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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 23, 2001

BY HAND

EX PARTE OR LATE FILED

Magalie Roman Salas, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Room TW-A325
Washington, D.C. 20554

Re: ***Ex Parte Presentation***
In the Matter of Provision of Directory Listing Information Under the Telecommunications Act of 1934, As Amended, CC Docket No. 99-273

Dear Ms. Salas:

On January 22, 2001, Peter Meyer, CEO of Telegate, Inc. ("Telegate") along with Ruth Milkman, Valerie Yates and Gil Strobel of Lawler, Metzger & Milkman, LLC, counsel for Telegate, met with Yog Varma, Gregory Cooke, Rodney McDonald, Jamal Mazrui and Pam Slipakoff of the Federal Communications Commission 's Common Carrier Bureau to discuss the above-referenced proceeding.

During the meeting, we discussed the possibility of using "dialing parity," or equal digit dialing, as an alternative to 411 presubscription. A copy of the presentation we used during the meeting is included with this submission. We also provide the staff with a copy of the enclosed document issued by the United Kingdom's Office of Telecommunications regarding competition for directory assistance services.

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Pursuant to section 1.1206(b)(1) of the Commission's rules, 47 C.F.R. §1.1206(b)(1), an original and one copy of this letter are being provided to you for inclusion in the public record of the above-referenced proceeding.

Sincerely,

Gil M. Strobel

Enclosures

cc: Yog Varma
Gregory Cooke
Rodney McDonald
Jamal Mazrui
Pam Slipakoff

Dialing Parity for Directory Assistance Providers: An Alternative to 411 Presubscription

Presentation by Tele**gate** Inc.

January 22, 2001

Overview

- Benefits of Dialing Parity
- Successful Experiences in Other Countries
- Implementation
  - Logistics/timing
  - Technical issues
- Response to filing by Bell South, SBC, Verizon and Qwest

The Two Approaches Most Likely To Create a Competitive Market for DA services are 411 Presubscription and Dialing Parity

- Presubscription allows a customer to reach a pre-selected DA provider of its choice by dialing 411
- Dialing parity allows customers to dial a unique number (*e.g.*, 1111XXX) to reach the DA provider of their choice
- The Commission should ask for comments on both approaches to promoting competition for DA services
  - Telegate has already made a presentation on the benefits of 411 presubscription
  - This presentation focuses on dialing parity

Dialing Parity Offers Many Benefits

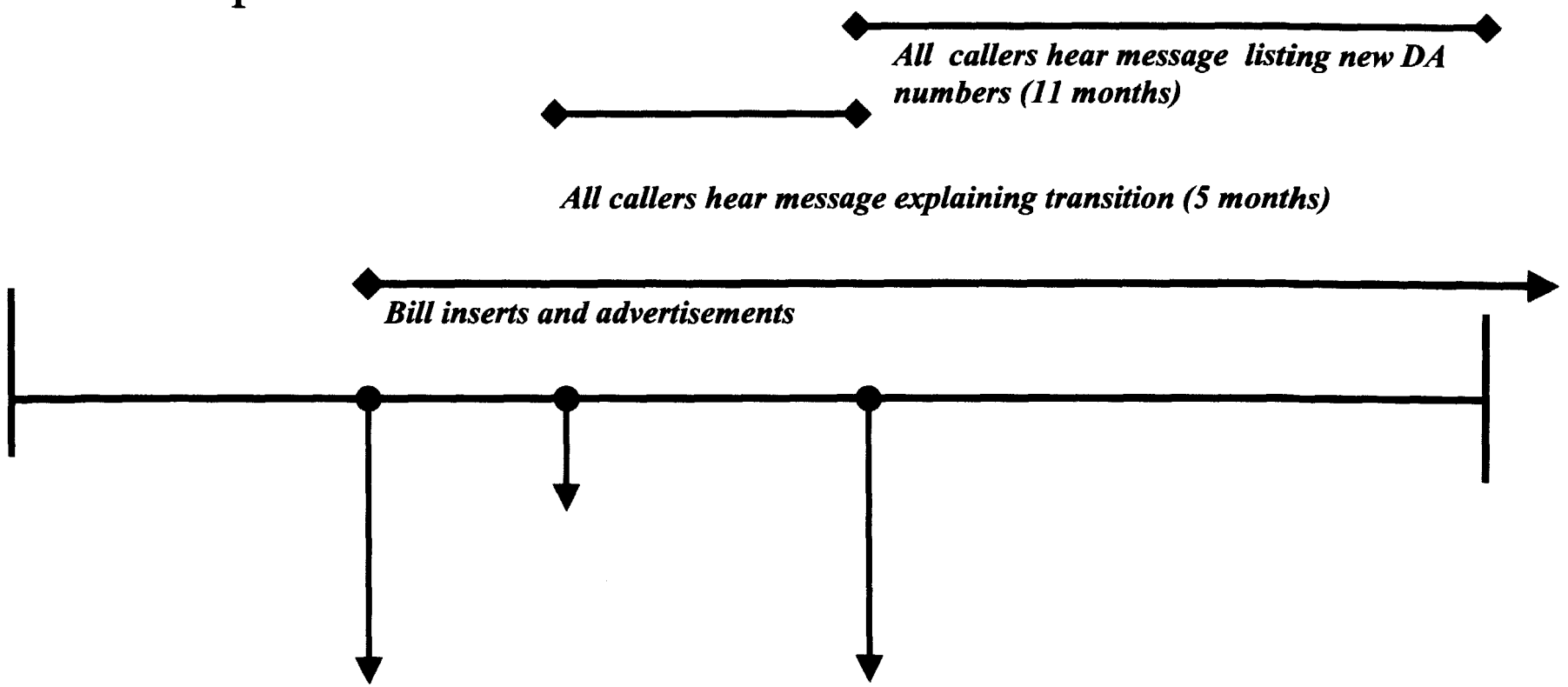
- Dialing parity:
  - Maximizes consumer control by enabling customers to choose a different DA provider for each call
  - Allows customers to reach their preferred DA provider without requiring presubscription or dial-around services
  - Reduces the competitive advantages enjoyed by incumbent providers by requiring all DA providers to adopt new numbers
  - Frees up scarce numbering resources
    - The 411 abbreviated dialing code is particularly valuable, because all other N11 codes are currently in widespread use

Other Countries Have Used, or Are Considering the Use of, Dialing Parity to Introduce Competition for DA Services

