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Digital Britain – Interim Report

Comments from The Number UK Ltd

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Introduction to The Number UK Ltd

118118 (operated by The Number UK Ltd) is the market leader in Directory Assistance services in the UK. It's the most called number in the UK every day. We're also part of the largest independent provider of directory assistance services in the world. In Europe, the company currently operates in six markets (UK, France, Italy, Austria, Switzerland and Ireland). Customers call or text us or go online to www.118.com. We give consumers and businesses the information they need to reach the people, places, and companies they want to connect with.

118118 has led the industry in offering new fast and accurate information services for customers, for example our train-times service and SMS-based 'Ask Us Anything' service. Customers can text us any question they like and we send the most accurate answer as quickly as possible.

Executive Summary of Recommendations

The Digital Britain report is a welcome policy document looking at critical areas for the future of communications in Britain. It has clearly set the tone for future discussion points, policies, and regulatory environments to enable better access to communications services for all. It is important to judge the final report on how it will **extend** consumer access to improved communications services and content for all, not just on whether it will extend broadband access for all. It must take a technologically neutral approach whilst rightly focusing on the benefits of extending broadband as part of that solution. Achieving technology upgrades without extended services and content for consumers would be a failure.

As the Digital Britain report is an interim report, there are gaps in what has been addressed so far which The Number would like to propose should be addressed in the final report and recommendations. We have focused our comments on those aspects of the report that we have experience of, namely those relating to converged communications platforms including the role of Voice over Broadband (VoB) in *“upgrading and modernising our digital networks”*, and the role of government in *“developing a dynamic investment climate for UK digital content, applications and services”*.

Recommendation 1: Ensure a joined-up approach to communications policy – addressing telecoms and broadband issues simultaneously:

- a. Duties on Access Operators who are dominant for the provision of fixed telephony should be extended to cover VoB products which are equivalent to traditional landline voice products.**
- b. Contact information of all subscribers to communication services should be made available to providers of Directory Assistance services (with suitable privacy protection for residential users when desired).**

Recommendation 2 - Enable Service Providers (not just networks) to invest in developing innovative services for consumers at reasonable prices:

- a. Enable service provider access to networks via wholesale access and billing products on Mobile, Landline and Next Generation Networks.**
- b. Create a work stream to enable competition from Service Providers.**
- c. Manage BT’s undertakings carefully to maintain competition as NGNs get rolled out.**

Introduction

To achieve a vision of a Digital Britain, it is important to create an effective investment environment for both Network Operators AND Service Providers. The whole history of telecommunication interconnection shows that it is only by enabling rules to govern open access between networks and Service Providers that consumers benefit most and quickest. This principle applies equally well to new broadband networks and services.

The most effective way for networks to reclaim investment costs is to accelerate deployment in an open manner which enables access by third party services. Ad Scheepbouwer, CEO of KPN (Netherlands) has experienced the benefits of working with open networks. In February this year he said, ***“In hindsight, KPN made a mistake back in 1996. We were not too enthusiastic to be forced to allow competitors on our old wireline network. That turned out not to be very wise. If you allow all your competitors on your network, all services will run on your network, and that results in the lowest cost possible per service. Which in turn attracts more customers for those services, so your network grows much faster. An open network is not charity from us, in the long run it simply works best for everybody.”***¹

- Consumer demand online developed due to compelling content and services provided by content providers (ie Service Providers). Independent, open, accessible sites provided by companies such as Google, the BBC, YouTube and others transformed demand and innovation online to an extent that ‘walled-garden’ sites never achieved.
- Consumer demand grew for cheaper, quicker access. This demand was fulfilled due to Service Providers (ISPs and content providers) competing to deliver innovative pricing and offerings. Unmetered dial-up packages (Friaco), then local-loop unbundling enabled the UK to have the high levels of internet penetration it has today. Networks played an important role in providing infrastructure, but innovation was led by Service Providers that were not tied to the core networks providing the ‘pipes’. Network providers were often opposed to these moves.
- Innovations in mobile content enabled by Apple’s application store for its iPhone has accelerated the use of mobile applications more than any of the home-grown solutions developed by Mobile Network Operators.
- Independent Directory Assistance Service Providers such as The Number have delivered higher quality, higher accuracy², quicker response directory services via 118118 than were offered before competition was introduced.

The government must focus policy on how to enable competition so that Service Providers thrive in parallel with Network Operators for the benefit of consumers.

1 Trouw today ([KPN: Glasvezel delen is slimmer](http://www.trouw.nl/nieuws/economie/article2023373.ece/KPN__Glasvezel_delen_is_slimmer_.html)) – 5th February 2009
http://www.trouw.nl/nieuws/economie/article2023373.ece/KPN__Glasvezel_delen_is_slimmer_.html
2 Evaluation of Directory Assistance Services - Ofcom/ICSTIS research; 29 March 2006.

