Telephony Services Ltd (TSL) / Gradwell / aq Ltd response to Ofcom's consultation on
Geographic telephone numbers

About TSL/ Gradwell /aq Ltd

Telephony Services Limited (TSL) is owned equally by Gradwell dot com Ltd and (aq) Ltd. TSL has their own number allocations which in turn are sub-allocated to both (aq) Ltd and Gradwell. TSL has been in operation since 2004 and in 2007-8 it accelerated the growth and expansion of its network.

Gradwell dot com & (aq) Ltd are leading providers of internet technology services to UK business and we operate in innovative markets. The combined group turnover is circa £7m and employs approximately 60 staff. The Hosted IP Telephony Market Place suggests we hold a significant position in the top three service providers, with over 25% market share for UK Hosted PBX services in the small business space.

Gradwell dot com Ltd is listed as 4th fasted growing technology business in the South West, according to Deloitte's Fast 50 rankings for 2009.

Summary of TSL's Position

As a group TSL has considered Ofcom's consultation with respect to geographic telephone numbers and acknowledges the task Ofcom has to manage in order to balance the requirements of an expanding and competitive industry with the obligation to ensure there are adequate number ranges available for all - as and where they are requested. TSL agree that number ranges must be safeguarded to meet these requirements and in order to provide the necessary services to consumers while ensuring a competitive telecoms market. Geographic numbers clearly remain a valued

service to consumers and TSL agree that any changes to the current system should involve as little disruption as possible.

In reviewing Ofcom's proposals, TSL agrees with a number of the solutions that have been proposed., However at this stage we believe there are other measures which should be considered in priority of the proposal to charge for geographic numbers.

TSL / Gradwell / (aq) Ltd fully support the submission made by ITSPA as one of its members.

TSL's Response

Local Dialling and Overlay Codes:

Ofcom have outlined that "localised measures that address localised shortages are likely to be an appropriate response to number shortage" [1]. TSL would agree with this principle and would advocate the closing of local dialling and the adoption of overlay codes (if necessary) as the most suitable and least troublesome way of increasing the number supply.

While we totally understand that consumers have an attachment to local dialling and geographic reorganisation, we believe that we are already seeing the erosion of pure geographic identification with services such as VoIP and that over time further innovation of services will reduce this relationship further.

Changes to the Administrative Process:

TSL agree with Ofcom's proposed changes to its administration of geographic number ranges and believe that a strengthening of the numbering application process, with

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[1] Ofcom Consultation: Geographic Telephone Numbers 2010, p86

further evidence-gathering, would enable Ofcom to make a more informed decision about whether to allocate number ranges to Communication Providers (CPs). TSL would also agree that a strengthening and broadening of Ofcom's audit processes would help in better gauging the use of CP number ranges. TSL believes that it is important for CPs to hand back number ranges that are not being used or where through acquisition, merger or change in delivery methods, the original CP no longer requires a large stock of their own. In these instances especially, a stricter audit process would help encourage CPs to update Ofcom more regularly and / or Ofcom should request an audit into how these 'management changes' affect the utilisation of numbers previously allocated. With this in mind, TSL would recommend a complete review and analysis of the current number ranges in order to gauge who is responsible for all number allocations. TSL are more than willing to engage with Ofcom and the rest of industry to discuss how these processes could be developed in order to ensure a stricter regime of number allocation.

TSL would also suggest that Ofcom consider a link between number allocation and investigation / audit of how CP's engage and manage requests and establishment of Geographic Number Portability (GNP). We propose that by linking number allocation with GNP, sub-allocation and pre-allocation (where blocks of a 100 numbers are ported in order to maintain continuity for businesses) there is an opportunity for ranges to be more efficiently utilised and that improvement of the porting process to facilitate this would enable ranges which are held and under-utilised to be freed up. We believe this link will also support tracing numbers when porting is requested by an End User, who has no notion of the complexity and movement of SP's between wholesale providers

We have provided in Annex 1 to this response, an example of how being unable to adequately trace number allocation, due to acquisitions and mergers, makes it not only costly and resource-hungry exercise for CP's when wishing to support consumers, but also incredibly frustrating for consumers who, understandably, have no comprehension of how the system works.

We would suggest that our example also highlights where numbers are wasted and allocated in duplicate an existing service due to the inefficiencies of existing processes.