- By adopting a new 5-digit abbreviated dialing code for DA providers Germany has successfully launched competition for DA services
  - Competition in the DA market has led to improved service, greater accuracy, innovative services, and economic growth
- OFTEL is currently seeking comments on various approaches to creating a competitive market for DA services in the UK
  - The Director General of Telecommunications expressly noted that opening the DA market to competing providers would "provide greater choice and a wider range of services for consumers, as has already happened in a number of European countries."
    - OFTEL is considering three options, including discontinuing the existing DA code and allocating unique 118XX numbers to all DA providers

The Commission should seek comments on an appropriate timetable for implementing dialing parity

For example:



Experience Demonstrates that the Transition to Dialing Parity Can Be Structured to Maximize Consumer Benefits and Minimize Disruption

- Based on Germany's implementation of dialing parity, approximately nine months should be required to allocate numbers and implement the new codes
- Customer confusion can be minimized during implementation by keeping both the new (1111XXX) and old (411) numbers operational for several months
  - Customers would be educated about the new DA numbers through bill inserts and advertisements
  - For an initial period of several months, calls to the old incumbent numbers would trigger a message explaining the transition and listing all new DA service numbers before the customer is connected to the DA provider (in Germany, this initial period lasted 5 months)
  - Subsequently, calls to the discontinued numbers would trigger a message describing the new DA system and directing callers to dial a new number for DA services (DT provided voice announcements for 11 months after the old DA number was discontinued)

Dialing Parity Should Not Be Complicated or Costly to Implement

- Based on Telegate's understanding of the incumbent LECs' network architecture, software changes necessary to implement dialing parity should be minimal and the overall costs should be relatively low
    - Dialing parity should not require the ILECs to install new hardware, and therefore should be less expensive to implement than 411 presubscription
  - The technology for dialing parity using abbreviated dialing already exists
    - ILEC switches already recognize some 7-digit dialing codes, such as 1010XXX and 1016XXX
  - It should be relatively straightforward to adopt additional 7-digit codes, such as 1111XXX for DA providers
- The Commission should seek comment on the costs associated with the implementation of dialing parity, and ask incumbents to describe specifically the network upgrades, if any, that would be required
- The Commission should seek comment on how DA numbers would be administered and assigned with dialing parity

Contrary to the Claims Made by Incumbent Providers, Consumers Would Reap Many Benefits From Increased Competition in Directory Assistance Services

- Incumbent DA providers have vastly understated the benefits of a competitive DA markets and overstated the costs of implementing 411 presubscription:
  - Despite the ILECs' claims that few people utilize DA services, analysts estimate the value of the DA market in the U.S. today to be $3 - 5 billion
  - The greater accuracy, improved reliability and innovative services that competition will foster will promote increased demand for DA services
  - Increased competition from new providers using innovative approaches and targeting under-served markets will help states achieve their goals of providing consumers with high-quality DA services at reasonable prices
  - Contrary to the ILECs' contention, Telegate did not underestimate the costs of presubscription
    - Telegate explicitly excluded the cost of balloting and allocation from its estimate
    - Balloting and allocation are not required to implement 411 presubscription
- While the ILECs provide limited language-specific services, surveys indicate that Spanish speaking consumers do not believe that these services are adequate to meet their needs

Oftel

Office of Telecommunications

Access codes for directory enquiry services

Consultation document issued by the Director General of Telecommunications

November 2000

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Summary

S.1 Effective directory enquiry services (DQ services) are essential if consumers and businesses are to make the best use of telecommunications services. Ensuring that such services are available is, therefore, an important part of Oftel's goal of ensuring the best deal for the consumer.

S.2 This consultation document deals with the future of competition in DQ services. It outlines the factors that currently restrict competition and reports on the results of a cost benefit analysis on three possible options to remove those obstacles. It also explores the wider implication of making any changes to these services, including the risks of public confusion and loss of confidence in the service.

S.3 Consumers wishing to use national DQ services dial the '192' access code. Callers are directed to a DQ service provided by their Public Telecommunications Operator (PTO). All PTOs are obliged to provide this service. Some do so directly, others choose to outsource DQ services with one of several wholesale suppliers. However, there is virtually no competition in DQ services at the consumer (retail) level.

S.4 A key constraint in retail competition is the access code to be used by new entrants. There are insufficient access codes to enable new-entrant DQ service providers to each have a three-digit code. Instead new entrants would have to use a five- or six-digit access code, which could be argued to place them at a competitive disadvantage compared to existing operators using the widely known 192.

S.5 At the end of 1999, Oftel commissioned a cost benefit analysis (CBA) by the consultancy firm Ovum to consider the likely costs and benefits of a number of options for the future regulation of access codes for DQ services. The results of this analysis are set out in Chapter 2 and the full CBA is attached as Annex C.

S.6 The CBA suggests that greater competition and choice in DQ services could potentially increase demand and lead to lower retail prices for those services directly and, indirectly, have a similar impact in the calls market because of an increase in the number of 'follow on' calls. To a lesser extent, the CBA foresees that an increase in competition could result in greater innovation in retail DQ services and greater cost efficiency.

S.7 The CBA considered three options to increase competition in the retail DQ market. The starting point was the European Committee for Telecommunications Regulatory Affairs (ECTRA) recommendation that 118 be the European standard for directory enquiry access codes. In brief, these options were:

> *Option 1*: Retaining 192 and running a new range of five- or six-digit access codes beginning 118 in parallel. Accordingly, consumers would use 192 to gain access to the DQ service provider of their PTO's choice. But they could also dial 118XX(X) to select other service providers offering national or international DQ services.

Option 2: Operating 118XX(X) as the main directory enquiry number. 192 would no longer operate. It would be replaced by a memorable default code (for example '11800' or '118192'), which would work on all PTO networks and route callers to the DQ service provider of the dialled PTO's choice. But Oftel would also allocate 118XX(X) codes to all DQ service providers. So consumers would also be able to these other numbers to select alternative service providers offering national or international directory services.

Option 3: Under this option, the existing 192 code would be withdrawn and there would be no direct replacement. Instead callers would have to dial a valid 118XX(X) code on any given PTO network to get through to the national DQ service provider of the caller's choice.

S.8 The CBA estimates that Options 1 and 2 would have a similar overall economic impact. With Option 3, the CBA found no clear view within the industry as to how consumer confusion might impact upon the market.

S.9 The CBA also considered how the implementation of carrier pre-selection (CPS) could affect the DQ services market. Chapter 3 considers how CPS could affect implementation of the three options.

S.10 The CBA suggests that there will be clear long-term benefits for consumers through the increase in competition brought about by a revised number range. These benefits need to be carefully considered, but also weighed against other factors such as potentially significant short-term confusion and disruption. In the light of these finely balanced arguments, Oftel believes that there should be a broad consensus for change from both industry and consumer groups before any regulatory action is taken.

