Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: Mobile Number Portability – Review of the Porting Process

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Name of respondent: Howard Erdunast, BT Group Regulatory Affairs Department

Representing (self or organisation/s): BT

Address (if not received by email):

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Nothing X	Name/address/contact details/job title
Whole response	Organisation
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Name   Signed (if hard copy)

26 October 2009

BT'S RESPONSE TO OFCOM'S CONSULTATION "MOBILE NUMBER PORTABILITY – REVIEW OF THE PORTING PROCESS"

BT would welcome any comments on the contents of this document which is also available electronically at http://www.btplc.com/responses

Comments should be addressed to Howard Erdunast, BT Group Regulatory Affairs Department, pp C81, BT Centre, 81 Newgate Street, London EC1A 7AJ, or by e-mail to howard.erdunast@bt.com.

EXECUTIVE SUMMARY

BT welcomes the fresh approach taken by Ofcom following the successful CAT appeal by Vodafone and interveners. The consultation presents good information and analysis. BT would accept the existence of many of the shortcomings identified by Ofcom around the PAC experience. However, we do not believe that the evidence presented by Ofcom overall suggests that the time to port a number or the process itself causes levels of dissatisfaction, barriers to porting or problems that should require significant change.

Our concern would be that some of the changes proposed might have negative consequences, in particular in the form of slamming and other erroneous transfers, which would be far greater than the problems for customers that exist today. A process that is recipient-led would appear likely to lead to problems with customers' service being taken over by a new provider without their permission. Reducing the process to less than two hours could prove insufficient to allow the job to proceed correctly, leading to similar, or other, unforeseen problems

BT would therefore support either maintaining the two-day status quo or Option D, a donor-led process with porting completed the working day following the working day that the porting request was received.

BT accepts that some of the poor customer service practices that have grown up around the provision of PAC codes should be addressed, and that the opportunity to receive a PAC code by e-mail or text within two hours appears reasonable and proportionate. We believe that a dialogue between the existing provider and the customer to confirm their identity, the validity of the porting request and providing an opportunity to explain the customer's contractual position, for example any outstanding term or debt is of benefit to consumers. We also agree that whilst overly vigorous save activity that mars rather than enhances the customer experience should be eliminated, consumers often benefit from that contact, as the discussion may lead to a more appropriate deal for their circumstances being offered. A Code of Practice for the industry around the customer verification and service package review by the number donor might be a proportionate way forward.

BT would also suggest that there may be other barriers to porting that Ofcom has not considered. One such is the loss to pre-pay customers of outstanding credit when the port proceeds. This may be an area in which Ofcom could conduct further research as it may be factors such as this rather than the speed of porting or whether the process is donor or recipient led that may in fact be of greater importance to consumers.

BT's response is in the form of answers to Ofcom's questions.

Section 3

Q3.1: Do you agree that the bulk porting process should not be included in this review and should be left to industry agreement?

The needs of customers requiring bulk number ports tend to be more sophisticated than consumers with only their own number, and as such the process can be more complex. Indeed, the proposed EU Framework would only apply to the porting of consumers' numbers. It is therefore appropriate that the more straightforward situations where fewer numbers are ported should be addressed first. BT therefore agrees that these should be omitted from the review conducted here. The option to review the process for bulk ports in future remains open.

Section 4

Q4.1: Do you agree with Ofcom's view that the evidence suggests consumers would prefer a faster porting process?

Whilst it may be the case that at least some customers would prefer a faster porting process by comparison with one that is the same length or slower, it is difficult to conclude from the evidence presented by Ofcom in the consultation that customers appear to attach much weight or value to it. Additionally, if the process were to be made faster, there would be risks, and the research does not set out how customers would feel about the possible trade-offs, for example the increased risk of being slammed, or something simply going wrong as a consequence of rushing the port through. In short, BT is not convinced that the mobile porting lead time is a significant issue for customers. BT believes that the data presented by Ofcom lends some support to this conclusion.

