



BT's response to Ofcom's consultation document

Consumer switching

Proposals to reform switching of mobile communications services

30 June 2017

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1 Executive Summary

1. BT agrees with Ofcom that it is important that consumers can switch provider quickly and easily to help them exercise choice and take advantage of competition in the communications sector. Smooth switching processes encourage competition for the provision of good value, high quality and innovative services.
2. With Ofcom consulting on triple play switching almost in parallel with mobile switching, there was the opportunity to look at switching in the round, and develop a switching process that would work in the future, with an increased uptake in quad play bundles, as suggested in BT's response to the March 2016 Mobile Switching consultation.
3. However, Ofcom decided to continue to look at mobile and triple play switching in isolation. This is a missed opportunity to develop a consumer friendly process that would work across all platforms,
4. Ofcom's research shows that the vast majority of consumers perceive mobile switching as easy. This is also reflected in the benefits of the options proposed by Ofcom; in the GPL option the costs of the new process substantially outweigh the benefits, and in the Auto-Switch, the base case, depending on the range of the benefits, is just about positive.
5. The main benefit realised by Ofcom's proposals is the reduction in double paying where a customer takes out a new contract, and has to pay for their notice period. This benefit accounts for almost 60% of the total switching benefits. We remain of the opinion, as per our previous response, that double paying (for porting customers) is an issue which is not related to switching, can be addressed separately, and does not have to be linked to any switching proposals.
6. We note that Ofcom has increased the estimated benefits of changes to the switching process, as a result of replacing its time savings estimates with survey-based Willingness to Pay (WTP) estimates. Ofcom's WTP estimates have a wide range and are likely to overstate the actual benefits due to the hypothetical nature of the survey and the fact that important information was not shared with respondents to the survey. Ofcom needs to take both a more conservative and inclusive approach to interpreting the evidence available to it, to account for this.
7. Based on updated costs and benefits, Ofcom has changed its mind, and now prefers the Auto-Switch process over the GPL process. Whilst BT agrees that this is the more proportionate option when looking at mobile switching in isolation, BT questions whether there is a need to include the N-PAC options for C&R switchers in the process. This appears to be a disproportionate solution for an issue experienced by a minority of C&R consumers. Ofcom's research demonstrates that the majority of these customers consciously decide to have their old and new service in parallel because of the benefits of doing so.
8. Our high level impact assessment of the N-PAC solution indicates that the incremental costs for this solution are substantial. There is also a risk that C&R consumers using porting related capacity could negatively impact on porting consumers.
9. We are still concerned that in the Auto-Switch process customers requesting a PAC online or via SMS may miss out on information other than Early Termination Fees and contract duration which is relevant to their situation. With an increase in customers taking out multiple services, fewer customers will be in situation where they have only one service, and where ETC information alone is sufficient. After they switch, consumers may face the impact of implications they were not aware of, and may decide to switch back to their old provider, resulting in increased costs for both losing and gaining provider.

10. Apart from the negative consumer experience, Ofcom's current estimates do not include costs for gaining providers where consumers cancel their service during the cooling off period, nor for losing providers potentially facing an increase in consumers wanting to migrate back to their original service.
11. Whilst the Auto-Switch process is able to deal better with fraud issues than the GPL process, we consider the process still needs additional safeguards, in particular for the SMS route. Such safeguards will increase costs, and may negatively impact on the customer experience.
12. The N-PAC solution is a costly one for BT to implement, and we believe Ofcom's objectives for C&R switchers can be achieved in a more cost-effective way.
13. Based on our concerns with Ofcom's Auto-Switch proposal set out above, and our view that the costs are likely to be higher and benefits lower, BT, with Vodafone, would like to propose a voluntary solution, which addresses the concerns identified with the current switching process, addresses the concerns identified with Ofcom's Auto-Switch proposal and can be implemented in a more cost-effective and faster way than Ofcom's proposal. BT proposes to include an alternative for the N-PAC solution in this voluntary proposal.
14. The high level details of this proposal are included in this response.

