



Vodafone's Response to Ofcom's consultation making switching easier and more reliable for consumers

Further proposals to reform Landline, broadband and Pay TV switching between different platforms

October 2016

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Executive summary

1. We believe that disparity between fixed service switching processes leads to unequal opportunities for consumers to switch, with differing and discriminatory costs for consumers, creating barriers to exercising consumer choice. This is detrimental to the development of effective competition in voice, broadband and TV markets.
2. If switching policy and solutions are necessary for one set of fixed customers, then they are necessary for all fixed customers. Vodafone supports a policy, to put in place switching processes that enable customers to benefit from all that the market offers in fixed voice, TV and broadband. Today consumers are faced with a complexity of switching scenarios:

		Switch to a provider delivering services on:					
		Openreach		Cable		Sky satellite + Openreach	
Switch from a provider delivering services on:	Openreach	Landline	GPL	Landline	C&R	Landline	GPL
		Broadband	GPL	Broadband	C&R	Broadband	GPL
		Pay TV	N/A	Pay TV	C&R	Pay TV	C&R
		Dual play	GPL	Dual play	C&R	Dual play	GPL
	Cable	Triple play	GPL	Triple play	C&R	Triple play	GPL
		Landline	C&R			Landline	C&R
		Broadband	C&R			Broadband	C&R
		Pay TV	C&R			Pay TV	C&R
	Sky satellite + Openreach	Dual play	C&R			Dual play	C&R
		Triple play	C&R			Triple play	C&R
		Landline	GPL	Landline	C&R		
		Broadband	GPL	Broadband	C&R		
	Pay TV	C&R	Pay TV	C&R			
	Dual play	GPL	Dual play	C&R			
	Triple play	C&R+GPL	Triple play	C&R			

Source: Ofcom consultation document

3. We believe that uniform switching process across all fixed services is required to increase levels of consumer knowledge and confidence when undertaking a fixed service switch, such as is found when using the universal mobile switching processes when switching between mobile service providers. We believe that the losing provider process has proven to be a successful model for mobile service switching, however since the gaining provider process is already in place for the larger majority of switching for fixed services it makes sense for the remaining fixed services to adopt the gaining provider process. We see no benefits in disrupting the successful mobile



switching process to match any future fixed processes as the process steps and timescales between fixed and mobile services are vastly different.

4. Loss of service during the switching or cease and provide process is the most significant issue that Ofcom identifies. This could be partially mitigated in future through closer interworking with SMP quality of service obligations, where applicable.

5. Vodafone considers it highly inappropriate to use the BT-Openreach business system for the management of service switching when that switch is unrelated to BT's platform. We consider that Ofcom's proposal to build a separate system is the only way that the Digital Communications Review objective of reducing our reliance on BT can be met.



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About Vodafone

Headquartered in the UK, Vodafone is a global business investing and innovating in all the markets we serve to deliver telecommunication services to our customers. Vodafone's home market is no exception and Vodafone UK serves a wide customer demographic, from the very largest multi-national enterprise buyer, to the individual pay as you go consumer, offering a wide range of both fixed and mobile solutions throughout the length and breadth of the United Kingdom. We are dependent on a fluid market to meet the needs of all our current and future customers and help us deliver our ambitions for our business.

Vodafone is a new market entrant to the fixed consumer market. Already, we have demonstrated our value to competition and commitment to innovation in this market. This is evidenced by our market leading proposition to remove separate line rental charges for our broadband services. Our hotly anticipated TV services will follow in similar vein.

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Introduction

Ofcom's consultation on the Digital Communications Review ("DCR") seeks to explore policy options to ensure efficient investment and effective competition. Effective competition means the ability to choose services from a range of providers. The ability to choose and affect that choice is limited where switching processes are not clear or are not functioning with adequate ease. We believe the pro-competition environment that Ofcom seeks to reinforce via the DCR includes the creation of regulatory policies which are designed to empower consumers - by improving all customers' access to information and reducing all customers' switching costs.