• para 4.40 starts - "Despite two days generally being seen as acceptable ………"
• para 4.43 - 78% of consumers who had ported their number were satisfied with the time it had taken …….. ten per cent of consumers who had ported were dissatisfied with the time it took. Also, even after being prompted, only 7% of those who had switched provider without keeping their number cited the time to do so as a factor. Only 17% who had not ported considered that the time to do so puts them off (and that figure seems to include those who would also switch without porting).

BT believes that faster process times, even a move to next day porting, can only be made to work in a safe way for customers if they are associated with much stronger validation of a PAC transfer code, PIN code or other similar method.

Q4.2: Do you agree with Ofcom's view that the current process does not work well for all mobile consumers?

Ofcom's research suggests that for a minority of customers the mobile porting process does not work well. BT would accept that view, whilst not necessarily sharing Ofcom's view of the underlying causes. One such class of customers is those wanting to port their number to newer entrants, an issue well-known to Ofcom, though not highlighted in this research. What the research does not show is whether doing something different would reduce the size of the minority who felt it was sub-optimal, and indeed, whether the opposite might occur, albeit that a different set of customers might be dissatisfied.

Overall BT believes that there are relatively simple remedies, as proposed here by Ofcom, which could be applied to the PAC process in order to improve its effectiveness for customers, that is the provision of a PAC immediately over the phone or in a SMS within two hours.

Q4.3: Are there any other areas of consumer harm that have not been identified? Do you have any evidence to demonstrate other areas of consumer harm?

BT would accept Ofcom's point that a lack of certainty and predictability around the porting process is unhelpful to consumers. For example, we do not know what customers think will happen when they port. Do they understand the extent to which continuity of service is achieved? Do they think that for a two hour or two day process they would be without service for the entire period? How long do they think they would be without service? Clearly, if they think that there will be a loss of connectivity throughout the porting period, the duration of the porting process would be a critical factor in their opinion. However, perceptions would be likely to be different if, for example, contract consumers realised that they would retain outbound voice service throughout the porting period and only be without inbound voice service for the **same** relatively short period of time (generally around two hours), whether the porting process end to end took two days or two hours. Some research around consumers' knowledge and perception in this area could be illuminating.

BT would therefore separate control and predictability from whether the process is either donor or recipient led, or whether numbers can be ported in two days or two hours. However there may be other consumer concerns around "lack of control" that could manifest themselves in some customers wanting porting completed more quickly.

For example, currently pre-pay customers' credit balances are not transferred to the new provider. This means that customers are likely to try to minimise their losses. If any credit balance were not lost, it would perhaps help assuage their concerns of being left without credit or losing money over the porting period. As things stand, it is likely that customers will "play chicken"

by running their balance down as far as possible without losing the ability to make a couple of calls. Thus, for equity, in the same way that donor companies will seek to recover contract sums owed, it perhaps ought to be made possible for pre-pay customers not to lose their credit balances (it may be that the cost of returning or transferring balances may prove prohibitive, but it should perhaps be investigated). If customers knew that such was the case their propensity to switch might increase.

Q4.4: Do you agree that Ofcom should intervene to introduce changes to the current MNP process to address the harm identified?

BT believes that Ofcom should identify and prioritise the key features of any porting process and give industry an opportunity to work together to put in place measures that would improve things for customers. Key attributes of such a scheme would include:-

• Ensuring that opportunities for mis-selling are eliminated
• PACs should be available swiftly and easily
• PACs should not be denied even if the customer is in debt
• Porting customers should be informed of the contractual position with their existing provider before agreeing to port
• Customers should have the opportunity to benefit from a save call, but equally be able to easily decline one (it is worth noting that when the Competition Appeal Tribunal found in favour of Vodafone on 18 September 2008, they did not believe that there was sufficient cost/benefit evidence presented to conclude whether the save opportunity was or was not good for customers)

Section 5

Q5.1: Do you agree with Ofcom's view that the 'do nothing' option is unlikely to be appropriate in light of (i) evidence of consumer harm and (ii) noting the proposed one working day porting requirement under the New Telecoms Package? If not, please give reasons for your views.