2 Comments on Ofcom's assessment of consumer harm under current mobile switching processes

2.1 Introduction

15. BT recognises the importance of switching and notes that current mobile switching processes serve customers well, whilst at the same time protecting customers from harm.
16. Ofcom's assessment of harm needs to be considered against a background of high satisfaction with mobile switching. Whilst a small minority of customers may experience issues, the vast majority of customers have stated that they were either 'very' or 'fairly' satisfied with the current switching process, as evidenced by Ofcom's own research. Ofcom's Consumer Experience Report 2015, as outlined in our response in June 2016, showed that consumer satisfaction with mobile switching is at 94%, and has been increasing over time.
17. Ofcom's complaints data show a similar picture. The complaints volume is very low, both in absolute numbers, and in relation to other complaints categories.
18. Ofcom identifies three main sources of harm related to the current process:
 - Unnecessary time and difficulties progressing the switch;
 - Double paying while switching provider; and
 - Loss of service while switching.
19. In terms of time and difficulties progressing the switch, BT considers that while mobile switching works well, any process can be improved. And indeed, improvements to the mobile switching process have been made continuously by industry since 1999, on a voluntary basis, through the Operator Steering Group resulting in satisfaction rates which have continued to increase over time. Where improvements to the current process can be made to make providing PACs even easier, we are happy to make changes, as long as these are proportionate, and do not negatively impact the customer experience.
20. Ofcom's different pieces of switching research show different issues with a different prevalence. The two most common issues appear to be the time it takes to request a PAC, and keeping the mobile phone number. Whilst the former could be improved by making small changes to the current process, the latter is a compliance issue, which should be addressed through an Ofcom monitoring and compliance programme.
21. As per BT's response to the March 2016 consultation, we consider that any harm related to double paying is independent of the switching process and can be addressed separately.
22. Whilst the research indicates that a minority of consumers experience a loss of service when switching, we believe that industry initiatives and improved information about the switching process will minimise these issues.
23. In summary, mobile switching works well for most, indicating that whilst further improvements can be made, they are likely to be small, and the process does not require an overhaul.

2.2 Time and difficulties progressing a switch

24. In our response to the March 2016 consultation we commented on the different pieces of switching related research. We concluded that the BDRC research appeared to lack objectivity and when comparing Ofcom's different pieces of research, the results were inconclusive.
25. Small minorities of switchers indicated they had issues with switching. Across the different pieces of research, there are a few common issues (with widely differing prevalence). One is around provider persuasion to stay and the time it takes to request a PAC. According to the BDRC research, only a small minority of switchers considered this to be a major difficulty.
26. Ofcom compares the 7.7 minutes for a successful PAC request with the time it takes to navigate an IVR. We believe this comparison is not valid. We do not dispute that retention offers may be discussed on the call, but agents will also carry out customer authentication, and provide the customer with relevant information about the implications of switching. Below we have set out the importance of authentication and relevant switching information and our concerns with Ofcom's proposals in these areas.
27. Customers successfully requesting a PAC will have been told by their current provider what the consequences of switching are. In our response to the March 2016 consultation, we set out that for many customers, it is not just information about contract duration and early termination fees that is relevant but information about the impact on second lines, discounts, content services and other benefits, such as data bundles related to other services.
28. The other common issue identified in the research is about the ability to keep phone numbers, in particular (according to the BDRC research) for C&R switchers. Looking at the details of this group of switchers, the research indicates that 14% of this group wanted to keep their number. We agree that if customers want to port their number, they should not be dissuaded to do so by providers.
29. The research sets out reasons why C&R switchers did not keep their number. Apart from the perception that it was easier to switch without porting their number, in 20% of cases either the old or the new provider told the customer they could not keep their number. This is a clear breach of Ofcom's General Condition 18 which requires networks to provide number portability, which should be addressed through an Ofcom monitoring and enforcement programme.
30. Ofcom refers to its own complaints data regarding switching. Ofcom receives on average 80 complaints per month. Looking at the numbers over time, the trend is a downward one, indicating that the process is increasingly working better for customers.
31. These complaint numbers should be seen in the context of all switchers. Around 6.5m consumers switch each year, and of that group, around 1000 consumers complain about their experience to Ofcom. Whilst BT agrees that switching should be easy, 1000 complaints is a very small number compared to the total number of switching customers.
32. When looking at Ofcom's underlying categories feeding into switching complaints, BT questions whether some of the categories should be classified as switching related. Whilst handset unlocking can lead to issues for consumers who switch provider, and are unaware of their handset being locked, we note that neither the Auto-Switch nor the GPL process would address this. These complaints currently make up 25%-30% of switching complaints. For some other underlying categories, it is hard to assess whether or not they rightly contribute to switching complaints. A PAC may be refused for valid reasons; similarly, a PAC charge may be fair and reasonable.

33. Satisfaction with mobile switching is also reflected in EE's own complaints about switching. From January 2016 to June 2017, EE received on average 3 complaints per month about switching related issues. This equates to 3% of the total number of complaints received. These numbers should be viewed in relation to a mobile customer base of around 30m.
34. Trend analysis of switching related complaints into EE shows that it is a decreasing one, with complaints in single digits from May 2016 onwards. Similarly, the number of complaints about switching referred by EE to Ombudsman Services and HM Courts and Tribunal Service, is very low; since September 2015 we have had only 3 switching related referrals.