We believe that mobile switching is successful with 94% satisfaction levels, because all mobile providers (MNO and MVNO) follow exactly the same process. There is universal understanding and confidence of consumers on how to switch mobile services and what to expect during that process.

As evidenced in Figure 3 of the consultation document¹ the divergent fixed services switching processes must confuse customers, unnecessarily complicate customer switching and raise customers' and suppliers' switching costs. Ofcom's Customer Experience Report 2015 agrees "*Ofcom's Switching Tracker provides an understanding of how 'ease of switching' is reported across different types of switching (i.e. between markets and between different combinations of services being switched). It finds that the switch most likely to be stated as 'difficult' is one that involves the fixed line plus one other service (most likely fixed broadband). Nearly a fifth (19%) of these switchers said they found it either very, or fairly, difficult to switch.* Ofcom's evidence suggests that switching costs for Pay TV services are high, and switching rates for these services are low. This suggests that the switching processes for Pay TV is leading to sub-optimal outcomes for consumers – with service loss being a key complaint, and leads to the conclusion that extending the Gaining Provider Led processes to other platforms (i.e. cable and pay TV) would be to the benefit of consumers and result in minimised service loss. Ofcom's consultation sets out a Cost Benefit Analysis ("CBA"). This CBA is useful to indicate the scale of costs and benefits, however the question that Ofcom is asking is more fundamental:

Should customers, regardless of infrastructure provider be able to enjoy the benefits of a competitive market through straightforward switching processes?

¹ This figure has been replicated in the executive summary of this document



Without this switching decision 17.4 million Pay TV customers in 2015² and up to 17 million homes / customers served by Virgin (homes passed by the end of 2020³) would otherwise not be covered by any switching process that manages the switch for the customer (by either the LP or GP). Ofcom's policy should reflect the needs of all consumers, not just those using BT's infrastructure and therefore remove switching as a barrier to achieving effective competition across the fixed market. This will ensure that the ability to exercise choice, and the ability to benefit from all available competition is equally accessible to all customers, while using the same level of effort and incurring the same level of expense (if any) regardless of underlying platform provider.

We consider that simplification of fixed, triple play switching by using a standardised, supplier managed, single process for all fixed service providers – voice, broadband and TV - is likely to increase customer satisfaction simply by virtue of customers no longer needing to consider the complication that switching depends on platform provider.

To facilitate extension of the current processes used by Openreach platform users to other platforms and services Ofcom proposes the option of extending the use of the Openreach EMP or the creation of a new system with similar functionality. Whilst recognising the proposal to extend the use of the Openreach system may offer convenience and cost savings compared to an entirely new system Vodafone cannot support the use of Openreach system for the switching of services that are not relevant or related to Openreach. Openreach would lack any incentive to ensure the successful facilitation of switching for services unrelated to its business interests. At a time when the DCR is seeking to make the industry less reliant on BT, this proposal to revert to a Openreach-centric EMP anchor is a backwards step. Further, at a time when infrastructure competition is being encouraged, having one dominant access provider having control of service switches related to other access providers is surely an anti-competitive approach. Consequently, we support the introduction of a new system to facilitate non-Openreach switches.

² <https://www.broadbandchoices.co.uk/news/tv/number-of-uk-pay-tv-subscribers-grows-to-17-million-00494>

³ <http://www.ispreview.co.uk/index.php/2015/05/virgin-media-uk-surges-to-4-97m-broadband-subscribers-after-ireland-boost.html>



Consultation questions

Q1 Do you agree that current cross-platform switching arrangements lead to consumer issues with loss of service and double paying when switching, and issues with contacting losing provider/cancelling a previous service?

We consider that cross platform customers are disadvantaged compared to customers that are switching providers while remaining on the underlying BT platform. These customers have no supplier (losing or gaining) managing the switch on their behalf. Cross platform switching customers are more likely to face loss of service and could potentially face higher switching costs.