A converged approach to policy and regulation is needed:

In the proposed action detailed in ‘*Digital Britain – The Interim Report*’ it says: *“We will establish a Government-led strategy group to assess the necessary demand side, supply-side and regulatory measures to underpin existing market-led investment plans, and to remove barriers to the timely rollout, beyond those declared plans, to maximise market-led coverage of Next Generation broadband...the Government recognises the importance of a regulatory framework that provides predictability and is supportive of investment. Assessment of the right regulatory approach is for Ofcom as independent regulator, but the Government needs to ensure that Ofcom has the appropriate powers and duties to deliver the right balance between investment and competition...Ofcom’s competitive remedies are focused, in fixed line, on BT in those parts of the network where BT has Significant Market Power.”*

The report envisages that improved communications and services may be achieved via a combination of operators and technologies, taking a technologically agnostic stance to focus on consumer benefits rather than the technology of delivery. This is quite appropriate and in line with the thrust of communications regulation which focuses on Electronic Communications Services. However, the current report has a lack of focus on telecoms aspects. Stimulating broadband WILL affect all communications services and Service Providers.

“Technology change, entrepreneurial and creative imagination and network infrastructure are now coming together in ways that, over the next five years, will transform our living and working patterns”.

In keeping with the fundamental principle of technological neutrality, converged services require regulation and policies that look at the consumer demand, not the technical means of delivery to satisfy that demand³. This means that looking at the future of Digital Britain requires also looking at the way those policies will impact other communications products for consumers, so that one solution for access needs does not create a new access deficit for consumers by ending the competitive environment that serves them today. For example, promoting availability of Voice over Broadband (VoB) systems is fine, but if BT moves customers from traditional solutions to VoB solutions, customers should rightly expect at least the same breadth of content services to be available on the new system. Callers to BT’s Broadband Talk solution today cannot dial 118118 the same way as they can from traditional lines – so their available services have narrowed. The technology available has widened, but a regulatory loophole has been used to narrow services available to consumers and to restrict competition.

³ European Commission Recommendation, 17 December 2007, on relevant products and service markets within the electronic communications sector susceptible to ex ante regulation (hereafter “the Relevant Markets Recommendation”) specifies that “*The starting point for the identification of markets in this Recommendation is the definition of retail markets from a forward-looking perspective, taking into account demand-side and supply-side substitutability.*”

This is not progress for consumers, nor is it unavoidable due to technology platform changes. Digital Britain needs to look at all digital networks and their inter-relationships including mobile telephony, Voice over Broadband and traditional landline communications to ensure consumers gain extended services..

Recommendation 1: Ensure a joined-up approach to communications policy – addressing telecoms and broadband issues simultaneously:

We are now at a point in the evolution of the telecoms market where mobile networks are a primary telephony device for more and more people, and where services such as VoB (Voice over Broadband) services are substitutable for more traditional (fixed narrowband) voice products.

The bandwidth over which voice is conveyed should not matter. From a consumer point of view, if they are using a voice service that is similar to traditional telephony, the fact that it is brought to them over broadband makes no difference. From a regulator's point of view, the same is true. The dominance of certain players on the fixed narrowband market that consists mainly of voice provision is clearly leveraged and transferred to that same voice service delivered over broadband. It is right and proper that an environment be enabled where VoB and VoIP can flourish. It is also key to ensure this is done in a way that continues to enable competition at the service provider level, and where it is not used as a technical excuse for incumbents to side-step pro-competitive regulations that were carefully designed to enable services to be widely available and reasonably-priced. Policies and regulation need to establish how to regulate the evolving marketplace effectively, to protect consumer interests, whilst enabling innovation by both Service Providers and Access Operators.

The Number welcomes Ofcom's planned review of the 'fixed narrowband' voice market and urges that it be conducted promptly, in particular assessing the inclusion of VoIP/VoB services in the relevant market and the imposition of obligations on SMP operators. This can help to ensure that competition can continue in converged digital environments.

Ofcom must focus on this issue and ensure that principles of Equivalence are adhered to, and that services that have traditionally been offered cost-orientated access on BT's landline network (such as billing and interconnection terms for Directory Assistance, NTS services), are offered similar regulatory certainty for VoIP based services to ensure competition at the service level.

Specific areas of concern today in the UK include BT's Broadband Talk product and BT's willingness (or lack of it) to:

- Enable access by third parties to BT's VoB product (eg you cannot dial 118118 in an equivalent manner to 118500 on this service today).

- Make complete subscriber contact listings available on cost-orientated terms for Directory Assistance services (as for other landline services).

a. Duties on Access Operators who are dominant for the provision of fixed telephony should be extended to cover VoB products.

Commerce is dependent on consumers accessing businesses and each other. We need to move to comprehensive data provision for the future on Directory Assistance services, so as to continue to enable commercial and social activity.

Convergence is changing the way people connect to one another for communications. Where there was once just landline phone numbers, there are now also mobile phone numbers, phone numbers allocated to VoB users, IP addresses and nicknames.

The government should seek to achieve improved completeness of data collection from communications Service Providers (with suitable privacy protection for residential users when desired) to enable Directory Assistance services to continue to act as a stimulus to commercial and social activity.

b. Contact information of all subscribers to communication services should be made available to providers of Directory Assistance services.