2.3 Double paying while switching provider

35. As per our response to the March 2016 consultation, we consider that double paying because of notice periods is an issue that can be addressed independently from switching processes. It is not linked to a GPL or Auto-Switch process and both the potential harm and remedies are from a different nature.

PAC switchers:

36. Ofcom distinguishes between PAC switchers and C&R switchers double paying. We note, as per our previous response, that it is possible for consumers to avoid double paying. Whilst Ofcom stresses that it is difficult for customers to manage notice periods, we consider that with clear information at the right time in a customer's life cycle, it is not a very difficult thing to do.
37. Information about the switching process, including notice period, is available on operators' websites. Information about termination rights and procedures is also part of the mandatory information under Ofcom's General Condition 23. Ofcom's research showed that one fifth of switchers were unaware of their notice period. This means that the current information provided, either on a voluntary or formal basis, is not effective.
38. In our response to the March 2016 consultation we suggested an information remedy to address double paying. This would give clarity to consumers about the existence and workings of a notice period. It could be combined with Ofcom issuing guidelines about what should be covered in such information and could include requirements on providers to make customers aware of a notice period before the end of their contract, or provide facilities for customers to check their contract end date and notice period, for instance through online accounts, or by sending an SMS whereby the information would be sent back by SMS.

C&R switchers:

39. As Ofcom notes, the difference between PAC and C&R switchers is that C&R switchers can use both their old and new service during the overlap, whereas PAC switchers at any point in time, only have one service. Ofcom then sets out that the research shows that only a minority of C&R switchers appear to benefit from the overlap.
40. Looking at the underlying reasons for a contract overlap, contrary to Ofcom's conclusions, we consider that a majority of C&R switchers benefited from the overlap, or, at least made a conscious choice to have an overlap in contracts because of perceived immediate benefits. According to the BDRC research, almost 80% of C&R switchers mentioned 'Getting the handset as soon as possible', 'Signing up with a new provider before the deal runs out' and 'Switching to a better service immediately' as reasons for an overlap. This does not indicate that there are issues with the switching process for these customers, or

that there is confusing information on how to proceed if customers don't want to port their number.

41. We therefore consider that the harm related to double paying for C&R customers is significantly lower than estimated by Ofcom, because a majority of these consumers appear to make a conscious choice they benefit from and could avoid the overlap in service and payment.

2.4 Loss of service while switching provider

42. Ofcom identifies short-term service loss as one of three sources of concern for consumers. The BDRC research contains information about the duration of the loss of service. There can be many reasons for a perceived loss of service. There could be genuine loss of service arising out of timing differences when providers transfer files between them at different times of the day. It could also be a perceived loss of service which could be minimised if consumers were made fully aware of the actions they should take on the day of the port, e.g. switching the phone on and off, using the temporary number given to them, and unlocking the handset).
43. To address issues related to loss of service and late porting, the mobile providers, through the industry Mobile Number Portability Operator Steering Group ("the OSG") has agreed to make changes to the porting processes and to the information provided to consumers about switching. Below we describe these changes.
44. There are inter-operator mechanisms operating in the background on the day of the port itself. Files are transferred between the mobile providers in sequence and within a specific timeframe (currently 11am to 3pm). This is in line with the industry MNP Porting Process Manual.
45. The OSG has agreed to extend the porting window within which files can be exchanged. The window will be extended by two hours (from 10am to 4pm). This will maximise the period during which files are transferred and processed and will have a positive impact on porting capacity.
46. In addition, a new cut-off time of 2pm for the transfer of the files to the gaining provider has been proposed. The OSG is currently investigating the feasibility of bringing the 2pm cut-off forward to 12pm, if required. The changes will result in consistency across the providers involved in porting and minimise loss of service for switchers.
47. We understand that on the day of the port some consumers may be confused about what will happen, and whether they need to do something. The Help & Support pages on our websites contain information for consumers about porting their number and explain what to do before the port and what to expect on the day of the port. We explain to consumers that they will experience a short interruption to their service temporarily, and we advise customers to prepare for this to avoid disruption and to continue to turn their handset on and off throughout the day.
48. As regards further improvements, members of the OSG have acknowledged that information on their individual websites could be made even more helpful and they have committed to publishing clearer information on their individual websites, covering subjects agreed by the OSG, which are relevant to consumers before and during the switch. The information is in currently in draft form and is in the process of being reviewed and updated. It will be available directly to customers and via providers' own websites.
49. Other OSG related improvements are being considered, including the service level agreements between providers, escalation process and resolution times. The OSG is also

discussing with Syniverse porting experiences in non-UK jurisdictions with a view to learning and considering further improvements for UK consumers.

