakeholders' views on the extent to which such processes and practices lead to any lack of consumers' awareness of the implications of switching. We would like to know if there are revisions to switching processes they think that we should consider making in order to improve this experience, and if so, why.

(iv) Insufficient customer consent and the problem of 'slamming'

Our finding for switches on the Openreach network

4.17   Our previous assessment of consumer issues with switching on the Openreach network highlighted that switches sometimes occur from one provider to another without the consumer's express knowledge or consent (often called 'slamming'). We noted that in such cases, harm can arise in a number of ways. The consumer suffers directly through annoyance, time and effort required to resolve the situation, and there can be financial harm if the consumer is subject to (in this case, unwarranted) Early Termination Charges. Providers also incur costs in dealing with slamming. Furthermore we noted that legitimate competitive rivalry can be damaged to the extent that slamming allows inefficient firms unfairly to win customers from more efficient firms.

4.18   We therefore suggested that Openreach switching processes should include appropriate measures to ensure that the customer has consented to a switch. We noted that under an LPL MAC process, it is unlikely that a switch can take place without the express knowledge or consent of the consumer. We noted, in contrast, the higher risks of slamming under the GPL NoT process.

Possible relevance to other networks and services

4.19   LPL processes used for number porting in mobile switching include checks to authenticate the customer identity and so should reduce risks that a switch takes place without the customer's consent. C&R processes used for fixed services have fewer such checks, since they are default processes with no formally agreed industry standards[12].

4.20   We are interested in stakeholders' views as to whether issues of insufficient consumer consent or 'slamming' feature as a significant risk where current LPL or

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[12] Although regulatory obligations exist in General Conditions 22 and 24 concerning mobile telephony and fixed line telecommunications services respectively. Among other things these GCs place a prohibition of mis-selling of services and require CPs to retain records regarding sales.

C&R processes are used, and, if so, whether any revisions to switching processes could be expected to mitigate such risks.

(v) Erroneous transfers

<u>Our finding for switches on the Openreach network</u>

4.21   Our review found that, aside from the question of insufficient consent, unwanted switches on the Openreach network can occur as a result of error. A result of such an Erroneous Transfer ('ET') is that a third party, who has not requested a switch, has their service or line transferred instead of the party who did request the switch.

4.22   Our review described how such ETs can cause harm both to the consumer switched in error as they will face the costs of rectifying the situation as well as any financial harm resulting from any (putative) liability to pay ETCs. The party who had requested the switch will also suffer as a result of delays in the desired switch occurring, as well as the time and effort needed to rectify the error.

4.23   We identified that ETs were a particular issue in respect of switches on the Openreach network, and that the majority arise in the context of a home move. We noted that ETs can arise where CP systems and processes do not reliably identify the correct line to be switched during the GPL NoT process.

4.24   We also noted that GPL processes, compared to the LPL MAC process used for switching broadband services, might create a higher risk of ETs occurring because under the MAC process, the LP carries out a number of customer authentication checks.

<u>Possible relevance to other networks and services</u>

4.25   Switches of mobile provider where an LPL number porting process is followed include checks to authenticate the customer's identity. So far as we are aware ET issues rarely occur. Similarly where the consumer coordinates a mobile switch using a default C&R process, we understand that risks of ETs are small.

4.26   For fixed services, the use of default C&R processes again mean that risks of ETs occurring may be small. A consumer switching from a CP on the Openreach network to Virgin's cable network for example coordinates the new service and cessation of the old service. This minimises scope for the wrong service to be ceased or for the new service to start at the wrong address.

4.27   We are interested in stakeholders' views in this regard, including whether switches from Virgin's cable network to the Openreach network may remain subject to some of the risks of ETs which we identified for Openreach, for example because of inaccuracies within the Openreach address database.

(vi) Loss of service

<u>Our finding for switches on the Openreach network</u>

4.28   Our assessment of switching on the Openreach network found that consumers sometimes suffer a break in or loss of service when switching. Our analysis found that loss of service was a particular issue for consumers using current switching processes - both GPL NoT and LPL MAC - to switch a bundle of voice and broadband services simultaneously on the Openreach network.

4.29   We suggested that consumer harm arising from loss of service is increasingly significant as communications services, particularly broadband, are increasingly used and relied upon by consumers as well as small businesses. We highlighted that switching processes should, as far as possible, ensure that a change of provider does not result in a significant loss of service. Consumers should also not be required to organise overlapping service provision and so incur a period of double paying.