S.11 Oftel will be including questions on DQ services in its quarterly survey of residential consumer opinion in November and December 2000. Oftel will publish the findings of this survey on its website and will take its findings into account during the decision making process.

S.12 Oftel invites views by 22 February 2001 on the findings of the CBA and the other detailed issues raised in the document and set out in full in Chapter 5.

Chapter 1

Introduction

1.1 Oftel has for some time been investigating the scope for increasing effective competition in the directory enquiry (DQ) services market. Increased competition may create a number of cost and service benefits for consumers. (For more detail see Oftel's 1997 consultative document *Provision of Directory Information Services and Products* and the 1998 statement of the same name.)

1.2 The most straightforward means of increasing competition in the DQ services market would be by the allocation of three-digit codes to those companies wishing to offer services to consumers. However, the lack of available codes of this length mean that alternative options need to be investigated.

Consumer access to directory enquiry services

1.3 At present, consumers dial 192 to access the national DQ service provided by their PTO. All PTOs are required to provide their subscribers with a DQ service. The PTOs are free to decide whether to offer a voice DQ service themselves, or to contract the provision of DQ services to a third party. This contracting typically involves using the agency services of another PTO (for example, Cable & Wireless and BT offer DQ services to other PTOs).

1.4 Currently, consumers dial the same 192 access code regardless of which PTO network the call is dialled from. However, the DQ service provider may change depending on the PTO network. For example, dialling 192 from a line connected to the BT network will connect to BT's DQ service; dialling 192 from a line connected to the Orange network will connect to Orange's DQ service, and so on.

1.5 For convenience, discussion in this document is primarily focussed on the national 192 code. However, unless indicated otherwise the points or observations made will apply equally to both national and international DQ services.

The market for directory enquiry services in the UK

1.6 There are currently some 640 million national DQ calls per annum from the fixed networks and some 60 million per annum from the mobile networks. DQ calls are falling by some five per cent each year from the fixed networks and rising by some 10 per cent each year from the mobile network. Demand for international DQ services is growing slowly, with current call volumes at approximately 25 million per annum.

1.7 It is already open for independent DQ service providers (that is, companies who do not also run a public telephone network) to offer a competing service to a PTO's DQ service. However,there are insufficient three-digit access codes to enable competing DQ service providers to enter on what they perceive as an equal footing.

1.8 At present, new entrant DQ service providers can offer a service using a premium rate number. However, this does not appear to be an adequate solution due to a variety of factors. Principally number length (premium rate numbers are much longer than the three-digit 192 and therefore harder to remember) and the current pricing arrangements (PTOs could potentially limit the pricing options available to rival DQ service providers).

1.9 There are three main alternatives to the provision of voice DQ services over the telephone. They are, paper telephone directories (which tend to be geographically limited), DQ services on the Internet and directories on CD-Rom. The CD-Rom applications tend to have a much wider geographic spread than their paper counterparts and in general are aimed at business users.

1.10 Most DQ services on the Internet are free at the point of use (although there may well be call charges when connecting to the Internet). Accordingly they could be expected to have an impact on voice DQ services. However, gathering accurate statistics on current usage and extrapolating the likely effect of such services on voice DQ is very difficult.

1.1 Oftel is confident that there will still be a significant market for voice DQ services in the medium term. However, we would be interested to hear the views of respondents, especially those involved with DQ services on the Internet, on the likely levels and patterns of usage in the future and to what extent this growth is thought to be at the expense of traditional voice DQ services.

1.12 Oftel does not consider that there will be a growth in the market for paper telephone directories but believes that paper directories will remain an important source of information for consumers. Oftel recognises potential in the market for CD-Rom equivalents, as these tend to encompass much wider geographical areas. Again, Oftel would be interested to hear the views of users and others in the industry as to their likely growth and impact upon voice DQ services.

Options for change

1.13 Under the previous Director General, Oftel sought comments on the issue of access codes for DQ services as part of its September 1997 consultation document *Provision of Directory Information Services and Products.* That document proposed, *inter alia,* that all operators should be required to transfer their inland and international DQ services to new five-digit access codes. At the time, the transfer was proposed to occur following a suitable period of parallel running, in order to minimise consumer confusion.

1.14 In September 1998, Oftel issued a statement on *Provision of Directory Information Services and Products.* In it, Oftel stated that changes to the access codes for DQ services would be considered in the future. Reference was also made to the recommendations of the European Committee for Telecommunications Regulatory Affairs (ECTRA) on the use of 118 as the preferred DQ access code. The 118-code recommendation is designed to enable competition in DQ services at the retail level on the one hand and, more generally, provide for a harmonised DQ code across Europe.

1.15 Variants on 118 have already been implemented in a number of EU Member States. However, Oftel does not regard the recommendation as binding in any way, especially where alternative options may provide more benefits for consumers. For example Germany and Ireland have introduced a five-digit 118XX system along the lines of Option 3 outlined below. Other Member States such as Spain and France do not use 118 in any form (and do not plan to do so in the near future). Annex B contains a summary of DQ access codes within the European Union.

1.16 In order to assess the costs and benefits of any change to DQ access codes, Oftel commissioned Ovum to undertake a cost benefit analysis (CBA) in order to analyse and assess more fully the options available. The CBA prepared for Oftel by Ovum identified three potential options for change. Each of the options has particular benefits and costs, and Chapter 2 explains these in more detail. However, there is no single obvious choice for implementation. Oftel is therefore not putting forward any preferred option at this time.

1.17 Furthermore, Oftel is willing to assess the benefit of the status quo and to consider options that are not discussed in the CBA (some of these are discussed in Chapter 4). A further option is to devise alternative methods of utilising existing codes (for example through the rationing of existing three- and four-digit codes currently held by licensees under common ownership). For a discussion on the wider use of access codes (not just those used for DQ services) see the consultative document *Access Codes: Options for the Future* (May 2000).

1.18 Oftel would also consider alternative methods of implementing one of the options outlined in the CBA, for example utilising 192XX(X) instead of the 118XX(X) format based on ECTRA's recommendation. (It would not be technically feasible to simultaneously operate a 192 and a 192XX(X) code. The implications of this are discussed in Chapter 4.)

1.19 In order to implement any changes, there would need to be a potentially expensive and wide ranging campaign promoting consumer awareness of the new number range(s). Additionally, there would have to be appropriate methods for dealing with problems like calls to DQ services from public payphones (in particular the older models which tend to be located in more rural areas). Issues surrounding any potential changeover are also discussed in Chapter 4.

1.20 Finally, interested stakeholders are asked to answer a number of questions in Chapter 5 so that Oftel may gather a detailed perspective on the views of those who would be affected by any changes to DQ access codes.