3 Comments on Ofcom's proposals

50. We agree that requesting a PAC should be easy, and therefore, based on Ofcom's research, understand the proposal to include alternative channels for PAC requests. Providing consumers more channels could lead to confusion though, in particular for less engaged consumers, for whom Ofcom tries to simplify the process. There may also be a risk where consumers are unclear which service they are about to switch, in particular via the SMS channel. Consumers may think they cancel all services they have with a provider (for instance fixed and mobile services), or a different one from the one they intend to switch (they switch their fixed service, but end up switching their mobile service).
51. We remain concerned that the information provided to customers in many cases may not be comprehensive, that customers may not be able to make an informed switching decision, and may end up regretting their decision, resulting in a reverse migration back to the original provider. This would lead to an increase in cost for both gaining and losing providers.
52. Regarding the inbound phone contact route to request a PAC, we suggest Ofcom does not put in place restrictions on the type of conversation advisors have with consumers in this channel. Ofcom's own research shows that only one in six mobile switchers who contact their provider by telephone experience dissatisfaction with this method. In addition Ofcom also acknowledge that some customers actively engage in save conversations and indeed, benefit from reactive save offers.
53. In this context, Ofcom's review of the General Conditions is relevant as well, in which Ofcom proposes to remove the prohibition on reactive for fixed line services (currently in General Condition 22). We expect Ofcom to have a technology neutral approach on reactive save.
54. We consider that the N-PAC proposal for C&R switchers is unwarranted. In section 2, we explained that Ofcom appears to significantly overstate the harm related to double paying for this group. In addition, taking into account Ofcom's research into this group of switchers, we believe that many of these customers may not use the new proposed process for requesting an N- PAC, because it seems more complicated than the current C&R process.
55. In addition, although the risk of fraud is lower for the Auto-Switch process than for a GPL process, we still have concerns with this, in particular if PACs are requested via SMS, where the proposed process does not provide for authentication. We believe additional safeguards are required for this scenario.
56. In the time available to us, we focused on the proposed Auto-Switch process, and the changes compared to Ofcom's previous proposal. We agree with Ofcom that requiring industry to move to a GPL process would be disproportionate because of the high costs in doing so, and the limited benefits.
57. Whilst the Auto-Switch process can be implemented we note that our high level impact assessment of the changes compared to Ofcom's previous Auto-PAC process indicates a significant increase in costs to some parts of the process. In particular including the N-PAC option in the process almost doubles the estimated implementation costs for the Auto-Switch option. The SIM activation triggering the switch is another change resulting in an increase in estimated implementation costs.

3.1 Prohibiting charging for notice periods beyond the switching date

58. Although we believe Ofcom should have properly assessed the effectiveness of an information remedy to reduce the harm, we consider that the proposal to align notice period with porting for PAC switchers appears to be proportionate,
59. We note that this change in itself makes up the main benefits of all changes proposed by Ofcom, and accounts for about 60% of total benefits and as set out before, we believe double paying is a separate issue, which should be addressed independent from making changes to the switching process and the potential benefits of any changes to this should not count towards switching benefits.
60. We believe the proposal to include the N-PAC option for C&R switchers is disproportionate. Firstly, as set out in section 2, we believe the harm related to C&R switchers double paying is significantly lower than Ofcom's estimate. Secondly, taking into account Ofcom's research, we believe this group may be less likely to adopt the N-PAC process in large numbers.
61. The BDRC research gives insight into the perception of C&R switchers who decided not to keep their number. It sets out that one third of this group thought that switching would be faster without porting and one third that it would be easier. Based on this, we question whether many of these customers would be interested in the future to follow a process that is fairly similar to the current PAC process.
62. With the number of ports increasing over time, there are capacity constraints on the porting system and processes in general for both providers and Syniverse. Whilst industry is trying to use the available capacity as efficiently as possible, we consider that it would be unwise to use scarce system porting capacity for customers who do not want to port their number and consider porting capacity should be used by porting customers. Using that capacity for C&R customers could result in porting customers being negatively impacted.
63. Including an N-PAC route adds significant costs to EE's implementation costs. We believe Ofcom's concerns regarding C&R customers having overlapping service could be addressed in a much simpler way. One way to do this would be to allow these customers to choose the date by which they want the service with their current provider to cease. After this date, they would not be liable to any notice period charges. This would align their experience with that of PAC-switchers, who can decide, once they have requested a PAC, when to use it and will not be charged after the switching date.
64. Under this proposal C&R customers would contact their current provider and let the provider know they want to cease their service in for instance seven days' time. This would allow them to shop around and find a new deal. Or, if they have already made up their minds, they could ask for the cease to be sooner.
65. This proposal would avoid costly and lengthy implementation, and reduce the risk of porting capacity issues whilst at the same time reduce the harm for customers who double pay against their will.