Possible relevance to other networks and services

4.30   The LPL mobile number porting process is designed to minimise transition time and facilitate a near seamless transfer. The risk of loss of service therefore appears to be low for mobile switches where the consumer wishes to retain the number.

4.31   Switches of mobile services with no number port and fixed services in general rely on C&R processes. Here the consumer coordinates many or all aspects of a switch, working independently with both the LP and GP[13].

4.32   We are interested in stakeholders' views as to whether, and if so to what extent, C&R processes in fixed and mobile switches may lead to a risk of misalignments of start and stop dates for the old and new services respectively. We are interested in whether this leads to consumers being required to pay for concurrent services where provision overlaps, or else suffer unwanted breaks in service.

(vii) Lack of platform neutrality

Our finding for switches on the Openreach network

4.33   We found that, on the Openreach network, switching processes for the same service can differ because, for example, of the underlying technology used to deliver that service and/or choices of the CP concerned. For example, for switches of broadband services using MPF provision, we found that not all CPs chose to support the relevant MPF migrate order type. As a consequence, consumers wishing to switch to these CPs would need to use a C&R process.

4.34   Our assessment of consumer research evidence suggested that consumers experience more difficulties with such C&R processes compared to either GPL or LPL processes. Furthermore, we noted that differences in ease of switching according to technology type or platform (ie. a lack of platform neutrality) might confer advantages or disadvantages on the relevant CPs. We found that this is a potential source of competitive distortion for switches across the Openreach network.

Possible relevance to other networks and services

4.35   Processes for switching mobile services differ according to whether or not the consumer wishes to retain their mobile number. We are interested in stakeholders' views as to whether, and if so to what extent, this has the potential to distort consumer choice of whether and how to switch, and consequently mobile competition.

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[13] One exception may be switches of fixed voice services, where we understand that some GPs may use the fixed number porting process to help coordinate the transfer. This appears to offer greater potential for a seamless switch.

4.36   Similarly, there are some differences across fixed services. For example, as we described above, there are clear differences in process to switch services within the Openreach network as opposed to between Openreach, cable and satellite platforms. Processes for switching bundles also differ, depending on the bundle composition and service provider.

4.37   We are interested to understand whether, and if so to what extent, these differences have the potential to distort consumer choice (for example by virtue of the perception of the switching process that may apply). We are interested in whether this has the potential to put some operators at a competitive disadvantage (for example because different switching processes apply to the manner in which those operators gain and lose customers).

(viii) Reactive save

<u>Our finding for switches on the Openreach network</u>

4.38   Our review of switching identified 'reactive save' as a particular form of customer retention activity linked to switching processes that could be harmful to consumers in the longer term. 'Reactive save' occurs when the LP is able to identify, as a result of the formal switching process, that a consumer has taken active steps to switch, and the LP makes a targeted retention offer.

4.39   We identified unwanted save activity as one of the main sources of consumer difficulty during the switching process. We also considered that a switching process that systematically allowed reactive save risked reducing competitive pressure from entrants and smaller players. This was because it enabled incumbents to make selective discounts to consumers in the process of switching and because customer acquisition costs would be higher. We noted a risk of reduced competitive intensity for voice and broadband delivered over the Openreach network since there would be less pressure for CPs to maintain price competiveness for all consumers across the market in order to pre-empt switching.

4.40   We noted that on the Openreach network, reactive save may occur under the LPL MAC process but that it is banned under the GPL NoT process. We also set out our conclusion that reactive save activity under the LPL MAC process risks dampening competition and that risks associated with reactive save would be avoided where switching processes were harmonised to the GPL NoT process.

<u>Possible relevance to other networks and services</u>

4.41   Switches of mobile service where a number is ported follow an LPL process. This creates an opportunity for the LP to a make a reactive save offer to seek to retain the consumer when he or she requests a PAC code from the LP.

4.42   Where there is no number porting, mobile switches follow a C&R process. As set out in table 1 above, switches of fixed services, and bundles other than voice and broadband provided over Openreach, also in general follow a C&R process. For consumers to switch their provider, they still need to contact their LP in order to terminate their contract with them. The LP may have the opportunity to make some form of save offer at this point.