We consider that the existing gaining provider led process that is successfully in place for the majority of fixed service switching should be extended to the remaining services and service providers that today fall outside of that process. The benefits of extending this process to all fixed providers are numerous. Primarily we believe that a single process will greatly aid consumer understanding (as per mobile) and therefore consumer confidence in switching across the entire fixed market service options. We consider that today the difference in switching processes dependent upon platform and service constitutes a barrier for many customers to benefit from the full extent of competition.

Successful switching processes are necessary to achieving effective competition. The proposed switching measure cannot be viewed in isolation and must be considered as part of the wider package of regulatory remedies. For example, we agree that cross platform switching is more vulnerable to loss of service. Switching between actual platforms is more likely to require an engineer visit to make a new installation than same platform switching. This naturally increases the risk for provisioning failure compared to “on-net” switching. Ofcom calculates that this is significant with an average (conservative) cost of £83 per cross platform switching customer. The issue of service loss is related to the quality of service offered by BT (when ports are to the BT service platform). In 2014 Ofcom put in place QOS measures in the FAMR. These are due for renewal during 2017. By improving service quality standards in the SMP obligations which set the maximum average new line installation timescales, Ofcom can readily reduce the issue of service loss for customers switching to the Openreach platform. We would expect other providers to better these standards or be forced to match them in the event their installations are slower. Switching policy success in part relies upon successful regulatory policy for service standards.

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Q2 Do you agree that consumers would benefit from clearer switching processes and information about switching?

Yes, we agree that consumers require clear information about switching processes.

We consider, today, the disparity of customer facing processes necessary for fixed service switching adds to customer confusion.

Disseminating information to customers can be complicated. In a losing provider led process the losing provider has the opportunity to fully explain all aspect to the customer, in particular in relation to loss of service. In a gaining provider led scenario there is a risk that the winning provider may gloss over the switching issues as the desire to win the customer is greater than the will to inform the customer of any points that may delay or deter the sale.

When a customer switches to Vodafone, we offer incoming customers information on broadband speed estimate, and service activation. The customer will also get an estimate from their losing provider on Early Termination Charges (which is then confirmed once service is fully de-activated), the losing provider is also allowed to highlight any associated products/discounts that the customer is losing through moving service.

We consider that further work on how to successfully distribute clear information should follow once this switching decision is concluded.

Q3 Do you have any other comments on the matters raised in Section 3?

Ofcom identifies that consumers need greater awareness of the potential requirement to pay ETCs should customers consider switching within contract. Ofcom proposes as an additional measure to either switching option that customers should receive key information regularly on all bills setting out the need to pay ETCs when switching early. We are not convinced that the inclusion of this information on a customer bill will prove to be the most effective method of communicating this. The largest majority of customers now receive on line bills with very few customers accessing / downloading bills. In our experience customers will only actively view the bill periodically or in the event of supplementary charges. We consider that it would be better to have visible switching guide information on suppliers'

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websites that customers can refer to. It is then also possible to outline in brief the differences in switching processes (for as long as these exist).

Q4 We would welcome views on the proposal for an EC&R process (Option 1), in particular:

- (a) whether is it effective in reducing the consumer difficulties and deterrents identified through our analysis;*
- (b) whether you agree co-ordination by the new provider should be opt-in for the consumer; and*
- (c) if the information on implications of switching provided at the cancellation stage is likely to be as effective as receiving it in durable form during the transfer period?*

Vodafone does not support the EC&R process option as a solution to deliver the full benefits of competition to fixed service consumers. It still requires the customer to grapple with different cease and provide (or switching) processes to initiate the migration, whereas a single cross market solution – the existing Gaining Provider Led process would enable clearer communication to fixed customers of how to switch. In our view customers are better served, will benefit from clearer communications and therefore will have superior confidence when the switching process is simple as possible for consumers. We consider the existing fixed GPL process should be extended to cover all fixed providers and all fixed services.