Chapter 2

Options for directory enquiry access codes as identified by the CBA

2.1 The starting point for the CBA was the recommendation of the European Committee for Telecommunications Regulatory Affairs (ECTRA) that 118 be the European standard for directory enquiry access codes.

2.2 The CBA makes a number of assumptions about the market for DQ services. As the results of the CBA are to a considerable extent sensitive to these assumptions, Oftel realises that the results of the CBA cannot be definitive. Moreover, whilst the CBA is a very useful guide in indicating the key issues and their relative magnitude, there are wider policy questions which also need to be weighed in making a judgement as to whether regulatory action should be taken and if so, in what form. Oftel also notes that some of the CBA's assumptions relate to Oftel's regulatory powers and Oftel has therefore taken legal advice on a number of issues which are discussed later on in this chapter.

2.3 The CBA drew detailed conclusions about the economic impact of the various options. These are explained in more detail in the full CBA attached at Annex C.

The options

2.4 The central theme of all three options is the introduction of a new number range, 118XX(X), where X may be any digit. For example, if there were a five-digit range we might see 11833 or 11881. If there were a six-digit range we might see 118123 or 118222. (It may be necessary in the interests of fairness to restrict access to some codes, eg 118118.)

2.5 PTOs and independent DQ service providers would be allocated a number by Oftel if they requested it. This would mean that, subject to agreement between the various parties, a consumer could access an independent provider's DQ service, the DQ service of another PTO and the DQ service of the PTO to whom they are connected

2.6 To illustrate this with an example, we could say that a consumer who was a customer of BT would be able to access BT's DQ service (the PTO to whom they are connected), NTL's DQ service (another PTO), and Telegate's DQ service (an independent DQ service provider). The above example would be subject to NTL and Telegate arranging suitable terms for billing (should they require it) with BT.

Option 1: running 192 and 118XX(X) in parallel

Features

2.7 Consumers could continue to dial 192. This would give them access to the national DQ Service provider of their PTO's choice. Consumers would also be able to dial 118XX(X) to select other DQ service providers (which could include the DQ service of another PTO). A service provider who wished to provide a DQ service on another companies telephone network would need to arrange interconnection and billing arrangements with the PTO concerned.

Benefits and advantages

2.8 The CBA concludes that implementing Option 1 would stimulate competition in the market for consumer DQ services. DQ service providers could offer their service via nationally recognised codes of the form 118XX(X), instead of having to use premium rate numbers or random codes that are not commonly associated with DQ services. The CBA also suggests that opening the market should lead to lower prices (and hence greater use of national DQ services) and would in turn promote greater innovation and cost efficiency in the provision of DQ services. It was anticipated that there would also be increased demand in the call market.

2.9 Retaining the 192 access code would ensure that consumer confusion, even in the short term, was kept to a minimum. It could also reduce the short-term necessity (and hence cost) of upgrading BT payphones in rural areas that are not currently enabled to make 118XX(X) calls (Chapter 4 discusses in more detail the implications of the various options on DQ calls from payphones).

Costs and disadvantages

2.10 The main disadvantage of Option 1 is that it does not guarantee that new entrants to the market place would be able to enter on equal terms with a PTO's own DQ service. The PTO over which a user makes a call has an inherent advantage with the shorter (and well-known) 192 access code. This may discourage some potential new entrants from entering the market place. It may also discourage PTOs who wished to offer their own DQ service to the customers of other PTOs. Fewer market entrants would reduce the benefits to consumers that greater competition might be expected to bring.

2.11 In comparison with the present arrangements, Option 1 would generate additional costs, PTOs would need to modify their billing and metering systems if they wished their customers to have access to the full range of DQ services (for example, by providing third party billing). PTOs would also need to open up new 118XX(X) access codes on their switches.

Option 2 (118XX(X) with default code)

Features

2.12 '118XX(X)' codes would be allocated to all DQ service providers. The 192 code would be withdrawn and replaced with a memorable default code (say, '11800' or '118192'). This default code would work on all PTO networks and route callers to the service provider of the originating PTO's choice. Calls to other valid 118XX(X) codes would be routed to the appropriate DQ service provider from any PTO network where that service provider has arranged access.

Benefits and advantages

2.13 Option 2 would open the DQ services market to retail competition. The CBA assumes that there should be no long-term reduction in DQ calls as a result of user confusion (the presence of a new default code should help reduce confusion during the transition from the current system). In addition, Option 2 might generate additional calls through the promotion of DQ services by rival service providers.

2.14 By ensuring that the default code is the same length as the codes of rival DQ service providers, Option 2 negates some of the potential competitive disadvantage in Option 1. In Option 1 rival service providers would have to offer a five (or six) digit code as opposed to the shorter and more memorable 192 default offered by PTOs.

2.15 By allowing more equitable entry conditions for new suppliers of DQ services (in comparison with either Option 1 or the present arrangements), Option 2 might be expected to provide more choice, greater innovation in the range of services and, potentially, cheaper services for consumers.

Costs and disadvantages

2.16 Oftel considers that the removal of 192 and the introduction of a new number range may cause user confusion, especially for infrequent users. User confusion would be most marked in the short term (the CBA assumes that in the long term, the implementation of a new default code would minimise confusion). There would be transition costs for PTOs (in providing recorded announcements on their networks to clarify the new numbering arrangements) and to users (in the inconvenience of misdialling and redialling), when switching from 192 to 118XX(X) as a default.

2.17 There would be costs to PTOs when opening new 118XX(X) access codes on their switches and modifying billing and charging systems. There would also be publicity costs for PTOs in withdrawing 192 and migrating to 118XX(X).

2.18 There may also be additional costs in handling DQ calls from public call boxes. The level of those costs would be dependent on which method of providing DQ calls from public call boxes was implemented.

Option 3 (118XX(X) with no default)

Features

2.19 '118XX(X)' would be used as the access code for DQ services by all PTOs and independent DQ service providers and 192 would be withdrawn. There would be no default code. This means that each assigned 118XX(X) code would belong to a separate DQ service provider. Callers must dial a valid 118XX(X) code on any given PTO network to get through to the DQ service provider of their own choice.

Benefits and advantages

2.20 Option 3 would open the DQ services market to retail competition. Option 3 takes into account ECTRA's 118-access recommendation for allocation of the 118-access number to be applied "in a fair and non-discriminatory manner".

2.21 Option 3 provides more favourable conditions for market entry than Options 1 or 2 for new-entrant DQ service providers. This is because callers must actively select a DQ service provider rather than dialling a default code. For consumers, a greater number of service providers might be expected to provide more choice, greater innovation in the range of services and, possibly, cheaper services over time.

Costs and disadvantages

2.22 The major concern with Option 3 is that it may lead to longer-term user confusion. This is more likely for infrequent users, with both the withdrawal of 192 and no replacement default code.