BT believes that there are better options than "nothing", though we think that the case for the more radical changes set out by Ofcom is not strong.

Q.5.2: Do you agree with the range of potential options Ofcom has set out?

BT believes that the Options A-D offer a fair range of potential ways forward.

Q.5.3: Do you consider that there are additional options that Ofcom should have considered? If yes, please explain what option(s) should have been considered and why.

In considering changes to the MNP process, Ofcom should bear in mind that increasingly consumers are obtaining bundled services, including mobile, from a single provider. A single end-user switching and porting process across a range of products should be an objective for Ofcom and industry, and whatever is developed now for MNP should not hinder a wider solution across fixed number portability and broadband migrations.

Q5.4: Do you agree that a two hour timeframe in which to issue the PACs for Options B and D is appropriate? If not, please give reasons for your views.

BT believes that a requirement to offer a PAC "within two hours" (BT believes that this should be two working hours) represents a fair balance between the need for safeguards and avoiding undue delay.

Q5.5: Do you agree there should be a difference between how the recipient-led processes in Option A and C should work for single account versus multi-account porting requests? Do you consider that the proposed authentication process (described in paragraph 5.41) for multi-line accounts is sufficient? Please explain any other differences you would expect to see whilst ensuring that any differences are still consistent with the overall objectives the options are trying to achieve.

BT believes that a donor led process if anything is more important for multi-account ports than single number ports as there is a far greater propensity for things to go wrong, and reversing a rogue multi-number port would also be more fraught with difficulty.

Q5.6: For each of the options set out, do you consider that Ofcom has captured all the appropriate categories of cost likely to be incurred? If not, explain what categories you disagree with / believe are missing.

No comment.

Q5.7: Do you agree with Ofcom's analysis of costs for each cost category? If not, please explain why. Please also state whether you are able to provide Ofcom with a more accurate view of costs and if so, please submit your assessment, together with supporting evidence with your response to this consultation.

No comment.

Q5.8: In the case of new entrant MNOs, what additional costs are likely to be incurred internally within each of the networks for each of the options? Please submit your estimates in your response to Ofcom.

BT believes that the additional costs for new entrants would be similar in type as for the five large MNOs. A recipient-led porting process would require not only a robust possession check but also identity checks by the recipient provider. In the event of two hour porting, a customer would need to be validated (or not) near-instantly as the decision-time would have to allow the number to be ported within two hours, assuming that the order is not rejected. The donor would also be asked to indicate in almost real time whether the customer is or is not within minimum term.

These steps and no doubt others would have a massive impact not only on how we manage numbers (whether ours or sub-allocated) but also on our operating systems. At this point in time, without even a loose specification, it would be very difficult to make an informed cost projection but we would expect it to be very significant indeed, and a lengthy lead time too would have to be anticipated.

Q5.9: Do you agree with Ofcom's analysis of benefits for each option? If not, please explain why.

Ofcom states in paragraph 5.23 that "the net benefits calculated at the end of this section represent estimates of the incremental benefits". However, its analysis does not appear to support this statement.

The starting point for its incremental analysis should, we believe, be that "79% of consumers report that they find it easy to switch mobile providers," and that, "80% of mobile consumers who have switched and kept their mobile number were satisfied with the overall process". That is, the vast majority of users porting their numbers are happy paying nothing and with the average time the porting process takes.

With such a high level of satisfaction with outcomes and timescales, it is surprising that Ofcom then calculates the willingness to pay based on everyone who ports - and not on the incremental number.

If 4 in 5 of the 2.6m users who port are satisfied, then the benefits (and costs) are really focused on 500,000 mobile users who port who are not satisfied. Benefits from just this number of users are insufficient to produce a positive net present value for any option, given the level of costs. With Options A, B and C costing at least £15m per year, the cost per person porting would be £30 (£15m/500,000), whilst even Option D would cost almost £6 per year (£3.4m/500,000). These figures compare to the results from Ofcom's research that the majority of users are only willing to pay less than 50p for

near-instant porting. That is, the benefit of near-instant porting has a very low monetary value for the majority of users, but near-instant porting will generate more significant costs per beneficiary.