Reservation step:

In principle, TSL accepts the proposal to introduce a time-limited reservation step, prior to the allocation of geographic numbers for certain applications. TSL agrees with Ofcom's proposal that this should only apply to CPs who have not demonstrated operational readiness to put the requested numbers into use. However, this must be managed in close relationship with a new entrant, as various workstack delays may distort the anticipated implementation timelines. Therefore, this process would need to be flexible to ensure it did not distort the market nor create burdensome overhead which would disrupt implementation.

Smaller number ranges:

TSL would welcome the option of allocating number ranges below 1,000 number blocks. It is our view that with the majority of networks these no longer cause issue.

TSL would encourage Ofcom to push for the allocation of geographic numbers in blocks of 100 where possible.

Charging of Geographic Numbers:

TSL is fundamentally opposed to the concept of charging for geographic numbers. We believe that there are other less onerous options to ensure that the UK maintains an adequate supply of number ranges. The other proposals outlined by Ofcom are sensible suggestions, which combined with future NGN deployment and planned infrastructure-

sharing initiatives should all be considered. We do not believe that a charging model (even within specific areas where numbers are scarce) is required nor in the long term interest of the industry.

We appreciate that around the world Regulators use administrative or economic techniques (or both) to ensure the efficient use of the available numbering spectrum. These are the essential elements to good number management and TSL are aware of a growing number of countries which apply some form of charges for numbers.

Within the EU Countries such as Spain, Denmark and Germany do charge whilst Austria, Estonia, Slovakia and Finland do not. In other parts of the world we find that Saudi Arabia, the NANP[2] countries, Nigeria and Australia do charge whilst Bangladesh and South Africa, Japan, Jordan and Mexico do not.

It is our understanding the reasons for charging are varied; from the recovery of the number management administrative costs, through to creating a national benefit from the value of the numbers i.e. a "tax" on numbers. However, at this point, we are unclear as to whether the case is proven and are unable to find evidence to suggest that the application of a fee fundamentally changes the behaviour of operators who are being driven by commercial need.

TSL believe that by Ofcom suggesting that it will introduce a fees policy but only applied to geographic numbers and only where a scarcity exists, will create a two tier system where areas that enjoy a good supply of numbers will not be charged whilst those that chose to operate in areas where numbers are scarce will be charged. This may well affect the decisions of competing operators to start service in a particular area, affecting the competitive position of those areas which in turn affects the choice that customers have. Additionally, if a competing operator does decide to compete in an area where numbers are scarce, their cost base will be affected, maybe to the extent that the price they are able to charge customers is adversely affected.

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[2] NANP – North American Number Plan

To propose geographic differences at a time when the government is encouraging rural and 'not spot' services would appear out of step with prevailing policy.

We believe that number conservation is achievable without having such a significant impact on the wider market and would suggest more resource be directed at analysing who controls the current number ranges. Combined with the proposals surrounding local dialling, overlay codes and reservation periods with tighter processes would be a more suitable approach than initiating a pilot charging scheme over an 18 month period.

Sub-allocating Numbers:

Sub-allocation is currently a widely used access to the market for many new entrants and this is exactly how Gradwell entered the market. However, CPs who provide a telephony service to customers reach a point at which it is commercially prudent to control their own number ranges therefore providing the flexibility with issues such as number porting and providing greater independence in terms of commercial agreements (e.g termination rates). We would agree that sub-allocation is a useful component in ensuring number ranges are effectively resourced in the first instance. However, there is concern that a charging model could push providers into a sub-allocation process which could become restrictive to their business models and has the potential to fundamentally change the operating structure for many providers.

As an option it needs to be clear that if and when a CP wants to move the process is straightforward. Currently there is only a block number transfer process, but nothing enabling a CP/SP to move 'wholesale' or which easily transfers either CP's or SP's between wholesalers or networks and this can and has caused problems in past, especially when importing customers which have been previously imported while sitting on another network.

New entrants who sit on A another network should be made aware at the outset the additional costs involved in change, which include transit charges, APC and potentially the cost of the number.

<u>Four- and five-digit areas were implemented:</u>

While there is cost involved in implementing this option we do not believe that it so prohibitive as to strongly urge against four – five digit areas.