2.23 Under Option 3 there would also be PTO costs for opening new 118XX(X) access codes on their switches and modifying billing and charging systems, and PTO and DQ service provider costs of publishing and promoting the changes. There would be transition costs for PTOs (in providing recorded announcements on their networks to clarify the new numbering arrangements) and for users (in misdialling and redialling), when switching from 192 to 118XX(X).

2.24 There may also be additional costs in handling DQ calls from public call boxes. Again, the level of those costs would be dependent on which method of providing DQ calls from public call boxes was implemented.

2.25 The lack of a default code could cause confusion if a DQ service provider was unable to arrange access to its service on all PTO networks. A consumer may be used to dialling a particular number at home, for example, only to find that calls to the same number from a different PTO network (at work, for example) did not connect. However, with Options 1 and 2 they would always have the choice of a default code.

2.26 As all PTOs must provide access to at least one DQ service, there would not be a danger of consumers being unable to access any DQ service at all. However, they may be confused about which number to dial. (We would expect that if a number was invalid on a particular PTO's network, that PTO would play a recorded message advising of other, valid numbers.)

Six- or five-digit access code

2.27 The CBA assessed whether six-digit access codes should be introduced in place of five-digit access codes. Six digits would be required if 118XX(X) were to be used for all potential DQ services and not just national DQ services, as any underestimation of demand might result in a future shortage of 118XX access codes.

2.28 The inclusion of a sixth digit should therefore ensure that no further access code changes would be required for DQ services for the foreseeable future. However,a five-digit code might be expected to be more memorable than a six-digit code and thus more convenient for consumers. If a five-digit code were to be chosen, Oftel would expect to restrict its availability to only those providers who wished to offer a national or international DQ service (as opposed to more specific services such as a DQ service for restaurants). Stakeholders are asked to give their views on this issue in the question in Chapter 5.

Mandating the billing of DQ services

2.29 The CBA assumes that Oftel would mandate those PTOs with Significant Market Power (BT and, in the Hull region, Kingston) to provide interconnection and billing services for independent party DQ service providers.

2.30 There is at present no obligation in BT's (or any other network operator's) licence for it to provide billing in respect of services other than those which it offers itself (although there is no restriction on them providing billing for these services if they wished to). Any DQ service provider who wished to bill their customers through another operator would, currently, therefore need to arrange commercial terms for such a service.

2.31 If an independent DQ service provider was unable to arrange commercial terms to provide billing through another operator, it would, for all practical intents and purposes, be unable to offer a service. This is because it would not be economically viable to separately bill all customers for the use of a DQ service. The cost of postage alone would be equal to roughly half the average monthly spend by residential customers on DQ services.

2.32 Oftel does note however that the telecoms industry has a number of initiatives in place to tackle such problems, such as the arrangements for collecting payments for Premium Rate Services, which suggest that a co-operative industry led effort to overcome these difficulties is possible. Oftel would like to hear views from within the telecoms industry on the practicality of such arrangements in relation to DQ services.

2.33 The *Oftel strategy statement: Achieving the best deal for telecoms consumers* (January 2000) clearly sets out Oftel's preferred strategy of a move towards a more self- and co- regulatory framework for telecoms regulation where appropriate. Oftel's strategy is designed to ensure that regulation is only imposed where it is justified. Seeking to introduce a licence condition without first investigating whether the telecoms industry can reach satisfactory commercial arrangements itself would not be consistent with this strategy. However, if the industry was unable to reach a working

arrangement, Oftel would need to consider if an appropriate licence condition could be introduced.

2.34 If Oftel was to consider the inclusion of a new licence condition into BT's (or any other PTO's) licence, it would need to ensure that doing so was permitted by, and consistent with, the Licensing Directive (Directive 97/13/EC). In particular, Oftel would have to consider whether it was justified and proportionate to do so. Furthermore, Oftel would have to consult on any proposed modification and could only proceed if there were no objections.

Keeping 192 and opening a new number range

2.35 Oftel must consider, when taking any decision in relation to the appropriate form of access codes, the matters set out in Article 12 of the Interconnection Directive (97/13/EC) and Regulation 11 of the Telecommunications (Interconnection) Regulations 1997.

2.36 In order to ensure effective competition, Oftel must ensure that the procedures for allocating the access codes are transparent, equitable and timely and that the allocation is carried out in an objective, transparent and non-discriminatory manner. This is to ensure that all numbering plans and procedures give fair and equal treatment to all providers of telecommunications services.

2.37 Oftel would need to consider whether the options in this consultation document, or other options, meet these requirements.

Chapter 3

Carrier pre-selection (CPS) and directory services

3.1 Carrier pre-selection (CPS) will allow consumers who are currently connected to a PTO with significant market power (SMP) (BT, and in the Hull area, Kingston) to pre-select which network they use for outbound calls. Currently, companies who wish to offer indirect access (that is, access to one telephone network over the lines and equipment of another) need to get their customers to dial an access code (typically three or four digits) *before* the telephone number they wish to connect with. Some operators also install auto-diallers at the customer premises to do this automatically. By implementing selection through software in local exchanges, CPS will ensure customers do not need to dial an indirect access code or have an auto-dialler.

3.2 CPS will become available on the BT network in its initial phase from December 2000 (it is already available on the Kingston network in Hull). There is an interim version of CPS currently available using auto-diallers known as ICPS; however, as this is due to be partially replaced by CPS in December 2000 (and totally replaced in December 2001) it is outside the timeframe for this consultation document. Oftel published a consumer guide to CPS in autumn 2000. To view this guide and for further information on CPS please visit the Oftel website at www.oftel.gov.uk.

3.3 The current CPS specification does not allow for DQ calls to be routed to the CPS provider (although consumers are able to dial the required three or four-digit access code and then the 192 code to access the DQ service of their indirect access provider). DQ calls were excluded from the CPS specification. Oftel did not wish to pre-empt the results of this consultation because the different options discussed in this consultation would each have a different impact on the utility of introducing DQ calls to CPS. The discussion at the end of this chapter outlines these differing levels of impact.

3.4 Oftel understands that a number of PTOs who wish to offer CPS services are keen to include DQ services as an optional addition within the CPS specification. Oftel notes that the current CPS specification was developed by the telecoms industry. If a broad consensus emerged in favour of including DQ calls as an optional selection within the 'all calls' option in CPS, Oftel would not be opposed to any changes. However, Oftel would be very concerned about any proposals which would impact upon the CPS project implementation timeframe.