3.2 Detailed assessment of Auto-Switch process

66. Ofcom proposes some changes in its current version of the Auto-Switch process, compared to the March 2016 Auto-PAC proposal. We have assessed the impact of including the N-PAC into the Auto-Switch process and the SIM activation triggering the switch process. Whilst the cost of including a PAC request route via SMS and online broadly remain the same, incorporating the N-PAC route in the Auto-Switch proposal substantially increases the costs for EE.

67. In order for us to trigger the correct notifications between operators and internal network updates, we will need to be able to differentiate between a PAC and an N-PAC. So while the N-PAC route may look like the PAC route, it is different, and it will need separate development and separate testing. Interfaces with all relevant systems will have to be set up for the N-PAC process as well, but in slightly different ways.
68. In addition, separate PAC and N-PAC testing is required, including the impact of each process on the other.
69. Based on our impact assessment we believe that the costs incurred for the N-PAC solution for EE will be close to the PAC costs, which means the total cost will almost double.
70. If other operators' costs of implementing the N-PAC route show a substantial increase as well, then this part of the proposed intervention may become disproportionate. In section 3.1 above we set out an alternative for the N-PAC option which would reduce double paying for C&R switchers.
71. The second substantial change compared to Ofcom's previous proposal is the SIM activation triggering the switch. This will require changes in all sales channels, and a large number of internal systems. Apart from the changes required to implement this, we have concerns relating to customer experience. For instance, in a scenario where the coverage from a new provider at the customer's home or premise is very weak, the customer may only become aware of this when they try out their new SIM. At this point, the porting of their old number has already been initiated and they could be left with no service from their new provider and no service from their old provider. This could be a problem for all customers, but vulnerable customers in particular may be affected by this.
72. For these scenarios it is important that the customer is fully aware of the implications of triggering the port process once the SIM has been activated on the network rather than agreeing a date as is current practice. If they are not, then this could cause confusion, a perceived lack of service and the customer calling to report a fault.

Relevant information when consumers switch:

73. As per our response to the March consultation, we are concerned that for many consumers ETC and handset liability information is not sufficient and that consumers may not be aware of implications of their switch on other services. An increasing share of our customer base takes multiple services with EE/BT and this number is growing fast. Where consumers are fully 'switched on', they are perhaps better able to oversee additional implications and their impact. Where they are not, they may find themselves in a situation where they take out a new contract, end up losing certain benefits, and wanting to reverse their switch.
74. Ofcom's proposal only works for those customers who take out one mobile service (or multiple services, not impacting each other). This is a concern, in particular since providers are increasingly offering, and consumers taking out, multiple services.
75. With Ofcom aiming to make switching easier, and to remove barriers, in particular for less engaged consumers, this could lead to consumer harm. We are concerned that it may result in a substantial increase in the number of so called 'reverse migrations', which is a difficult and highly manual process.
76. In addition, gaining providers may face an increase in costs related to consumers using their cooling off period, with handset costs and logistic costs going up. Neither the cost of reverse migrations nor of the increased use of the cooling off period have been included in Ofcom's cost-benefit analysis.

77. To mitigate consumers only receiving ETC information, Ofcom suggested providers can include links with additional, relevant information in the confirmation SMS. This would add costs to the process, because more systems would have to feed into the SMS message and some of these systems are currently completely outside our mobile systems. We question the effectiveness of including links, and consider only a small number of customers would read the information in the links.

Fraud and authentication:

78. In our response to the March consultation, we raised concerns in relation to fraud and authentication of customers. We argued that both proposals lacked safeguards to protect against fraud. Any type of fraud causes anxiety – both to consumers and to providers – and risks undermining consumers' faith in the switching process and the industry. We believe that both proposals have the potential to increase the risk of fraud and therefore harm to customers.
79. Under the current switching process, checks are carried out by the losing provider over the phone to verify the customer before any data is disclosed and a PAC provided in compliance with data protection legislation. Under the Auto-Switch proposal, particularly where a customer is able to request and receive a PAC by text, under Ofcom's current proposal, this verification process is bypassed. Similarly, there appears to be greater scope for customer verification processes to be bypassed under the GPL process. This not only leaves service providers open to a greater risk of fraud but also open to data protection related complaints made to the Information Commissioners Office ('ICO').
80. BT accepts that under the current switching process even with robust safeguards in place, fraudulent activity can, and does, unfortunately occur. The issue here is the unauthorised switch of a mobile number without the account holder's consent or/and knowledge and there are several scenarios which fit into this category.
81. BT has seen examples of unauthorised switching - for example, in the form of a disgruntled family member who has had use of the mobile number, or fraudsters, gaining access to a customer's SIM card through theft. In some instances, fraudsters pose as a genuine customer, reporting the number as lost or stolen, requesting a PAC and switching the number to a new service provider. There have also been instances where the user of a mobile number, who is a registered third party on a customer's account, assumes that they have the right to port the number and do so without the account holder's knowledge or consent.
82. In addition, BT remains concerned with the occurrence of more organised fraud – for example, 'account takeovers' - where a fraudster poses as a genuine customer, gains control of their account and personal information, which provides them with further opportunities to make unauthorised transactions. EE has seen a significant increase in the number of attempted account takeovers over the past few months.
83. BT remains concerned that, whilst it continues to employ vigorous measures to prevent fraud, the Auto-Switch and GPL proposals do not go far enough to protect customers against fraud and that both proposals are likely to increase fraud, or customers being switched without the account holder's consent, leading to consumer harm. Below we focus on the increased risk of fraud and authentication issues in relation to the Auto-Switch proposal.
84. Requesting and receiving a PAC by SMS would increase the risk of switching a number where the account holder does not have the SIM Card in their possession.
85. In addition, as BT has experienced regular occurrences of CLI spoofing with spam nuisance calls and artificial inflation of traffic, we are concerned that the proposals could lead to an exacerbation of unauthorised ports. Spoofing would allow a fraudster to

disguise the number when requesting a PAC. This would allow a fraudster to obtain a PAC without having the handset and possibly even the SIM.

86. Although we believe the online channel has more safeguards built in, fraudsters are increasingly trying to access these accounts, for example, via Web chat functionality, and deploy malware to obtain customer data. When this happens, the fraudster may not be in possession of the SIM, a scenario which is not included in Ofcom's analysis of SIM Swap or Unauthorised Acquisition of Mobile Numbers.
87. Additional safeguards could be incorporated in the SMS and online routes. Providers could send the customers a verification message back, to which the customer would have to respond before receiving the PAC. Similarly, in cases where a number is reported as lost or stolen, measures need to be place to ensure that the SIM is replaced and registered to the number prior to a PAC being issued. This would add further costs to the solution though, and slow down the process. Where the customer uses the online route to request a PAC, the PAC could be sent by SMS to the registered mobile number on the account rather than online, to minimise impact related to online fraud.
88. In terms of the requirement to provide a PAC request via an industry short code, PlusNet, BT Onephone and BT Mobile do not currently have the technical capability to provide such a service. This will have to be separately developed for this purpose.

Multi-SIM accounts

89. BT Mobile has a product "Family SIM" where multiple SIMs are provided as part of one contract. There are some specific issues with Family SIM accounts and the proposed Auto-Switch process, which may also be relevant to other providers offering multi SIM accounts.
90. ✂
91. ✂
92. ✂

3.3 End-to-end management process

93. In Section 2.4 we included an overview of the improvements that are being implemented by mobile CPs on a voluntary basis. We believe these improvements will minimise the number of cases where ports do not take place in one business day, and to a shortening of the time period during which a consumer's service may be impacted on the day of the port and that a costly intervention to put in place an end-to-end management process is disproportionate, and may not be effective.

4 Comments on Ofcom's impact assessment and conclusion

94. Ofcom's consultation includes updated benefits and updated costs compared to the March consultation. Below we comment on these, including on Ofcom's conclusion. In the time available, we have only focused on the benefits and costs related to the Auto-Switch option.
95. Based on an assessment of our costs, Ofcom's benefits, and issues around the customer experience, we believe there is a more proportionate way to make changes to mobile switching.
96. The details of a voluntary proposal which is supported by BT and Vodafone are included below. BT and Vodafone will continue to work on this proposal, and will share further details with Ofcom as part of the consultation.

Benefits:

97. In its March 2017 Consultation Ofcom estimated the benefits of its switching proposals in terms of removing double paying and time saving. In the latest consultation Ofcom has provided estimates from a willingness to pay (WTP) survey, which it believes are a more reliable alternative to its estimates of time savings. Ofcom's WTP estimates and double paying estimates in aggregate now form the basis of its latest assessment of the benefits.
98. Ofcom's approach of placing weight almost entirely on WTP estimates in favour of its 'bottom up' time savings estimates is inconsistent with its approach to estimating consumer benefits/harm in comparable settings. For example, in assessing the consumer harm associated with a loss of service in its auto compensation consultation, Ofcom placed significant weight on its 'bottom up' component based analysis which included estimates of time savings, and effectively ignored its WTP estimates. Notably in the context of auto-compensation, Ofcom's WTP estimates were at the bottom end of its range, whereas its WTP estimates in this consultation are nearly double those of its 'bottom up' time saving approach. Whilst noting the different context in which these estimates were made, Ofcom's extreme approach of dismissing WTP estimates in one context and relying on them almost exclusively in another shows a clear lack of consistency. We question whether Ofcom's reforms could be justified by such contentious evidence.
99. More generally, Ofcom fails to take account of the fact that WTP approaches inherently suffer from a hypothetical bias which leads to such estimates overstating the true value that consumers place on a good or service. Hypothetical bias is widely recognised in economic literature as the most persistently troubling result in WTP estimates and arises because WTP survey questions are hypothetical and so respondents who state that they would pay for a new switching process are not required to actually pay.¹ Some respondents may state that they would pay for a new process when, in fact, they would not, if placed in the real situation. Respondents may also have an incentive to overstate their WTP in the hope of influencing policy by signalling their support for a reform (i.e. strategic bias or 'warm glow') or simply to please the interviewer (i.e. 'yea saying').

¹ Blumenschein et al, Hypothetical versus real payments in Vickrey auctions, 1997, Cummings et al, Are Hypothetical Referenda Incentive Compatible?, 1997

100. Hypothetical bias is likely to be particularly strong for a passive use service such as switching where there is a lack of familiarity with paying for such services. This inherent bias should not preclude WTP estimates from being used altogether but it does mean such results should be treated with caution, and as a supplement rather than substitute to other estimates e.g. time savings.
101. In terms of the WTP scenarios presented to consumers, we believe important details of the process were left out. The fact that consumers are only given information about early termination fees and handset liability could lead to many consumers having to call their current provider back and enquire about implications for other services. It could also result in consumers going ahead with the switch and regretting their decision because of impacts on other services they were not made aware of. These situations are real outcomes of Ofcom's proposals, and consumers may change their willingness to pay if they had been made aware of this during the survey.
102. The wide range of estimates from the WTP survey and significant disparity to Ofcom's time saving estimates casts further doubt over the reliability of the estimates. Ofcom's base case WTP estimates of the benefits for auto-switch (text and online) range between £17.5m and £37m, meaning the upper bound is more than double the lower bound. Further, even the lower bound WTP estimate (£17.5m) is more than double the upper bound of Ofcom's time savings estimate (£8m), which also has a far narrower range (£5.8m to £8m). This disparity draws into question the robustness of the WTP results particularly given that where switchers in the WTP survey had a negative experience of obtaining a PAC, the vast majority of reasons were time related (e.g. 'conversation to get the code took too long', 'took too long to get the code from when I requested it', 'getting through to provider'). Despite this Ofcom comes to the conclusion that WTP estimates are more reliable and also more likely to understate the true benefits. The significant variation in estimates heightens the risk of error and highlights the need to take both a conservative and more inclusive approach to interpreting the evidence.
103. Ofcom claims that its WTP estimates are likely to understate consumer's true willingness to pay for its proposed switching reforms, but the reasons it provides for this are weak and could equally lead to overstatement. Ofcom suggests that survey respondents may value a new switching process more than the WTP evidence suggests but were unable to express their true willingness to pay because questions only provided set price points (e.g. £2, £5 or £10). However the set price points may equally have created their own upward bias because of a rounding affect. For example respondents may have only valued GPL at £1.20 but selected £2 because it was closer to their value than zero. As a result the average WTP values could also overstate the true value of reformed switching processes to consumers.
104. Ofcom also suggests that respondents are unlikely to fully account for indirect benefits of switching reforms such as those from number portability and avoiding double paying. However it provides no evidence to support this assertion. The survey did not ask respondents what they considered to be the most beneficial aspects of the switching proposals, and so Ofcom's claim is at best speculative. If consumers are truly incapable of properly assessing the benefits of the switching proposals, as Ofcom suggests, then there is no reason to believe they couldn't equally overestimate the likely benefits from switching reforms.
105. Moreover, Ofcom already explicitly accounts for the reduction in harm relating to double paying, and so if anything the risk is that respondents WTP values include this benefit which would mean that Ofcom's estimates of the benefits include double counting and are therefore an overstatement. Ofcom's WTP estimates in this context should therefore be treated as upper bounds of the expected benefit rather than as lower bounds as it suggests in the Consultation.
106. In relation to Ofcom's estimates of the benefits from removing double paying, subject to our comments about the harm, we agree there are benefits to addressing double

paying for PAC customers because they stop receiving service from their losing provider. However, as set out above, we do not agree with the conclusions for C&R switchers in this respect. These consumers continue to receive service, and a significant majority (around 80%) decided to have an overlap because they derived an immediate benefit from it. In addition, we do not agree with Ofcom's conclusion that for this group of consumers the process of cancelling their existing service and taking out a new service is a difficult one.

