

Considering Number Portability in the Caribbean

OOCUR – “Regulation, Convergence, and the Competitive Environment”

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Contents

- **Introduction**
- Different Approaches to Number Portability policy (including regulatory justification)
- Uncovering Favourable Conditions for NP (including market readiness)
- Costs and Benefits
- Lessons and trends

What is Number Portability?

- The ability to change your service provider without changing your number
- It may be applied to fixed-line, mobile, or both
- It may involve the requirement to import and export numbers, or only to export numbers
- Applies only where there is a competitor who can deliver incoming calls

Expected Results:

- Lowers switching costs for users
- Releases customers of incumbent/dominant provider for whom number changes are a barrier
- Facilitates market entry for new entrants
- Makes incumbents improve quality, services
- Leads to overall lower prices

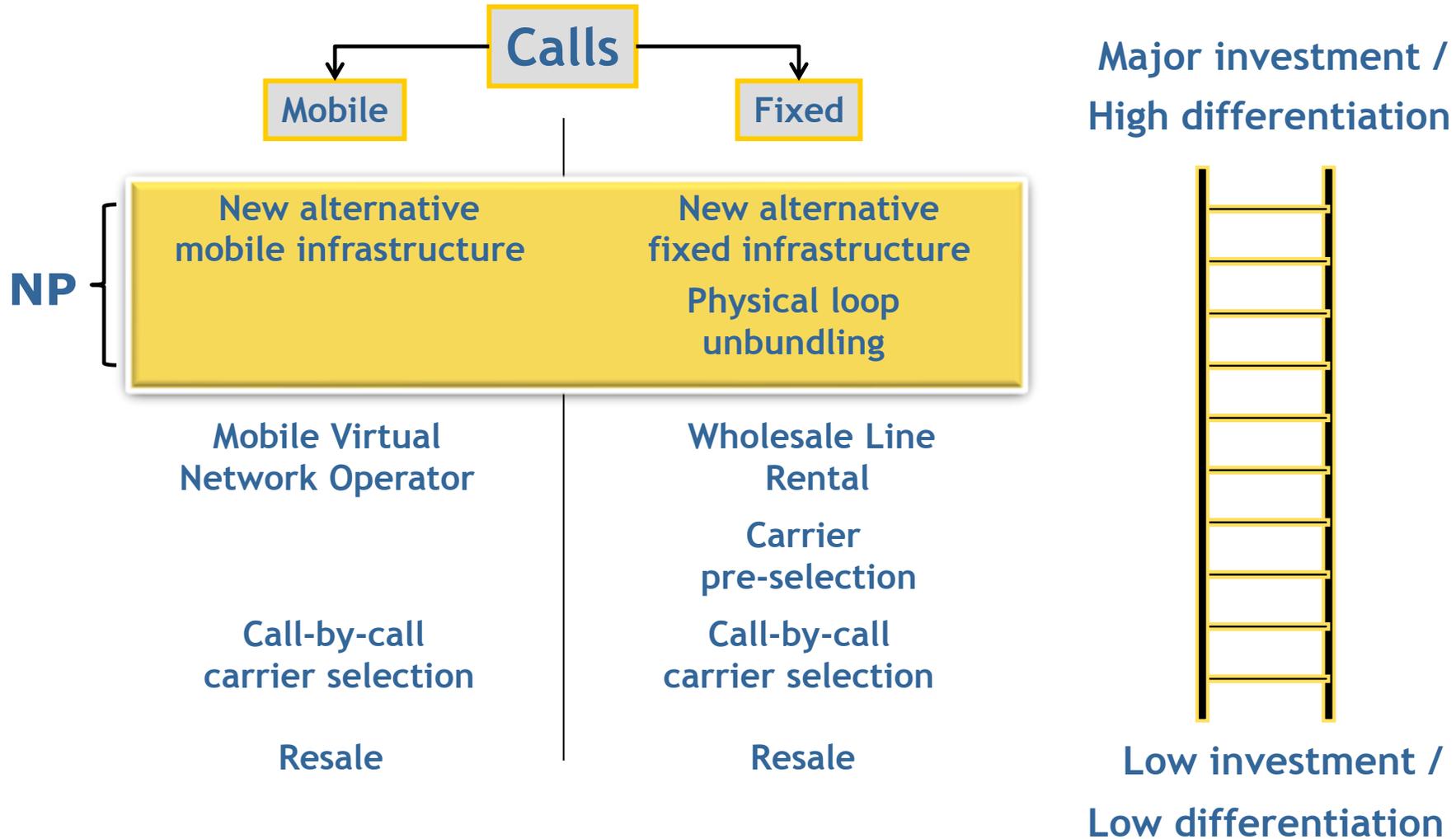
But Be Aware...