3.5 It is anticipated that any inclusion of DQ services would be under the 'all calls' option in CPS. Any requirement for DQ service in the CPS specification must be optional, in order that operators who may be unwilling or unable to offer a DQ service are not excluded from CPS. However, this could lead to a situation where some CPS providers offer 'all calls' including DQ, and others offer 'all calls' without DQ; consumer confusion is therefore a potential consequence. (It could equally be said that the current situation, whereby the 'all calls' option excludes calls to DQ services, the operator, and 999 calls, is confusing in itself). Oftel would like to hear the views of other stakeholders as to whether allowing DQ services as an optional requirement into the CPS specification is desirable (please see Chapter 5, question 5).

3.6 The CBA considered an alternative version of Option 1 (running 192 and 118XX(X) in parallel) whereby PTOs with SMP would be required to offer customers pre-selection of their preferred DQ service provider. In practice this would mean that customers could notify their PTO that they now wished all calls to 192 to be transferred, not to the PTO's choice of DQ service provider, but to the provider that the customer specifies. By extension, customers would also be able to over-ride their CPS operator's choice of DQ provider if they so wished.

3.7 The CBA only proposes pre-selection for Option 1 as it expects that such a service would only lead to a tangible increase in competition for that Option.

- With Option 1, CPS could stimulate greater competition because, rather then remembering and then dialling a five- or six-digit access code, consumers could simply specify once which DQ service provider they wish to use and then dial 192 each time to access it.

- Oftel understands that CPS could be implemented with Option 2 (118 XX(X) with default). The withdrawal of the 192 access code would mean that any competing service to the new default would be of the same length (five or six digits) and format (118 XX(X)). The only benefit would be that consumers would not need to remember an alternative code to the standard default code.

- Oftel believes that CPS would not be applicable with Option 3 (118XX(X) without a default) because there is no default code. There would be no extra effort in dialling the users preferred choice of DQ service provider as opposed to the PTO's choice.

3.8 Oftel is interested to hear if respondents agree with this analysis and whether they have alternative suggestions in relation to CPS and other options.

Chapter 4

Other issues

Other options to those specified in the CBA

4.1 Oftel recognises that there are a number of alternative options to those specified in the CBA. In particular Oftel understands that 192XX(X), rather than 118XX(X), could serve as a substitute for Options 2 or 3.

4.2 The main attraction of 192XX(X) compared with the options identified by the CBA is that by including 192 at the beginning of the code it should be far more memorable and less confusing for consumers. Compared to the present arrangement, it would also allow a much greater number of DQ service providers to enter the market.

4.3 192XX(X) would not follow ECTRA's suggestion that 118 be used for DQ services across Europe. However, Oftel does not consider that it is a binding requirement. As noted above, although common amongst some other Member States it is by no means the only choice.

4.4 The main disadvantage with 192XX(X) is the acute technical difficulties associated with simultaneously running a '192' and a '192XX(X)' code. This is caused by the telephone network's difficulty in determining whether a caller was dialling a three-digit or a five-digit number.

4.5 A version of Option 1 encompassing a 192XX(X) range would not be possible due to these difficulties. Options 2 and 3 would not face the same difficulties once they were up and running (as the three-digit 192 code would be withdrawn). However, it is standard practice during a number change to have a period of parallel running in order to minimise consumer confusion. This parallel running would not be possible under Options 2 or 3.

4.6 No parallel running would mean that the 192 code would have to be withdrawn on a specific date (most likely overnight) and then replaced immediately with the new number range on all operators switches. This option would leave little margin for error if there were problems introducing the new range.

4.7 The need for adequate publicity would also be a prime consideration, as the rapid withdrawal of one service without a period of parallel running would mean that a publicity campaign would need to reach as many consumers as possible to avoid confusion and inconvenience.

4.8 Oftel is interested to hear whether stakeholders consider that 192XX(X), or any other potential option, may be a more attractive solution than 118XX(X). Oftel would also like to hear views on how any change to an alternative number range such as 192XX(X) would be publicised and operated. (See Chapter 5, questions 6 and 8).

DQ calls from BT's older payphones

4.9 At present, the cost of DQ calls from BT payphones is in the form of an initial charge of 20p, followed by 11p per minute (ppm) after 110 seconds. Calls from a standard BT landline are fixed at 40p (Oftel understands that the average length of a national DQ call is 30 seconds). The cost to international DQ is also subject to a 20p fixed charge followed by 11ppm after 110 seconds. The cost of international DQ services from a landline is £1.10 per minute, capped at £4.40.

4.10 The majority of BT's payphones are remotely programmable and therefore could be upgraded to recognise a new 118XX(X) number range at comparatively little cost. However, there are still a significant number of BT payphones, especially those in more rural areas, which are not remotely programmable (we are advised by BT that 62 000 payphones could not be remotely upgraded). To upgrade these payphones to recognise a new number range would be an expensive and time-consuming task.

4.11 Given the lower charges for DQ services from BT's payphones, Oftel does not believe that it is likely that rival DQ service providers would regard access to their services from BT payphones as a critical component of their business plans.

4.12 A number of options then present themselves:

a) All BT payphones be upgraded to the new number range for reasons of clarity and consistency. This would be an expensive option, but would minimise consumer confusion.

b) All BT payphones that cannot be upgraded to a longer number range should be adjusted to a new short number, namely 118. This option would be slightly more consistent with the introduction of a new range 118XX(X), but would still be expensive and potentially confusing as it would not be identical to the arrangements for all other telephone lines.

c) BT payphones that cannot be upgraded should retain 192. This would mean that those DQ service providers who wished to offer their services from BT payphones would be limited to those which could be remotely upgraded. This option, whilst the cheapest, is also potentially the most confusing for consumers. In particular, if Options 2 or 3 were selected (ie the 192 code is withdrawn) it may be difficult to justify keeping 192 solely for particular payphones. If Option 1 were to be selected, then keeping 192 for certain BT payphones may prove less confusing, as under Option 1, 192 would remain in service. However, the new number range 118XX(X) would not be available from those payphones which could not be remotely upgraded.

4.13 Oftel understands that the decision to upgrade particular payphones is taken on a commercial basis, relating to levels of use, amongst other factors. As such it may be assumed that those payphones which are not remotely programmable would tend to be used less frequently. Oftel also understands that, over time, the existing payphones would be upgraded. However, it is clear that there is potentially scope for an extended period of customer confusion if different payphones have different DQ regimes.

4.14 Oftel would like to hear stakeholders' views on how the issue of DQ access codes from the older style BT payphones should be tackled. (Please see Chapter 5 question 9).

The procedure for change

4.15 Oftel would favour a period of parallel running if any change were to be implemented. Parallel running ensures that consumers are given time to adjust to any new number range (with Option 1 there is no need for a period of parallel running as there is no replacement of one number range with another).

