

Neil Nasralla
4th Floor
Office of Communications
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Head Office
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Telephone: 01738 456400

Facsimile: 01738 456415

Email:

Our Reference:

Your Reference:

Date: 7 September 06

Dear Neil

Implementing decisions from Ofcom's numbering review

I write in response to Ofcom's recent document on the above, which was issued on 27 July under the title "Telephone Numbering - Safeguarding the future of numbers". This document presents Ofcom's conclusions on a range of issues that have been addressed in Ofcom's earlier consultation on numbering issues. However, it also raises a few detailed issues for further consultation.

SSE has entered the retail market for telephony service provision in recent years using the available reselling arrangements. It is therefore an "originating communications provider" (OCP) in the terminology of the document and would be subject to the proposed requirements for pre-call announcements relating to personal numbers. The majority of our comments relate to these proposals and we set them out below.

General Comments

We generally welcome Ofcom's clarification of the high level strategic decisions about how telephone numbers will be managed over the next five to ten years. We agree that developments in the market such as voice over internet protocol (VoIP) and the move to next generation networks will gradually erode the geographic link between numbers and location whilst providing opportunity for the development of new services. In our view, it will be important to take account of these trends in developing the migration processes by which customers can change between different suppliers of retail services, potentially taking their "number" with them.

Price Ceiling for 070 "Personal" Numbers

We recognise, from Ofcom's discussion of the issues surrounding use of personal numbers, that customers are generally unaware of the relatively high cost of calling these numbers and that they have been subject to a variety of "scams" that exploit this general lack of awareness. We therefore support Ofcom's intention to close this number range in the

medium term (July 2009), coupled with a review during 2007 of whether it is appropriate to open the 06 range of numbers for these services. However, we are concerned about Ofcom's proposals for a price ceiling on calls to these numbers in the short term.

Ofcom proposes that it should be an obligation on OCPs to abide by a specified price ceiling for calls to these 070 numbers or, if the charge is going to be higher, to provide a free pre-call announcement to the customer about the charge involved. We are concerned about a developing trend for Ofcom to react to issues that arise in the telecoms value chain by placing more regulatory obligations on OCPs – mainly in the area of information provision. We do not object to the proposal for some form of price limit on 070 calls per se, but consider that this requirement and the associated one to provide a pre-call announcement if call charges are to be higher than the price limit should be directed at those communications providers who make 070 calls available. There are specific practical issues with involving the OCP in the proposed obligations, as we discuss below.

In our experience, OCPs who are resellers like ourselves do not start with a comprehensive set of charges for every possible telephone number. Instead, they gradually build up specific charges for particular non-geographic telephone numbers as their customers actually call these numbers and bill the initial calls to these new numbers retrospectively. Thus, if a new 070 number is called from an OCP's network, he will not know what charge is applicable at the time the call is made and will have no basis for a decision on whether a pre-call announcement is necessary. The OCP's wholesale network provider, on the other hand, will know whether a pre-call announcement is necessary as it does have information on the wholesale charge for the call.

The charges made by the OCP will be dependent on those charged to him by the wholesale network provider to whom he is contracted for network services - usually BT; the OCP will either pass these through or add a small administrative charge. In the case of BT, for example, wholesale charges for these numbers are published and are not subject to negotiation. Therefore, in our view, OCPs do not effectively "have some choice about charging above the price ceiling", as Ofcom suggests at paragraph 6.74 of the document, unless they decide to subsidise the calls, which would add to their costs of serving the customers and would not make business sense.

Furthermore, we do not (and we do not believe that OCPs generally) already have pre-call announcement systems in place as Ofcom suggests at paragraph 6.73 of the document. The proposal for OCPs to invest in such systems on the basis that "they will also be in a position to pass on the costs of pre-call announcements in commercial negotiations" is laying a substantial cost of remedying the "070 issue" on OCPs. We do not believe that this accords with the better regulation principle of proportionality in that the regulatory intervention is targeted at parties who do not have direct control over the source of the problem while other parties – wholesale network providers and communications providers who own such numbers – do not face any direct regulation.

We therefore believe that the obligations

1. to abide by a wholesale price ceiling (which should be a simple numerical cap, in our view rather than the more complex option to link with other OCP charges to mobiles); and

2. to provide a free pre-call announcement if the wholesale call charge exceeds a certain price limit

should lie with the party best equipped to provide the information i.e. the wholesale network provider rather than an OCP who is a reseller of wholesale network services. The OCP will add his standard call origination fees but these will be fully described in his charging information available to customers. If the evidence available to Ofcom suggests that the OCP's call origination fees for 070 numbers are of concern, then there could additionally be a backstop obligation on OCPs along the lines that Ofcom has suggested, but only for the call origination element of the call charge. We doubt that this would actually be necessary if the proposed requirements are placed on wholesale network providers.

General Comment on Call Cost Transparency

Finally, the specific issue that we have discussed above appears to be one aspect of a general issue of consumer awareness on the make-up of call charges. In other contexts, for example premium rate services (PRS), there is a requirement to inform customers of the "cost of the call" and we note that Ofcom intends to review further the transparency problem arising because the Numbering Plan only applies to calls from BT lines.

In our view, a way forward on this issue would be to develop customers' understanding that there are 2 components in the cost of their calls. Firstly the "wholesale component" which covers call content (if applicable, as in PRS calls), termination and transit fees; and secondly the "retail component" charged by the OCP that is the customer's immediate service provider – the one with whom he has a billing relationship for all his calls. There are now many different OCPs in the market and a range of regulatory obligations on the information that they must make available to their customers, particularly those providing Publicly Available Telephony Services. Ofcom has recently added to these obligations with further requirements in relation to information provided by the OCP on PRS and number translation services.

Where there is a regulatory requirement to provide information on the costs of calls, we believe the obligation to provide information about the "wholesale" cost should lie with the wholesale providers. Their information could include the comment that "call set-up charges from your phone service provider will also apply". We believe there is already adequate regulation on OCPs about the information they are required to provide about the "call set-up charges" that are in their control. As and when any regulatory issues develop about "wholesale" call costs, we are strongly of the view that wholesale providers should be the subject of any additional regulatory requirement on information provision, not the OCPs – as we have argued in the specific case above.

I hope these comments are helpful.

Yours sincerely

Rob McDonald
Director of Regulation