

Changes to the Non-Geographic Number Regime – What it means for your company

What has happened?

Ofcom has finally published the Statement relating to the new regime for Non Geographic Call Services (“**NGCS**”) coming into effect on 1st June 2015.

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NGCS Statement – Summary of Changes

- Calls made by Consumers¹ to NGCS will have to follow the Unbundled Tariff principles.
- Calls made by Consumers to 116, 080, 050 become *free to caller* and not freephone.
- Consolidation of the number of charge bands from around 300 to around 80; including the merger of 0845 into 0844 and 0870 into 0871.

The Unbundled Tariff

This disaggregates the cost of a call into the amount the calling party pays their Originating Communications Provider (“**OCP**”) (the “**Access Charge**”) for the call and how much they are paying the Terminating Communications Provider (“**TCP**”)/Service Provider for the call (the “**Service Charge**”)

Adverts will say “Calls to this number cost x ppm plus your phone company’s Access Charge”.

The Service Charge is the amount linked to the range the called number sits in, and is effectively today the price to call from a BT Landline today (e.g 0844 g6 5 pence per minute (“**ppm**”). This must be passed through the value chain by the OCP to the TCP wholly intact. The OCP retains the Access Charge as its margin for originating the call.

Ofcom’s prior estimates for the level of the Access Charge are 2ppm for fixed originated calls and 14ppm for mobile originated calls.

Ofcom have outlined specific regulations regarding the Access Charge;

- Each tariff package can only have one price, with no Time of Day variation – i.e. the Access Charge must be a constant for any NGCS number called at any Time of Day.
- It must be a ppm only rate and the only manipulation permitted is rounding up to the first minute.
- Any bundling of an Access Charge must apply across the board; i.e. it is not permitted to just bundle for 084 calls, if it’s in a bundle, it is in for all NGCS.

¹ Natural people, not using their telecommunications service for business.

OCPs essentially have an Access Charge today; insofar as it is the difference between the termination rate and what they charge the calling party.

Whilst it is noted that this applies to Consumers only, it is likely that the communications campaign planned by Ofcom will raise public awareness and make it hard for business Communications Providers to avoid the structure completely.

Price Band (Service Charge) Changes

- 0845 will be lumped in with 0844 – the TCP will have the freedom to set the Service Charge from between 1-7 pence per minute per each Ofcom allocated block of numbers, though it sits today around 2ppm.
- 0870 will be lumped in with 0871 – the TCP will have the freedom to set the Service Charge between 1 and 13 pence per minute per each Ofcom allocated block of numbers. Today it sits below 1ppm.
- 050, 055, 056, 070 and 076 are *de minimis* areas of traffic and all are at risk of closure over a prolonged period.
- The regime becomes “Terminator Pays Transit” which will necessitate a change to the cost base of around 0.04ppm on all 0844/087 ranges.
- There are likely to be some numbers ported in on esoteric ranges that need dealing with, but we will be beholden to the pricing decisions of the Original Range Holder (“ORH”); this is especially pertinent on 0845/0870 where the ORH makes the pricing decision and not the current serving network.
- The lifting of BT’s Significant Market Power condition in NGCS and replacement with this regime and likely drive to have round numbers in adverts will mean a commensurate change in all price points. i.e. 0844 G6 (5ppm) currently has an interconnect payment of circa 5.9 ppm; this will become approximately 4.12 ppm (Service Charge of 5ppm less transit costs and VAT) and will drive significant change to rebates unless the current BT Landline prices are “frame shifted” up by TCPs into Service Charges.

Free to Caller

Mobile Network Operators (“MNOs”) will be allowed to charge more than Fixed Network Operators to TCPs for originating a call to an 080 number; Ofcom have stated that they expect the total cost to a Service Provider for a free to caller range to not exceed 2.5ppm. Taking all known data we have, we estimate that this means the cost calls originated from a mobile will increase by c2ppm.

However, data we have suggests this will cause upto a *five fold* increase² in the volume from mobiles, substituted entirely from fixed line. This changes credit risk dynamics and Service Provider’s costs of receiving calls markedly. A large migration to 03 or 0844 (or even Geographic) is therefore anticipated.

Ofcom have mandated all TCPs, legally, to set their charges for Origination Services (i.e. what they will pay an MNO) by 26th January 2014 so that Disputes and Appeals can be resolved before implementation.

² Adjusting ourselves for inherent socio-economic bias in the data we have access to, a more realistic estimate would be a 3 fold increase.

The Next Steps

There is currently an industry process, supported by Ofcom and a soon to be appointed, independent facilitator to determine what the first 80 price points of the service charge will be.

Ofcom have now asked that CPs provide views on the Service Charges that they will need for the first year of operation of the unbundled tariff. Members are advised to provide this information by **Friday 11th April** to Mick Fewes at Ofcom - **Mick.Fewes@ofcom.org.uk**

Ofcom feel there is common agreement on the need for ppm price points 1 to 13p in penny increments and so do not feel further discussion is needed on this. Therefore please provide a statement of other price points that you consider your company will need in the first year of operation of the system. In providing your views we would ask that you limit your selection to no more than 67 price points.

Following the determination of the price points relevant to your business, it is necessary for range holders to confirm to the industry which Service Charge price point should be used for the ranges they hold. This will be possible through the revised Ofcom numbering management systems. The system will be available for accepting such notifications from 14th July 2014.

It is imperative that all range holders complete this process as early as possible to allow all interested parties, originators, customers using the range, CPs managing ported numbers from that range, the maximum time to manage the change. Ofcom's current programme calls for finalisation of service charge mapping to ranges by 14th August 2014.

Notes

This paper was prepared for ITSPA by Peter Farmer (Commercial & Regulatory Manager at Gamma; Chair of the ITSPA Industry Developments Working Group; ITSPA Council Member) and the ITSPA Secretariat. This guide has been prepared by the authors (who hereby assert their moral rights) on an 'as is' basis and is not intended to constitute advice on regulatory or any other matters, whether general or specific, and accordingly the authors disclaim all liability, however arising, from any reliance placed on this guide.