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Sent via email: Shaun Kent Shaun.Kent@ofcom.org.uk

Three's Response to Consumer switching *Proposals to reform switching of mobile communications services: Revised cost estimates*

Dear Shaun,

Three (Hutchinson UK 3G Ltd) welcomes the opportunity to respond to *Proposals to reform switching of mobile communications services: Revised cost estimates*.

As Ofcom are aware, Three has long supported the introduction of Gaining Provide Led (GPL) switching into the UK mobile market. As the challenger operator, we have experienced how the current Losing Provider Led (LPL) switching processes inhibits competition in the market, while also causing real hassle and harm for UK consumers.

Therefore, we welcome Ofcom's continued commitment to reform the switching process. Ofcom provided a strong evidenced-based case for reform, demonstrating the consumer harms caused by the current process and how these harms would be addressed by a reformed switching process. Ofcom has also undertaken detailed discussions with industry, enabling them to provide a credible estimate of the implementation cost. It is Three's view that the revised costs provided by Ofcom are reasonable. Compared to the consumer benefits associated with GPL it is clear that such reform is proportionate.

While Three has been involved in the discussions with Ofcom (via the Operators' Steering Group) to improve the current porting process, these changes are a short-term fix, addressing some of the technical issues that have contributed to a recent increase in port failures. However, it is to note that these amendments should be viewed as a temporary sticking plaster, and will not be effective in tackling the longer-terms underlying issues that cause consumer harm or restrict competition. These issues are partly due to the current outdated and decentralised system, and partly due to the structural problems inherent in LPL switching processes.

Three believes that Ofcom have clearly demonstrated that GPL switching is the best reform for UK consumers and the most effective at fostering competition in the mobile market. Therefore, we are disappointed that Ofcom continues to consider an automated PAC process as a viable solution. Ofcom must not settle for a halfway house when it comes to switching reform, in order to appease the incumbent operators. As the cost for each solution is proportionate, especially when considered over a ten year period, Three urges Ofcom to progress their preferred option of GPL switching.

Below are Three's specific comments on the revised costings, focusing on the impact of a) the process changes to the proposed solution and b) the associated cost to industry. Three has worked with Ofcom closely on previous stages of the consultation and have provided significant feedback throughout 2016 to their switching team. Unfortunately, due to the short timeframes and resource limitations, Three has been unable to fully stress test all the revisions on this occasion. This means that we are unable to provide a definite view as to how these changes will impact implementation and the associated costs.

Instead, we have provided below our high-level view of Ofcom's revisions. While we believe that our conclusions are credible, it must be recognised that they are indicative, and that changes or clarifications to the reformed processes may impact our view of business costs.

Comments on revision to the proposed processes.

Switch without porting

The scope of the recent consultations on switching has included only porting scenarios. These revised processes seem to suggest that switching without porting will also be included. It would therefore be useful if Ofcom could provide further clarification on the process differences for switching with and without porting, as this will impact on costings.

The case for extending the scope to those customers who switch without porting is clear in the GPL scenario. It will provide more choice for consumers, as they would have the option of avoiding interaction with the GPL altogether. However, in the case of the Auto PAC variant, the benefit of including switch without porting into the process is not clear. Without the associated consumer benefits, this may impact on the proportionality of the costings.

Three would also welcome Ofcom clarification on the impact of switching without porting on the possible reforms around notice charges. In the previous consultation on abolishing notice periods (July 2016) switching without porting was not included in the scope. However, it does appear in the scope of this document and may explain the increase in industry costs for implementing this measure, which have increased from £6.8m to £7.6m.

Business Customers.

The process diagrams in this document suggests that providing information relating to Early Termination Fees (ETC) will only be a requirement for residential customers. Three would like clarification from Ofcom that the provisions around ETCs would not be expected to apply to business customers.

Third Parties.

It would be useful if Ofcom could clarify how they will be engaging third party retailers on any proposed reforms. If the expectation is that this would be handled by industry, there may be some additional costs.

Ownership of a number.

Three notes that the update to the Central Porting System (CPS) about the current ownership of a number is now factored in the End to End Management. We would welcome Ofcom's confirmation that repatriation the only other scenario where this update would be required.

Comments on the proposed costings.

Three notes that the estimated costs have increased for both the Auto PAC and GPL solution. For both solutions, these additional cost cover revised Steering Group costs, inter operator testing and training costs. To Three, these revised cost estimates appear reasonable and proportionate.

Three assumes that the increased costs to industry relating to the abolition of Notice Charges are due to the decision to extend the ban on Notice Periods to non-porting customers. If this is the case, then this increase appears reasonable.

I hope that the above comments are useful to Ofcom. Please do let me know if you have any further questions or if there is any further assistance we can offer to facilitate the publication of Ofcom's final reforms.

Yours sincerely,

Jennifer Amphlett
Lead Political and Parliamentary Affairs Manager