4.43   Such save opportunities are in general symmetric ie. a CP may attempt save activity where a consumer is leaving, but may face a competitor's save activity where it attempts to acquire a consumer. Asymmetric reactive save opportunities might also

have an overall impact across the market. In particular one example of this may be for triple play bundles. As described in paragraphs 3.17 to 3.18 above, switches of a triple play bundle from a CP on the Openreach network to Sky may follow a GPL process, but switches in the opposite direction may require a GPL process to switch voice and broadband and a C&R process in respect of the Pay TV element, since the consumer must organise termination of the Pay TV service.

4.44   We are interested in stakeholders' views on reactive save activity. In this regard we would be particularly interested in views on differences between switching processes, whether (and if so to what extent) existing providers should be permitted to use information they receive from customers or GPs that their customers intend to switch provider, the impact this may have on consumers, and any positive or negative consequences of reactive save activity for competition.

Section 5

Call for inputs

5.1   As set out in section 1, with this Call for inputs we are seeking information and views on current switching processes, and their effects on consumer experiences of switching and competition. We are also interested in views on whether appropriate revisions to switching processes may be available and should be considered, and, if so, how they should be implemented. We have included examples of the types of issues we are particularly interested in throughout this document.

5.2   We extend a 'Call for inputs' in relation to the matters set out in this document as follows:

> *Q.1   Do you agree with our characterisation of the switching processes and practices for the networks and services in scope for this phase of work? Are there aspects of such processes that you consider have significant consequences for consumers' experiences of switching or the functioning of markets?*

> *Q.2   Do you consider that the eight issues that we identified in section 4 in relation to switches on the Openreach network are relevant for the networks and services in scope for this phase of work? If so, to what extent are they relevant and why? Are there other issues we should also consider?*

> *Q.3   Could the current switching processes for the networks and services in scope be modified to result in a better experience for or protection of consumers, and/or more effective competition? If so, why and how should they be modified? Are any modifications in your view available that might be implemented relatively quickly and easily? What risks and costs might be associated with these revisions or modifications?*

> *Q.4   Is there anything that you consider is relevant to the switching of networks and services in scope for this phase of work that we have not set out in this document?*

5.3   We would like to receive responses to this Call for inputs by 12 September 2014. Annexes 1 to 3 set out further how to respond, together with our consultation principles.

Section 6

Next steps

6.1   We seek responses to our Call for Inputs by 12 September 2014.

6.2   In the meantime we will continue work with industry and the Office of the Telecoms Adjudicator to implement the changes that we required to harmonise switches on the Openreach copper network to GPL NoT+ by June 2015. We will also seek to identify and implement incremental improvements to existing Openreach switching processes with a view to minimising erroneous transfers.

6.3   We will also continue work on switching issues beyond those related to switching processes. These include contractual barriers to switching and the assessment of issues relating to mobile handset locking and unlocking policies, broadband cease charges and mobile notice periods.

6.4   We will consult on the merits of modifying General Conditions such that switching processes for voice and broadband delivered over KCOM's (copper based) network are aligned to the GPL NoT+ process for all switches on the Openreach network. We anticipate publication of a consultation document over the summer, and a statement before the end of 2014.

6.5   We intend to carry out further research and analysis of the operation and effect of the switching processes within our scope of work, to understand better the effect of processes on consumers' experiences of switching, and any consequences for effective competition. This, together with further discussions with CPs and consumer organisations, will supplement the responses that we receive to this Call for Inputs.

6.6   In light of the information we receive, we will consider whether there is a case for us to take any further action. We plan to publish a document setting out our findings in the first half of 2015, together with a consultation, should we conclude that reforms to switching processes in any of the sectors considered in this document should be made.

Responding to this call for inputs

How to respond

A1.1   Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 12 September 2014**.

A1.2   Ofcom strongly prefers to receive responses using the online web form at http://stakeholders.ofcom.org.uk/consultations/consumer-switching-cfi/howtorespond/form, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (see Annex 3), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.

A1.3   For larger consultation responses - particularly those with supporting charts, tables or other data - please email consumer.switching@ofcom.org.uk attaching your response in Microsoft Word format, together with a consultation response coversheet.

A1.4   Responses may alternatively be posted to the address below, marked with the title of the consultation.

Shaun Kent
Floor 2
Consumer Policy
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA

A1.5   Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.