Q5.10: Please state whether you consider that Ofcom should take any additional benefits into account and explain how. To the extent possible, please provide any estimates of these benefits and the supporting evidence.

No comments.

Q5.11: Please explain whether you agree with Ofcom's assessment of the pros and cons of each option and if not, why not.

No comments.

Q5.12: Please state which option(s) you favour and why?

BT favours Option D – a donor-led process which allows a port to be completed the working day after the working day that porting is requested. BT believes that, combined with a two hour time scale for the provision of a PAC, this best balances consumers' interests – a swift porting process with appropriate safeguards to prevent slamming that can be introduced relatively quickly and does not require a central database, the implementation of which is likely to take up to three years, if indeed Ofcom decides that direct routing should be mandated.

Q5.13: What do you consider a reasonable implementation period for each of the options and why?

BT believes that Option D could be implemented reasonably quickly and economically. BT believes that a move to a two hour porting window would be highly dependent on a move to direct routing, the subject of Ofcom's other consultation being conducted in parallel with this one. Given that the central database, if mandated in line with Ofcom's proposals would only be mandatory for the five leading MNOs, it is difficult to see how a two hour porting window could be implemented other than for those providers. BT would have concerns therefore on how this might impact new entrants. Two processes – one (two hour) between the five MNOs and another (next day) where another company was involved – would not be attractive, and would be confusing to customers.

Whilst there's not really enough to go on at the moment, an educated guess would suggest that a move to a next day, recipient-led process would be unlikely to be able to be adopted much inside two years, at best.

Section 6

Q6.1: Do you agree that it is appropriate for Ofcom to appoint a qualified independent consultant(s) to work with industry to develop cost estimates for different implementation options? If not, please state why.

BT would suggest that prior to mandating a solution or time line, an independent third party who could facilitate collaboration between impacted parties would be helpful. The person concerned would not need to be an expert in the telecoms field (perhaps it would be better not to bring in someone with telecoms "baggage") though a sound mediation and financial background would be helpful. This might help start with an open mind, building on some of the work undertaken previously. Thus, any case for change can be made through a robust cost benefit analysis, with go / no-go decision points built into the timeline.

Q6.2: Do you agree with the remit set out above for the consultant/expert? If not, please state why.

The remit of any third party facilitator should be tightly defined, within an agreed budget, apportioned on a pre-agreed, equitable basis, for example volume of imports in the previous x months (i.e. those likely to benefit the most, pay the most). Whoever the expert is coming in, we would expect them to be "light touch" in relation to design, funding etc. – a facilitator only.

Q6.3: If you would like to recommend suitable experts / consultancies to Ofcom, please do so on a confidential basis.

Noted.

Q6.4: Do you agree that three months is an appropriate period of time for this feasibility assessment to be undertaken? If not, please explain why and what you consider to be an appropriate timescale.

It rather depends on the depth of initial feasibility / CBA required, and the extent to which the previous work remains valid. Getting the feasibility right is crucial, so whilst unnecessary delay should be avoided, an overly rushed CBA that is insufficiently thorough would be worse. Based on the previous work under the aegis of UKPorting, we believe that three months appears optimistic (other than possibly for Option D) especially with respect to the current financial conditions and likely shortage of resources in the MNOs to commit to this work. With the need to get industry agreement, six months may be more reasonable.

Q6.5: Do you agree that the criteria for making this process effective as outlined under paragraphs 6.14 to 6.16 is appropriate? What else is required to make this process constructive?

No comment.

Q6.6: Do you agree with Ofcom's proposed next steps following responses to this consultation? If not, how do you consider Ofcom should complete its cost-benefit analysis and proceed to an implementation of one of the four options?

Ofcom should ensure that only changes that are likely to be consistent with a porting and switching process that will work across bundled products including fixed and mobile should be introduced. This suggests to BT that modest changes only should apply at this point, that is Ofcom's Option D, with an enhanced PAC process.

Q6.7: Do you have any comments on the proposed timings for reaching a conclusion for this review?

No additional comments.