Enabling innovation by Service Providers AND networks

One of the success stories of the communications market in the UK has been the level of competition in the 'service layer' and the resulting range of products available to consumers for both telephony and internet access. Historically, the first boost to this industry was Oftel's attempts to liberalise the telecoms market environment and to gain access for third parties to dominant networks such as BT's, and to introduce regulated terms for third party access to billing and interconnection to the majority of UK consumers that had a telephone line. Subsequent iterations including the NTS regime and local loop unbundling have brought subsequent waves of service provider led innovation, and benefits for consumers.

"Much work has already been undertaken, but over the next five years we will need to upgrade these networks in order to maintain our position and meet our ambitions."

The discussion on how to build Next Generation Networks and to enable broadband access for all, has until now been focused on how to enable the physical network. There has also been focus on how to enable a thriving TV and radio sector and to stimulate content. There needs to be increased awareness

and consideration now of the downstream effect of decisions on access rules and their impact on independent Service Providers for telephony and future converged services. Network upgrades and rollouts are only 'upgrades' in consumers' eyes if they extend service quality and availability. Upgrades must not be allowed to limit the extent or quality of content available to consumers, or the goals of Digital Britain will be missed.

Recommendation 2 - Enable Service Providers (not just networks) to invest in developing innovative services for consumers at reasonable prices

We have gone from a point in the market where the majority of customers (using traditional Fixed Narrowband Retail services) could be accessed by Service Providers with some level of commercial and regulatory certainty (and so could justify investment in innovation), to one where a huge percentage of the addressable market is largely unregulated for access, billing and interconnection. More and more customers are using VoB services or mobile phones – both of which have limited safeguards for Service Providers such as The Number.

It is important that NGN Access Operators be required to provide voice interconnection and billing/collection services to Service Providers, with full interoperability guaranteed. In addition it is important that mobile networks offer wholesale access products for Service Providers. This is particularly important for Directory Assistance services which fulfil a special social interest function in electronic communications markets².

Third party services such as Directory Assistance are wholly reliant on the end user's selected operator for billing and access. Where these have been unregulated (eg mobile calls), Service Providers such as The Number have failed to secure reasonable or cost-orientated wholesale access products. As a result, they have not had control of retail pricing, and their customers have often experienced significant retail mark-ups that are grossly in excess of costs charged to customers for other retail telephony. This can damage the long-term viability of their products and undermines consumer confidence in third party services and content-pricing models.

For digital services and content to truly flourish, wholesale access products are needed along the lines of what can be accessed today on BT's landline network. This will stimulate further investment by Service Providers, reduce prices for consumers and result in greater innovation and usage.

a. Enable service provider access to networks via wholesale access & billing products on mobile, landline and NGNs.

“Our track record in creativity and technical innovation in existing media provides an excellent base, but this needs to be married to development of business models that enable content creators to flourish on new platforms.”

The Number would urge the government to add a work stream to its plans, to focus on the impact of its plans and processes to the communications service provider community, and the consumers they serve, and innovation they provide. This work stream needs to carefully consider how to preserve that value in NGNs (Next Generation Network). This will require establishment of industry principles and need ex-ante regulation to enable a suitable economic environment where Service Providers can flourish, invest and innovate to enable the UK to lead the world. This needs to cover mobile regulation, landline regulation and NGA/NGN at a minimum.

Careful consideration needs to be made of how to achieve continued investment by Service Providers from now until we have an effective and flourishing NGN-enabled Digital Britain in the future (ie the transitional environment).

b. Create a work stream to enable competition from Service Providers.

The government must ensure that BT and other networks are not given new privileged monopolistic rights in NGA settlements and landline market reviews.

In every discussion of the need for new investment in network upgrades, incumbent networks attempt to persuade regulators and government of the need for them to be freed of regulatory shackles to enable and encourage new investment. The reality that is borne out is often different. Where there is a demand-led need for upgrades, networks find a way to invest in appropriate upgrades. But, where competition is rolled back, consumers get hurt through less competitive pricing and innovative services.

c. Manage BT’s undertakings carefully to maintain competition as NGNs get rolled out.

Conclusion

“Fairness and access for all: universal availability coupled with the skills and digital literacy to enable near-universal participation in the digital economy and digital society.”

The Digital Britain Interim Report is rightly focussing on how to bring the benefits of improved communications to UK citizens. There are some gaps in the Interim Report which The Number hopes will be addressed in the final report.

The gaps relate to how to ensure that a focus is kept on achieving true consumer benefits, not just extended networks of physical access mechanisms. There are already examples such as BT Broadband Talk, where 'upgrade' products by major network operators are being used as stalking horses for narrowing competition, and excluding service providers from future plans...to the detriment of consumers. If these issues are not adequately addressed, UK plc will unknowingly walk towards a Digital Britain that has access pipes for converged services, with limited services and uptake. The pipes will be served by mobile networks and landline networks with a decimated communications service provider community that is unable to provide the converged innovation and services needed to drive consumer uptake and enable the economic and social benefits that the Digital Britain vision seeks to achieve.

We look forward to working with the Digital Britain team to ensure that the final plans address how to extend access, extend services, extend participation.