Costs:

107. In terms of the implementation costs of the reduction of the Notice Period for PAC switchers, we agree with Ofcom's estimate of the cost for an MNO.
108. In section 3, we included our comments based on the high level impact assessment of the Auto-Switch option, focusing on the changes compared to the previous Auto-PAC proposal. We set out our views that the N-PAC route and the SIM activation triggering the switch would lead to a significant increase in implementation costs for BT compared to the previous Auto-PAC process.
109. We explained that we remain concerned that the current process, in particular the SMS route, does not provide sufficient safeguards. We believe that the SMS route would require a validation step, in which the provider asks the customer for verification details, and the customer responds to this message before the PAC is being sent. This would further increase the costs of this solution. In addition, sending multiple SMS messages to the customer which require responses could have a negative impact on the customer experience.
110. Ofcom has not included costs for an increase in reverse migrations and customers using their cooling off period. As set out above, we believe these costs may go up substantially, and should be included in Ofcom's impact assessment.

Conclusion:

111. We agree with Ofcom that based on its cost benefit analysis, the Auto-Switch option appears to be the more proportionate one. As set out above, our impact assessment indicates that costs of this option are significantly higher than estimated by Ofcom, and that Ofcom should update its analysis.
112. The N-PAC route for C&R customers appears to be disproportionate, with benefits likely to be lower than indicated by Ofcom, and the costs higher. Ofcom should look at alternatives to address potential harm related to this, and the most obvious option appears to let C&R customers choose the date by which they want the service with the current provider to stop.
113. We note that the benefits of the Auto-Switch process only just outweigh the costs, and that the WTP analysis may not provide an accurate value of the benefits. With an increase in costs, and decrease in benefits, we question whether the changes to processes and systems, which are significant, are still proportionate, in particular taking into account the high satisfaction rates with mobile switching.
114. In addition, we are concerned that Ofcom's proposal may lead to harm for consumers who, if provided with all relevant switching implications, would not have switched, and want to migrate back to their original provider.
115. With this in mind, BT and Vodafone have worked together to develop a voluntary proposal that addresses the issues identified in the current switching process, and reduces the potential harm related to Ofcom's Auto-Switch proposal. This voluntary proposal could take the form of a Code of Practice, with providers signing up to it, comparable to the Mobile Content Code, or the Fixed Broadband Speed Code of

Practice. The high level description of the proposal is included below, and BT and Vodafone will develop the Code during the consultation process, and share the details with Ofcom and industry.

116. The changes required to implement this proposal are far less complex and costly, and can be implemented significantly faster than Ofcom's proposal.

Voluntary proposal:

117. The voluntary proposal has the following objectives:
- Address issues around PAC requests currently experienced by a minority of consumers (time and hassle);
 - Ensure all switchers are aware of switching implications for the mobile service in question, and other related services which may be impacted, before they switch provider.
 - Ensure providers can carry out authentication and account holder verification.
 - Be a cost-effective solution that can be implemented relatively quickly.
118. Under the voluntary proposal, switchers will contact their current provider by phone or web chat to express their intention to switch. The advisor will authenticate the customer, and then provide the customer with the PAC.
119. Once provided with the PAC, the provider will make the customer aware of relevant information about the switch.
120. Only then will the advisor ask the customer whether they are interested in any offers they may have. At that point, the customer can exit the call and progress the switch, or listen to the offers of their current provider.
121. The details of the exact call flow and the relevant information to be provided will be agreed in the Code, but the main point is that the PAC will be provided immediately after customer authentication.
122. In our view, this proposal strikes the right balance between the majority of customers who are interested in hearing what their current provider has to offer and the minority who do not want to lose time and have made up their mind. It also addresses the potential harm of consumers making an uninformed switching decision and it does not exacerbate authentication and fraud related switching issues.
123. The proposal significantly reduces system developments and costs. The main changes are process related, in particular in terms of the scripts of our retention advisors, and the order in which they carry out switching related activities.
124. In terms of implementation time, BT and Vodafone consider this could be implemented significantly sooner than Ofcom's planned implementation times.
125. The Code will include details around the way compliance with this proposal will be monitored. Our current thinking is sharing of scripts with Ofcom, and call listening to ensure advisors are compliant with the rules.
126. BT would like to add the alternative to the N-PAC proposal, described in section 3.1 to this voluntary proposal. This would ensure C&R customers would have a comparable experience to PAC customers, in terms of their ability to reduce double paying. It would also further reduce implementation time and costs.