Alex Jennings

On behalf of TSL/Gradwell/(aq) ltd

Annex 1

As an example of the inefficiencies associated with the current porting process where a reseller chain is involved, TSL encountered a particularly problematic port in early 2010 which took many weeks and much stress and expense to the customer to get resolved. It also wasted many man-hours for the TSL porting desk.

TSL received a porting request from a customer in January 2010 for a series of non-geographic numbers which were allocated to CP A (the Rangeholder), but the end-user was being billed by an unknown CP, CP X. Through some research, TSL discovered that CP X was, amongst other things, a reseller for CP B. It was not clear, however, whether the numbers had been ported in the conventional sense or whether CP B was acting as a reseller of CP A or if numbers had been sub-allocated from A to B - which were then allocated down CP B's own reseller chain (to CP X). TSL received conflicting and contradictory information from all the CPs concerned on this point which in itself resulted in delay.

Following the process for subsequent portability, as set out in the End to End Process Manual, TSL were required to furnish the losing CPs with Customer Letters of Authority (LoA) from the end-user and, where relevant, CPs further down the chain. These letters are annexed to the actual porting order form and submitted to the relevant CPs for processing.

CP B had been acquired by a large CP operating a group of companies and when approached directly, claimed they did not 'own' the numbers, nor did they have them on their network. To further compound the problem, CP B no longer existed as a separate entity following the acquisition. As a result, CP B were adamant they could not provide a LoA. Without this, TSL, as the gaining CP, were unable to move further forward with the port.

After many fruitless attempts liaising with the staff and managerial staff on the Rangeholder's order desk, TSL eventually learnt that the numbers had been ported from CP A to CP B and, as far as they could tell, had been allocated to CP X by CP B in a typical resale scenario. TSL made every effort to escalate the issue and move the port forwards. CP A, for their part, maintained they were trying to 'apply pressure' to CP B to obtain an LoA, albeit to no avail.

Through countless emails and phone-calls and many hours of chasing various contacts, TSL were eventually put in touch with a former manager of CP B who essentially held the same position as before the acquisition albeit now within a different subsidiary of the group of companies mentioned earlier. They were willing to sign a LoA on behalf of CP B, which TSL duly presented to the Rangeholder (CP A) who accepted the port.

By that stage, however, the end user, who operated a business himself, had to purchase new telephone numbers and reimburse his own customers for new stationery and the loss of business goodwill associated with their former (and much publicised) phone numbers. While the port did eventually go through, it should still be regarded as an ultimate failure.

TSL believe the main problems associated with ports involving resellers are as follows:

- Uncertainty on the part of resellers as to the their exact obligations;
- The current process makes it very easy for a reseller to illegitimately refuse to provide a LoA;
- The losing network CP has little incentive to actively enforce their resellers providing LoA;
- Differences in the reseller process between the geographic and non-geographic End to End Process Manuals further muddies the water. (The geographic manual makes it clear that there is a responsibility on the part of the network CP to manage the relationship with their reseller for the purposes of ensuring an efficient number porting process and that, "the process for obtaining the requisite authorisation when porting a resold number is sufficiently robust and does not result in undue delay to the porting process". This is not expressly the case with the non-geographic manual where the situation is much more complicated.)3;
- Long and unwieldy reseller chains, with no central records kept in respect of where numbers move to, exacerbates the potential for slamming. The obfuscation stemming from these long reseller chains make it very easy for CPs (and their resellers) to evade their number portability obligations;
- The cost/benefit imbalance for gaining CPs mean that they may only pursue such complicated ports for certain customers where they feel confident their future spend will comfortably offset the man-hours expended in getting the port processed. This necessarily results in inequality between consumers, further distorts the market and has an adverse effect on consumer welfare;
- Customers can be left without service if their CP (who is a reseller) ceases trading without being acquired by a competitor and/or does not have any NP agreements.

TSL appreciate that a dynamic reseller market is an inherent feature of the UK fixed-line telecoms sphere today which helps to promote healthy competition to the general benefit of end-users. However, the lack of certainty as to reseller obligations, coupled

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[3] TSL recognise that the process contained within the End to End Process Manuals for Number Portability are no longer enforced by Ofcom. However, most CPs agree to follow the provisions of the manuals when porting numbers and this is stipulated in the porting contracts they enter into.

with difficulties experienced by network CPs enforcing their agreements with their respective resellers in a timely manner, results in an incredibly inefficient process. Such inefficiencies have a real and quantifiable impact on end-users as documented in this annex.