



NTS: A Way Forward?

Final Summary

FlexTel was surprised and disappointed at the biased position, taken in the recent Telephone Numbering consultation re: NTS: A way forward proposals (NTSwf). The implication being that Ofcom Executives still may not realise the full impact of NTSwf. Although we have supported some of the NTSWF proposals, we believe Ofcom is about to throw the “baby out with the bathwater”. This may be due to the complexity of the arguments and volume of material to digest, but it also appears that FlexTel and other SME providers are too small to be noticed and are ignored in favour of larger players, like BT. For clarity we only deal with the NTSwf proposal to regrade 0870 from the current regime (*yielding about 6p/min to TCPs*) to the proposed regime (*yielding only 0.35p/min*). For the detail of our position, please see input that Ofcom holds on file, from FlexTel, other TCPs and the INWG. This proposal we believe, will cause detriment to Citizens, Consumers, Innovation and Competition

Impact:

As we did not expect Ofcom to implement the cited 0870 option (*as we consider it **unsound***) FlexTel took the view that it was unnecessary to trouble its customer base with such improbabilities. If, on the 29th March, the Ofcom Statement indicates otherwise, then, to avoid mis-selling the 0870 service, all 0870 TCPs would need to inform their 0870 customers, immediately.

FlexTel's many thousand of 0870 SME customers are likely to be given 2 choices:-

- 1) Pay 10p/min for call forwarding (*includes additional costs for inefficient low volume billing & collection risk*) or
- 2) Change number to 0844 or 0871, at an average cost of £5000 and also lose inbound call access from abroad.

Currently, most of our customers are unaware of Ofcom's proposals. The reaction of those that are aware is universally hostile.

Why Unsound?

FlexTel and others have demonstrated that the 0870 proposal is:

1. **Unsound** – We and others have indicated that Ofcom's basis for opinion is flawed in a number of aspects, including defective Market Research and thus Impact Analysis e.g. poor analysis of SME market and mobile-NTS call costs.
2. **Overkill** – It goes well beyond the spirit of EDM 622 – where the fundamental argument is ‘who should pay? - the taxpayer or caller?’ – this was fully satisfied by subsequent revision of the COI guidelines.
3. **Reactionary & Interventionalist** – Driven by political and media pressure, an established service will have its price point disturbed to shatter business models of hundreds of companies, in breach of BRC and Ofcom own stated principles.
4. **Not Strategic or Fair** – It breaches the admirable transparency philosophy set out in Ofcom's current numbering review and the visionary proposal for 03 Countrywide Numbers. It also adopts BT's business strategy to kill “problematic NTS”.
5. **Discriminatory** – It discriminates against SME TCPs and SME businesses, especially those based outside London. Large corporate and Government systems, with embedded VoIP infrastructure, may not be affected. It favours BT.
6. **Draconian** – It punishes valid users, who have adopted 0870 in good faith and use the service beneficially, to all. Ofcom would be wise to remember that citizens and consumers don't just make calls, they receive them.
7. **Bad for the Environment, Ecology and National Efficiency** – It will force some teleworking SME companies to centralise remote workers, damaging conurbations, by increasing demand for scarce resources, therein.
8. **Reduces Competition & Choice** – Removes the ability of SME TCPs to operate 0870. The 0870 service will close for many SME TCPs and only be available from larger TCPs. Many innovative features of 0870 will be lost.
9. **Porting of 0870** – This has not been considered by Ofcom. It is not commercially viable under the proposed regime.

Pause for Thought?

Before Ofcom decides to go ahead with the 0870 proposal, we suggest Ofcom must ask itself... Why has Ofcom misunderstood NTS operation with respect to the majority of its SME Stakeholders and thereby ignored the vast SME market, including SME 0870 customers? Why is Ofcom's mobile call origination research and analysis so weak? Would Ofcom be considered responsible for losses caused, if it based its actions on data known to be unsound? Who in Ofcom would be accountable for such an outcome? What will the sleeping majority's reaction be, whose expectation is that an 0870 number is permanent and costs nothing to run, after the TCPs have informed their customers (‘consumers’) that the Regulator, who created the 0870 market, has made such a policy U-turn? Is there a case for Ofcom to be referred to the OFT with respect to its conduct in the Telecom Market which appears to be significantly harming the interests of consumers?

Recommendation

We recommend that Ofcom cap 0870, as anticipated in its July 2005 Annual Report. Then phase-in “Countrywide Numbers” under the proposed 03 code, to give more choice for all.

Finally, we also suggest, for the fourth time, that telecom call price transparency be greatly improved, in order to reduce scams, promote competitive pricing and thus stabilise the market. This by legislating for full Call-Price-Labeling. Specifically, this will help lower the excessive cost of Mobile to NTS calls. An added benefit would be the avoidance of a forthcoming OFT/EU investigation into the continued malfunctioning of the market and the failure of the Regulator to protect consumers from excessive pricing by mobile network operators. We commend this information to Ofcom, which it may copy to any interested party.