

Non Geographic Call Services

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Consumer experience



- Consumer surveys indicate that consumers have a **low awareness of prices** for non geographic calls (NGCs):
 - Consumers are deterred to make these calls due to:
 - **Alienation** with these numbers;
 - a **lack of confidence** when calling non-geographic numbers; and
 - expectations of high prices; (i.e. on average, consumers overestimate actual prices)
 - Less than 50% know the price of 0800 on a fixed line;
 - This contributes to the **dampening of demand** (21% of consumer claim they never make NGC calls, 73% almost exclusively use fixed lines for such calls)
- Some avoidance strategies could go beyond substituting mobile for fixed line:
 - access to using (potentially inferior or more expensive) alternatives, such as searching the Internet visiting their SP's branches (e.g, their bank)
 - Others use more extreme (and therefore costly) call avoidance strategies, such as seeking alternative access to a phone line (e.g. at a Citizens' Advice Bureau), which also potentially delays the call quite significantly

Impact of consumer experience



- Low price awareness, means consumers are not able to put pressure on prices
- These issues have a disproportionate impact on mobile only households, creating **distributional issues**; **26%** of lower socio-economic DE households rely on mobile for all their telephony needs, compared to **9%** of ABC1 homes
- These negative effects also harm Service Providers who face lower demand and find it difficult to control the price of their services. Only 5% of SPs considered they had any control over retail prices. This reduces innovation and availability

Wholesale market unstable



- Changes to the SMP determination on BT highlighted the inconsistency of NGC rules focussed on BT and fixed providers
- Existing regime probably not sustainable – nor apparently effective
- BT has now challenged existing ‘gentlemen’s agreements’ on termination and other following:
 - Leading to disputes and appeals
- We need to consider a regime that reflects the current and future market
 - Less focussed on fixed lines
 - Addresses concerns of all participants –though most of all the consumers

Source: Ofcom / Futuresight consumer research 2010

Major options



- Deregulation:
 - possible but we would need to be confident that existing problems would not be exaggerated
- Caps on all number ranges “this call will cost no more than 40 pence per minute”
 - Would reduce prices and provide some consumer certainty;
 - We would need a lot of sub-range caps if service provider competition is to be encouraged
 - Wholesale disputes likely to remain and would have to be addressed through additional ex ante measures (if possible) or disputes resolution procedures
 - No clear whether offers a long term sustainable position
- Unbundled tariffs “this call will cost 25 pence per minute plus your network access charge”
 - Separation of service (SP and terminator revenue) and access charges (originator revenue);
 - Service charges set by SP/terminator subject to broad range caps
 - Access charge needs to be simple and consistent for a given consumer package so that consumers can remember it and make choices about it at the point of sale.

Other questions



- Freephone – free to caller?
- Geographic rate non geographic numbers – how many are needed?
- Maximum prices for premium calls – can it be increased, if so what safeguards
- How should the more minor ranges be treated – 05, 07 (non mobile)?

Opportunity for change and timing



- New EU Framework provide for intervention to impose price ceilings or tariff principles for consumer protection
- Transposition of new framework to domestic legislation by May 2011
- Time now for consider the principles for change
 - Consultation October/November
 - Statement on principles early 2011
 - Implementation once legislation is finalised