Q5 We would welcome views on the proposal for the GPL process (Option 2), in particular:

- (a) whether is it effective in reducing the consumer difficulties and deterrents identified through our analysis; and*
- (b) if the ten working day transfer period is a sufficient length of time for a consumer to receive, understand, and act upon implications of switching information that is sent to them by the old provider?*
- (c) and if the ten working day transfer period is a sufficient length of time for a consumer to receive, understand, and act upon implications of switching information that is sent to them by the old provider?*

Yes. It is our view that the GPL process should be maintained and expanded to include Virgin Media and Sky so that customers' switching have a consistent experience in all scenarios.

At present we feel that 10 working days is a suitable balance of time between allowing the losing CP time to contact the customer to ensure the transfer isn't erroneous, and meeting the customer's needs to change provider in a realistic timeframe. We do consider that future effort should concentrate on



reducing the length of time taken to conclude a switch and whether better methods of communicating with the customer in a digital age can be agreed to facilitate a time reduction.

We agree that the contents of the communications should be factual only, and not contain marketing material. The customer always has the right to speak to the losing provider, regardless of the scenario, but they also have the right to leave (when armed with the correct information to understand the implications of the switch).

Q6 On both process options, we would welcome views on whether old providers are provided with sufficient time during the respective transfer periods to:

(a) stop existing services and administer the end of contracts; and

(b) if not, can you provide detail of what actions/steps are necessary to undertake such activities, and how long these would take?

Overall, we feel that Option 2 (GPL) with the 10 working days transfer period proposal is an alignment on the fixed line transfer time frame. This model has worked pretty well within the fixed line. From a TV view point, having a 10 working days transfer period provides enough time for the customers to understand the implications of switching. Ofcom has been working separately to improve BT's Quality of Service and imposing minimum standards for average service installation timescales. Further improvement on these standards is anticipated for 2017 which should be further reduce the likelihood for failure to meet installation agreements and also to reduce timescales for installation overall. These are important developments for the switching of fixed services to BT based platform services. Whilst the SMP regulation focuses upon BT it is expected to raise the floor for all services providers who will need to compete with the BT benchmark if they are not current exceeding these levels already.

Q7 Do you agree that the proposals should apply to all cross-platform services, whether provided in a bundle or on a standalone basis?

Yes, as discussed we consider there are benefits in terms of customers' clarity and confidence which promote the use of a single set of processes for fixed services switching.



Q8 For both process options, we welcome any views on the estimated 18-month implementation period.

Implementation on the Vodafone network could be achieved around the 18 month estimated period once (i) the system specification has been designed and agreed and (ii) budgets have been approved. We would suggest that both of these actions are contingent on Ofcom's timing for making a final decision on this matter. Vodafone budget setting takes place [confidential]. We expect that other providers will have similar budgeting timescales.

Q9 Do you have any other comments on the matters raised in Section 4?

NA

Q10 Do you agree with the assessment of the consumer benefits of the proposals?

Vodafone is of the view that the decision to improve customer switching and reduce barriers of customers accessing alternative competitive providers should not hinge solely upon a narrow CBA. Today fixed services switching processes are disparate and result in customers experiencing vastly different costs for switching their services which creates unnecessary barriers to switching. A holistic CBA would incorporate the market benefit of removing these barriers hence improving the case, but we recognise that it is not practicable to incorporate all of benefits, some of which may not be known.

When reviewing the cost benefit analysis there are a number of aspects that should be considered:

- The cost benefit analysis should properly account the costs for all service providers to establish a connection and related processes to the new DCC. These costs would be minimised by a requirement for the new DCC to mirror as far as practical Openreach's EMP specification. This would be shown as the total cost for all service provider IT and process development.
- The cost benefit analysis needs to be prospectively modified on the consumer side to account for future Ofcom QOS measures on BT. These SMP QoS measures are relevant in the situation that customers are switching away from Virgin/Sky as these customers would benefit from increases to the SMP QOS standards as service improvements in installation will reduce / eliminate incidents of loss of service when switching to a BT platform based service.



