ITSPA

Internet Telephony Services Providers' Association

ITSPA response to Ofcom's strategic review of consumer switching

About ITSPA

The Internet Telephony Services Providers' Association (ITSPA) is the UK VoIP industry's trade body, representing over 60 UK businesses involved with the supply of VoIP and Unified Communication services to industry and residential customers within the UK. ITSPA pays close attention to the development of VoIP regulatory frameworks on a worldwide basis in order to ensure that the UK internet telephony industry is as competitive as it can be within international markets.

Please note that certain aspects of the ITSPA response may not necessarily be supported by all ITSPA members. Individual members may respond separately to this consultation where a position differs.

A full list of ITSPA members can be found at http://www.itspa.org.uk/

Summary of ITSPA's Position

ITSPA members welcome the ongoing Ofcom initiative to undertake a strategic review of consumer switching in the UK. Please note that some ITSPA members will have a unique take on some of the various questions and may respond separately. Accordingly, this response sets out ITSPA's general position on some key points raised within the consultation document, rather than responding to the specific questions.

In the previous consultation, ITSPA supported Ofcom's strategic view which supported the Gaining Provider Led (GPL) process of switching. Following further discussion amongst members, other opinions surrounding the Losing Provider Led (LPL) process have been raised and reviewed. This has resulted in a difference of opinion amongst some of the membership. As a result, it was agreed that for the benefit of this consultation response, ITSPA would highlight the necessary requirements for either eventuality to assist Ofcom in its final decision. The benefits of both are outlined in more detail later in the document.

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In previous responses, ITSPA has regularly raised the concern that the issue of number portability should form part of any strategic review of switching. This is a fundamental component to a number of the processes which Ofcom are currently focussing on and ITSPA feels this should have formed part of the initial consultation phase. Porting problems continue to have a significant impact on competition and efficiency as well as hindering both consumers and Communication Providers (CPs) alike. Nevertheless, the membership is pleased that Ofcom will examine this area, following on from this review. ITSPA looks forward to discussing this issue in greater detail with Ofcom at that point.

Overall, ITSPA members are in agreement with the following points:

1. Slamming is a major concern and needs to be addressed, although ITSPA would appreciate clarity surrounding Ofcom's statistics in this area.
2. The Third Party Verification option is not a workable solution in practice.
3. The prohibition of Reactive Save practices will prove ineffectual.
4. The harmonisation and standardisation of switching processes is a positive move which ITSPA endorses. However, these initiatives have to be "future proofed" with clear benefits to all stakeholders to be successful.

Slamming and the Third Party Verification Model

ITSPA supports any measures to reduce fraud and misuse. Slamming is an incredibly disruptive activity which damages the reputation of the entire industry. Whilst a recognised problem that affects a number of consumers, ITSPA members were surprised by Ofcom's figures indicating that 520,000 households have their fixed voice and/or broadband slammed per year. ITSPA accepts that if these statistics are accurate then there is a clear need to address this problem. However ITSPA members would appreciate clarification on these figures as Ofcom's own data suggests there are only 750 complaints a month[1] about slamming, which is only 2% of the total. Should the statistics be correct, there must also be a review of the existing enforcement regime which would be failing in its duty to protect the consumer. ITSPA also questions whether there is any compelling evidence to suggest that slamming is as big an issue for business users as for residential customers, and would welcome further clarity as to how Ofcom came to this conclusion.

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[1] http://consumers.ofcom.org.uk/2010/03/new-rules-to-stamp-out-landline-mis-selling/

Ofcom believes that a Third Party Verification (TPV) model would be the most suitable process to deal with issues such as reactive save, slamming and general hassle for the consumer. However, ITSPA believes that TPV will actually frustrate the sales process and inevitably become a barrier to switching. A major concern to ITSPA is that Ofcom deem it necessary to include Small and Medium sized enterprises (SMEs) within the TPV model, which will increase costs and administration without effectively assisting in the switching process. ITSPA does not believe Ofcom is obliged to enact identical remedies for domestic and small business consumers so long as the same outcome is met in relation to consumer protection obligations. In this case, ITSPA feels Ofcom should not treat business and residential consumers the same.

Definitions:

ITSPA believes that Ofcom's definition of domestic and small business consumers as being those with 10 or fewer employees is unhelpful and unworkable. ITSPA members do not feel that this definition works in general or in relation to a TPV model. There are too many examples where this arbitrary definition simply doesn't work. With regard to of including SMEs in a TPV model, there are a number of issues which ITSPA would like to outline with Ofcom (including seasonal businesses, company growth forecasts, multiple subsidiaries where bills are administered centrally and historical data inaccuracies) where the process will inevitably become frustrated and inefficient. Furthermore, with the need to harmonise processes, the inclusion of larger Enterprise customers would also have to be considered. Our members believe this would be extremely disproportionate and may increase switching costs, thus potentially distorting competition.

Reactive Saves

A number of ITSPA members also question Ofcom's position surrounding Reactive Saves. Whilst ITSPA understands the concern surrounding this issue, in reality many members believe that prohibiting the practice will actually undermine those who adhere to the rules and regulations. It will be the disreputable companies who will continue to perform similar techniques during the switching process in order to retain their customer base, especially if an effective enforcement regime is not implemented. ITSPA would question whether Ofcom has the resource to enforce this policy effectively. Ofcom also need to consider the potential benefits of the Losing Provider communicating with the customer during the process. This includes offering a more competitive service offering, advice on early termination charges and procedural

updates on the porting process. However ITSPA appreciates the reasoning behind Ofcom's position as there is the ability for the incumbents to distort competition through this method. The outstanding question for ITSPA is whether the prohibition of Reactive Save would work effectively and actually benefit the consumer in practice.

ITSPA is also surprised that there is no differentiation on this policy regarding residential and business consumers and believe this should be reviewed.

Harmonisation of Processes

ITSPA members support the efficiencies which any harmonisation of processes would bring. We accept that there is a cost in achieving this and any initiatives must be proportionate to the beneficial outcomes and should still facilitate switching.

As indicated, there are differing opinions within ITSPA as to the preferred switching method going forward. ITSPA has outlined below the key requirements for either a GPL process or an LPL process. These are areas that ITSPA members feel need to be considered by Ofcom when making its judgement on either processes.

A GPL process:
- Accurate customer data must be provided as well as accurate information concerning the customer assets.
- An efficient system of preventing erroneous transfers must be implemented.
- An effective system to prevent slamming must be incorporated as this is a principle concern surrounding a GPL process.

An LPL process:
- An effective solution surrounding Reactive Saves that reflects both the business and residential environment. This needs to prevent any competitive distortion surrounding the incumbents at the same time as maximising the benefit to the consumer.
- An effective process that doesn't interfere with rapid switching.