4.16 The length of time needed for a period of parallel running is dependent on a number of factors. In particular, it would be expected that introducing Option 3 (118XX(X) without a default code) would necessitate a longer period of parallel running then Option 2 (which has a default code and is therefore likely to cause less confusion).

4.17 If the 192 code were to be withdrawn and replaced with a 118XX(X) range (as in Options 2 and 3), Oftel would expect a recorded announcement to remain in place on PTOs' switches notifying those callers who continued to dial 192 of the changes made. If 192 were to be replaced, Oftel is interested to hear how long stakeholders think any period of parallel running should be (please see Chapter 5, question 7).

Publicising any change

4.18 The amount of publicity required to advise consumers of changes would be dependent on which option was taken. As discussed previously, Oftel is of the opinion that introducing Option 1 would not cause a significant degree of consumer confusion. This is because the 192 code would remain in use, and any difficulties consumers had in accessing the new number range would be offset by the fact that they could continue to access the well known 192 code. If Option 1 were to be chosen, Oftel is of the opinion that no co-ordinated publicity effort would be needed and that individual operators could publicise their own services.

4.19 Options 2 and 3 would appear to present more opportunity for consumer confusion (with the withdrawal of the 192 code). In order to clarify the situation for consumers, it would seem appropriate that there be a nationwide information campaign. Oftel notes that prior to the April 2000 'Big Number' change, the telecoms industry organised a concerted public information campaign. Oftel envisages a similar campaign to publicise a withdrawal of 192 and the introduction of any new number range to replace it. Oftel would be prepared to participate in such a campaign, but is firmly of the view that its funding and management would be a matter for the industry.

4.20 Another option for publicity, running alongside a nationwide campaign, would be introducing an advisory message whenever a caller dials 192. This could be introduced in the months leading up to the change over. The message would simply advise callers that on the determined date 192 would no longer be in service and that they would have to dial a valid number in the new range. When the short message was complete, callers would be connected as usual to the DQ service. A short message of this nature would have the added benefit of targeting those consumers who are actually using DQ services.

4.21 Oftel would like to hear the views of stakeholders on the best method(s) for publicising any changes (please see Chapter 5, Question 8).

Allocation of numbers:

4.22 Oftel would like to allocate numbers from any new range in as fair and open a manner as possible. There may be grounds for with-holding particular numbers if they are seen as offering too much of an advantage to a particular operator. For example, 118192 or 118118 might be so easily recognisable and memorable that a rival DQ service provider would be unable to compete effectively against a DQ service provided through one of those numbers.

4.23 Telephone numbers are currently allocated by Oftel on a 'first come first served' basis. As this may not be the most appropriate means of ensuring a fair allocation of any new number range, Oftel welcomes stakeholders' views on how numbers might be distributed.

Chapter 5

Summary of choices faced and questions for respondents

5.1 Oftel's goal is to ensure that consumers get the best possible deal in terms of quality, choice and value for money. Oftel is therefore interested to hear all stakeholders' comments on the matters expressed in this consultation document.

5.2 The CBA prepared for Oftel studied the likely economic impact of each of the three options it identified. Whilst an understanding of the potential economic impact is important, Oftel believes the key consideration in this consultation is striking the right balance between the wish to avoid confusing and disrupting consumers and the desire to provide a competitive environment that will benefit consumers.

5.3 It is likely that the introduction of new number range would bring in a number of new DQ service providers, thus increasing consumer choice. But it is also likely that a change would confuse consumers, at least in the short term. Before Oftel could make any changes we would need to be clear where the greater benefit lay. Oftel would also need to be convinced that there was a broad consensus behind any change.

5.4 Oftel will need to carefully consider whether the presence of a default code will ultimately benefit consumers through its convenience or reduce consumer choice relative to other options by acting as a disincentive to new entrants. Oftel will also need to consider its legal obligations to allocate numbers in a fair and non-discriminatory manner.

5.5 Furthermore, if consumers are satisfied with the present arrangements, or if alternative means of providing directory information prove to be just as beneficial, Oftel could not justify authorising a disruptive process that consumers did not believe would provide a clear benefit.

5.6 At present there is no obligation on PTOs to provide billing services for third parties. A lack of third party billing may mean that, if independent DQ service providers were unable to negotiate suitable terms with PTOs, only PTOs would be able to offer a DQ service (and then only to their regular customers). This in essence, would be no different to the current situation. The length of time needed for consideration of a licence change and the material uncertainty in the intervening period are also relevant factors.

5.7 Oftel is aware that many of these issues are finely balanced. Oftel will need to gain a clear understanding of stakeholder opinion before proceeding with any substantive change. In order to clarify which of the options is preferred by stakeholders (if any), Oftel would find it useful for respondents to answer the following questions:

Questions on the options available

Q1 **Which of the options (if any) do you prefer and why?**

Q2 The withdrawal of the 192 code (as in Options 2 and 3) could be seen as both a benefit and a hindrance for consumers. Removing the 192 code may increase competition in the DQ services market, with potential benefits for consumers including lower prices and a wider range of services. Alternatively, removing 192 could be detrimental to the interests of consumers because of the potential for user confusion.

Do you feel that, on balance, withdrawing 192 (as in Options 2 and 3) would be to the benefit or detriment of consumers?

Q3 A default code (such as in Option 2) may be more convenient as the same number would be accessible from all networks. The absence of a default code (as in Option 3) might encourage more DQ service providers to enter the market (in that they might believe that no default code ensured a level playing field) thus offering a more competitive market from which consumers could choose and benefit.

If the 192 code were to be removed, do you feel consumers would benefit most from a new default code (as in Option 2) or by having no default code (as in Option 3)?

Q4 All three options offer the ability to have a new 5 (118XX) or 6 (118XXX) digit code. A five-digit code would, potentially, be easier to remember. Alternatively a six-digit code would ensure a larger supply of suitable numbers and would mean that 118XX(X) could also be used for a wider range of services than just national or international DQ.

Do you have an opinion as to whether a five- or six-digit code for accessing Directory Enquiry services would be more appropriate?

Q5 Options 1 and 2 would allow the potential for pre-selection of DQ services (see discussion in Chapter 3). Allowing pre-selection of DQ services would mean that those CPS providers who wished to, could offer DQ as part of their 'all calls' packages. However, CPS providers who did not wish to provide, or could not offer DQ as part of the 'all calls' package would not be required to do so. This may be potentially confusing for consumers.

Do you believe offering pre-selection of directory enquiry services would be of benefit to consumers?