- The cost benefit analysis needs to be prospectively modified on the consumer side to reduce the loss a customer may experience in light of the conclusions of the consultation upon mechanisms for consumers to receive automatic compensation for when service installation and repair fails to meet its SLA.

The table below compares Ofcom's costs with our own and adds the cost categories which should be additionally considered.

Option 2 (GPL)			
	Set up costs	Maintenances costs and cost savings (annual)	Total (10 year NPV)
DCC	£11.4M	£1.3M	£25.7M
Per service provider costs (multiplied by all fixed service providers?)	[confidential] ⁴	[Confidential] ⁴	

The above costs are then offset against the consumer benefit which Ofcom identifies:

⁴ Vodafone very rough order of magnitude costs for Vodafone specific IT developments



Consumer benefit under Option 2 (GPL)	Ofcom view	Vodafone view
Avoid loss of service	£63.9M	This should be reduced to take account of: <ul style="list-style-type: none"> i. the benefit of improved service provision by Openreach as a result of more challenging SMP QOS measures for service provision. ii. any automatic compensation award iii. any existing compensation awarded.
Reduction in double paying	£22.4	This should be reduced to take account of: any supplier voluntary notice period changes
Simplified process	£4M	This should be reduced to take account of: benefits from better communication about switching processes
Less confusion about process	Ofcom does not offer a value	This should be reduced to take account of: benefits from better communication about switching processes
Availability of better information	Ofcom does not offer a value	This should be reduced to take account of: better communication about switching processes
Total	£90.3M	Ofcom's benefit calculation should be reduced or placed into a range of possible benefit values in order to take account of the above.

Source: Vodafone

Q11 Do you agree with the assessment of the likely costs of the proposals as set out in the Cartesian report? If not, please state how and provide information and evidence relating to the costs.

As set out below, Vodafone has examined the costs it would incur internally for the IT development alone. It is not clear whether the costs of setting up the new EMP equivalent system are proposed to be shared beyond the parties highlighted by Ofcom. These costs are not captured in our calculations. Training costs are not captured in our calculations.

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Our calculations are based on an assessment of rough order of magnitude hence the range of cost outcomes.

	Set up costs	Maintenances costs and cost savings (annual)
Per service provider costs (multiplied by all fixed service providers?)	[confidential] ⁵	[confidential]

Q12 Do you think that a manual communication channel for small providers would be more appropriate compared to an automated communication channel? What costs would be involved in setting up a 'manual' communication system?

NA

Q13 Do you agree with our preference for Option 2 (GPL)?

Vodafone supports the move to a single switching process for all fixed services and service providers. We do not consider Option 1 will achieve the desired outcomes. Introducing option 1 will continue the system of variable switching processes for fixed services and perpetuate the communication, customer confidence and variable cost issues that arises from different processes.

Q14 Could there be synergies across costs between implementing a GPL proposal for triple play services and mobile phone services?

We do not see the evidence for implementing a GPL switching process for mobile. Switching in mobile is well established and implemented in the market. The proposals in this consultation set out a need for implementing triple play switching across platforms for the very first time, a very different set of circumstances and market conditions. The mobile switching process is so well known it has even recently

⁵ Vodafone very rough order of magnitude costs for Vodafone specific IT developments



featured as a part of a BBC comedy sketch, suggesting that communication and understanding are at high levels in line with 94% satisfaction levels shown in Ofcom's 2015 switching tracker research.

Q15 Do you consider that Option 2 (GPL) could enable consumers to go through the switching process through TPIs/PCWs? Would this be beneficial to consumers?

Theoretically this would be possible for consumers to switch via Third Parties and Price Comparison Websites.

Q16 Do you have any other comments on the matters raised in Section 5?

NA