A1.6   It would be helpful if your response could include direct answers to the questions asked in this document, which are listed together in section 5. It would also help if you can explain why you hold your views.

Further information

A1.7   If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact Shaun Kent on 020 7981 3836.

Confidentiality

A1.8   We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, www.ofcom.org.uk, ideally on receipt. If you think your

response should be kept confidential, can you please specify what part or whether all of your response should be kept confidential, and specify why. Please also place such parts in a separate annex.

A1.9   If someone asks us to keep part or all of a response confidential, we will treat this request seriously and will try to respect this. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.

A1.10   Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's approach on intellectual property rights is explained further on its website at http://www.ofcom.org.uk/website/terms-of-use/.

Next steps

A1.11   Following the end of the consultation period, Ofcom intends to publish a further document in 2015.

A1.12   Please note that you can register to receive free mail Updates alerting you to the publications of relevant Ofcom documents. For more details please see: http://www.ofcom.org.uk/email-updates/

Ofcom's consultation processes

A1.13   Ofcom seeks to ensure that responding to a consultation is easy as possible. For more information please see our consultation principles in Annex 2.

A1.14   If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or e-mail us at consult@ofcom.org.uk . We would particularly welcome thoughts on how Ofcom could more effectively seek the views of those groups or individuals, such as small businesses or particular types of residential consumers, who are less likely to give their opinions through a formal consultation.

A1.15   If you would like to discuss these issues or Ofcom's consultation processes more generally you can alternatively contact Graham Howell, Secretary to the Corporation, who is Ofcom's consultation champion:

Graham Howell
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA

Tel: 020 7981 3601

Email Graham.Howell@ofcom.org.uk

Ofcom's consultation principles

A2.1   Ofcom has published the following seven principles that it will follow for each public written consultation:

Before the consultation

A2.2   Where possible, we will hold informal talks with people and organisations before announcing a big consultation to find out whether we are thinking in the right direction. If we do not have enough time to do this, we will hold an open meeting to explain our proposals shortly after announcing the consultation.

During the consultation

A2.3   We will be clear about who we are consulting, why, on what questions and for how long.

A2.4   We will make the consultation document as short and simple as possible with a summary of no more than two pages. We will try to make it as easy as possible to give us a written response. If the consultation is complicated, we may provide a shortened Plain English Guide for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.

A2.5   We will consult for up to 10 weeks depending on the potential impact of our proposals.

A2.6   A person within Ofcom will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organisations interested in the outcome of our decisions. Ofcom's 'Consultation Champion' will also be the main person to contact with views on the way we run our consultations.

A2.7   If we are not able to follow one of these principles, we will explain why.

After the consultation

A2.8   We think it is important for everyone interested in an issue to see the views of others during a consultation. We would usually publish all the responses we have received on our website. In our statement, we will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

Annex 3

Consultation response cover sheet

A3.1 In the interests of transparency and good regulatory practice, we will publish all consultation responses in full on our website, www.ofcom.org.uk.

A3.2 We have produced a coversheet for responses (see below) and would be very grateful if you could send one with your response (this is incorporated into the online web form if you respond in this way). This will speed up our processing of responses, and help to maintain confidentiality where appropriate.

A3.3 The quality of consultation can be enhanced by publishing responses before the consultation period closes. In particular, this can help those individuals and organisations with limited resources or familiarity with the issues to respond in a more informed way. Therefore Ofcom would encourage respondents to complete their coversheet in a way that allows Ofcom to publish their responses upon receipt, rather than waiting until the consultation period has ended.

A3.4 We strongly prefer to receive responses via the online web form which incorporates the coversheet. If you are responding via email or post you can download an electronic copy of this coversheet in Word or RTF format from the 'Consultations' section of our website at http://stakeholders.ofcom.org.uk/consultations/consultation-response-coversheet/.

A3.5 Please put any parts of your response you consider should be kept confidential in a separate annex to your response and include your reasons why this part of your response should not be published. This can include information such as your personal background and experience. If you want your name, address, other contact details, or job title to remain confidential, please provide them in your cover sheet only, so that we don't have to edit your response.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing ☐

Name/contact details/job title ☐

Whole response ☐

Organisation ☐

Part of the response ☐   If there is no separate annex, which parts?

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here. ☐

Name   Signed (if hard copy)