Q6 The European Committee for Telecommunications Regulatory Affairs (ECTRA) recommends the use of 118 as an access code for DQ services. However, this is not a binding requirement and as such other options are open. For example, the 118XX(X) specified in Options 2 and 3 could be replaced by 192XX(X). There would however be technical difficulties in implementing both 192 and 192XX(X) (as in any similar variant of Option 1).

Do you feel that implementing 118XX(X) as an access code for DQ services is important or would a system based on 192XX(X) be an acceptable and desirable alternative?

Questions on the procedure for change:

Q7 It is generally accepted that any number change requires a period of parallel running to allow consumers time to get used to the changes. Oftel's opinion is that Option 1 would not require a period of parallel running as it would not be a number change as such, but simply the addition of a new number range. However, Oftel believes that implementation of Options 2 or 3 would require a period of parallel running, enabling consumers time to get used to the new changes.

If Option 2 or 3 was progressed, how long to you think a period of parallel running should last? How would you envisage the parallel running working in practice?

Q8 Oftel recognises that consumers would need to be made aware of any changes to the DQ access code. If Option 1 were to be selected, Oftel believes that each new DQ service provider should be able to independently publicise its service, and that this would be an acceptable way of raising consumer awareness (as 192 would remain). If Options 2 or 3 were to be chosen, consumers would need to be made fully aware of the new number range and of the withdrawal of 192 through a co-ordinated cross industry campaign.

If 192 were to be withdrawn, how should the new number range be publicised? How should the industry fund and manage a central information source and campaign and for how long?

Q9 A relatively large number of BT payphones, especially those in rural or less accessible areas, could not be easily upgraded to allow access to a new 118XX(X) number range. Forcing these payphones to accept the new number range, ahead of any planned upgrade programme, would be a potentially expensive option. Alternatively, not upgrading the payphones or implementing a different option runs the risk of adding to consumer confusion.

How should DQ calls from Payphones be tackled? Would it be acceptable if a number of BT's payphones could not access the full 118XX(X) range (if that range were implemented for other telephone lines)?

Q10 Oftel currently assigns numbers on a 'first come first served' basis. Oftel is aware this might not be appropriate in all instances and would like to hear stakeholder views on how numbers should be allocated in the event of any introduction of a new number range for DQ access codes.

How should any new number range be allocated to potential DQ service providers?

Questions on the Cost Benefit Analysis:

Q11 The CBA prepared for Oftel identifies three options for change. Oftel understands that accurately identifying future trends in telecoms and in consumer behaviour is a difficult exercise reliant, to a certain extent, upon assumptions.

Do you think the assumptions the CBA makes are valid? Are there other options that you think would be more appropriate?

Chapter 6

Consultation

6.1 Comments are invited by **22 February 2001** on the results of the CBA concerning the provision of directory enquiry services and products.

Enquiries

6.2 Telephone and e-mail enquiries concerning the CBA and this consultation document should be directed to:

Alex Campbell
Oftel
50 Ludgate Hill
London EC4M 7JJ
Telephone: 020 7634 8970
Fax: 020 7634 8893
e-mail: alex.campbell@oftel.gov.uk

Responses

6.3 Written responses should be sent to:

David Parsons
Oftel
50 Ludgate Hill
London EC4M 7JJ
Fax: 020 7634 8746
e-mail: david.parsons@oftel.gov.uk

6.4 Written comments will be publicly available from Oftel's Research and Intelligence Unit, except where confidential. Respondents are therefore asked to separate out any confidential material in a clearly marked annex.

In the interests of transparency, respondents are requested to avoid confidentiality markings wherever possible. Appointments to view written comments in Oftel's Research and Intelligence Unit must be made in advance (tel: 020 7634 8761, fax: 020 7634 8946).

Alternative formats

6.5 Copies of the full statement are available on disc.

6.6 The summary can be made available in large print, Braille and tape formats. Please contact the Oftel Research and Intelligence Unit on 020 7634 8761, or by e-mail: infocent.oftel@gtnet.gov.uk or call textphone 020 7634 8769 for more information.

Annex A

Glossary

The following terms are used throughout the consultation document:

CEPT: The European Conference of Postal and Telecommunications Administrations.

Carrier Pre-Selection (CPS): Carrier pre-selection enables the customers of those PTOs with significant market power to pre-select an alternative carrier for their outbound calls without having to enter a three- or four-digit access code as was previously the case.

DQ: Directory enquiries.

European Committee for Telecommunications Regulatory Affairs (ECTRA): ECTRA is the main European forum for the discussion of regulatory issues, set up within the framework of CEPT.

Premium Rate Services (PRS): Premium Rate Services (PRS) are products and services which can be accessed by dialling special telephone numbers. Customers pay for the product or service, as well as the telephone call itself, through their normal telephone bill. An industry group known as ICSTIS (Independent Committee for the Supervision of Standards of Telephone Information Services) decides on how those call revenues are allocated between the various companies involved.

Public Telecommunications Operator (PTO): Network operators with powers granted by the Secretary of State for Trade and Industry under the Telecommunications Act 1984 to enable them to install their systems on public and private land, property etc.

Significant Market Power (SMP): This expression applies to public operators that the Director General of Telecommunications has determined to have significant market power in accordance with regulation 6 (1) of the Telecommunications (Open Network Provision) (Voice Telephony) Regulations 1998; or to systemless service providers that the Director has determined to have significant market power in accordance with regulation 6(2) of the Telecommunications (Open Network Provision) (Voice Telephony) Regulations 1998. Currently, BT and Kingston Communications are the only operators deemed to have Significant Market Power.

Annex B

Summary of Sample European DQ services Access Codes

Country	Access Code Format	Notes
Austria	118XX	
Belgium	4 digit code eg 1204,1304 etc.	
Denmark	118 (incumbent) also 1818 (rival operator).	
Finland	118	Consumers can also call DQ service providers direct on longer numbers
France	12 (incumbent)	Alternative codes are available from mobile networks, eg 712, 222.
Germany	118XX	No default code (similar to Option 3 in this paper).
Greece	181	
Ireland	118XX	No default code (similar to Option 3 in this paper).
Italy	12 (national) 176 (international)	
Luxembourg	118XX	
Portugal	118 (incumbent) 18XX (indirect access operators).	
Spain	four-digit code dependent on operator, eg 1488, 1581 etc.	
Sweden	118XXX	No default code (similar to Option 3 in this paper).
The Netherlands	118	Some mobile operators use their own short codes, they will be migrating to 118.

Annex C

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) was prepared by Ovum for Oftel. Oftel uses the CBA as a basis for discussion in this consultation document. However, Oftel accepts no responsibility for the accuracy of the information contained in the CBA itself or for any decisions made by any person based on the information contained in the CBA. The page numbering has been revised to reflect its location as an Annex to this consultation document.