- The experience to date shows mixed results; NP has been disappointing in many countries
 - Often caused by poor implementation
- Costs and benefits are often not well understood, yet there are “political trends” as NP is often a “must do”
 - The European policy that it is a user right removed the need for cost benefit analyses
- Local market circumstances should be taken into account
 - Some regulators justify based on expected demand without regard to actual cost or local realities

And Also Be Aware...

- Need the legal/regulatory capacity and instruments to direct, implement, and monitor a NP program
 - requires enabling legislation and legal justification (look out for unfair burdens and regulatory impact tests)
- NP is a big project that needs careful management by the regulator to achieve the desired outcome
 - There may be higher regulatory priorities and limited resources
 - There has been little exploration of the constructive alternatives to NP
- The outcome may surprise anyway!

NP and the Ladder of Investment



Concept from Prof Martin Cave of Warwick University

Regional NP Implementation

Already Implemented or Have Decided to Implement:

- Cayman Islands (fixed and mobile)
- Dominican Republic (fixed and mobile)
- French Antilles (ARCEP) (fixed and mobile)
- Puerto Rico (FCC) (fixed and mobile)
- Trinidad & Tobago (fixed and mobile)

Under Consideration:

Bahamas, British Virgin Islands, OECS,
Haiti, Jamaica

Also Under Consideration:

Bermuda, Columbia, Costa Rica,
Guatemala, Panama, Venezuela

The Jamaican NP Study

- OUR commissioned a consultancy on the feasibility of NP or alternatives to it – completed this past summer
- Next step is for OUR to undertake a public consultation exercise using the results of the work undertaken
- CBA showed net benefits for both fixed and mobile, but other issues need to be considered further
- The legal/review process does not readily allow for alternatives to NP
- There are significant switching barriers and these problems could take precedence over NP or be pursued in tandem (e.g., on-net discounts / asymmetric termination rates)
- If NP were pursued, there is an opportunity to share lessons, specifications, and perhaps also central database costs across the region

Regulatory Options

- Do nothing
- Treat portability as a user right and require it (irrespective of cost benefit analysis/burden)
- Treat portability as a means to give benefits to users and increase competition, and require it where there is a net benefit from a CBA
- First take on other regulatory interventions that will have greater impact and/or make switching operator with a number change easier

Comparison of Approaches

	User Right	Competition Measure
Focus	All operators equally	Requirements on incumbent/dominant
Start Time	Set by regulator	When requested by new entrant
Requirements	Export and import numbers	Export numbers only (import is optional)
Cost Benefit Analysis	Not needed	Needed
Cost	Greater	Lower

Fixed Market Readiness

Ready Market

- High coverage by (new) operators
- Local loop unbundling working well
- No on-network discounts
- No price discrimination
- Many operators
- Churn driven by broadband
- Short contracts
- Win-back banned

Less Ready Market

- Low coverage by competing operators
- No local loop unbundling
- Deep on-net discounts
- Price discrimination
- Few operators
- Little or no broadband
- Long contracts
- Win-back allowed

Is it realistic to switch?

Mobile Market Readiness

Ready Market

- Low termination rates
- Symmetric termination rates
- No on-net discounts
- No price discrimination
- Many operators
- Churn driven by 3G broadband
- Unlocked handsets
- Short post-pay contracts
- Win-back banned

Less Ready Market

- High termination rates
- Asymmetric termination rates
- Deep on-net discounts
- Price discrimination
- Few operators
- No investment in 3G
- Locked handsets
- Long post-pay contracts
- Win-back allowed



How easy is it to switch?

Sample Statistics

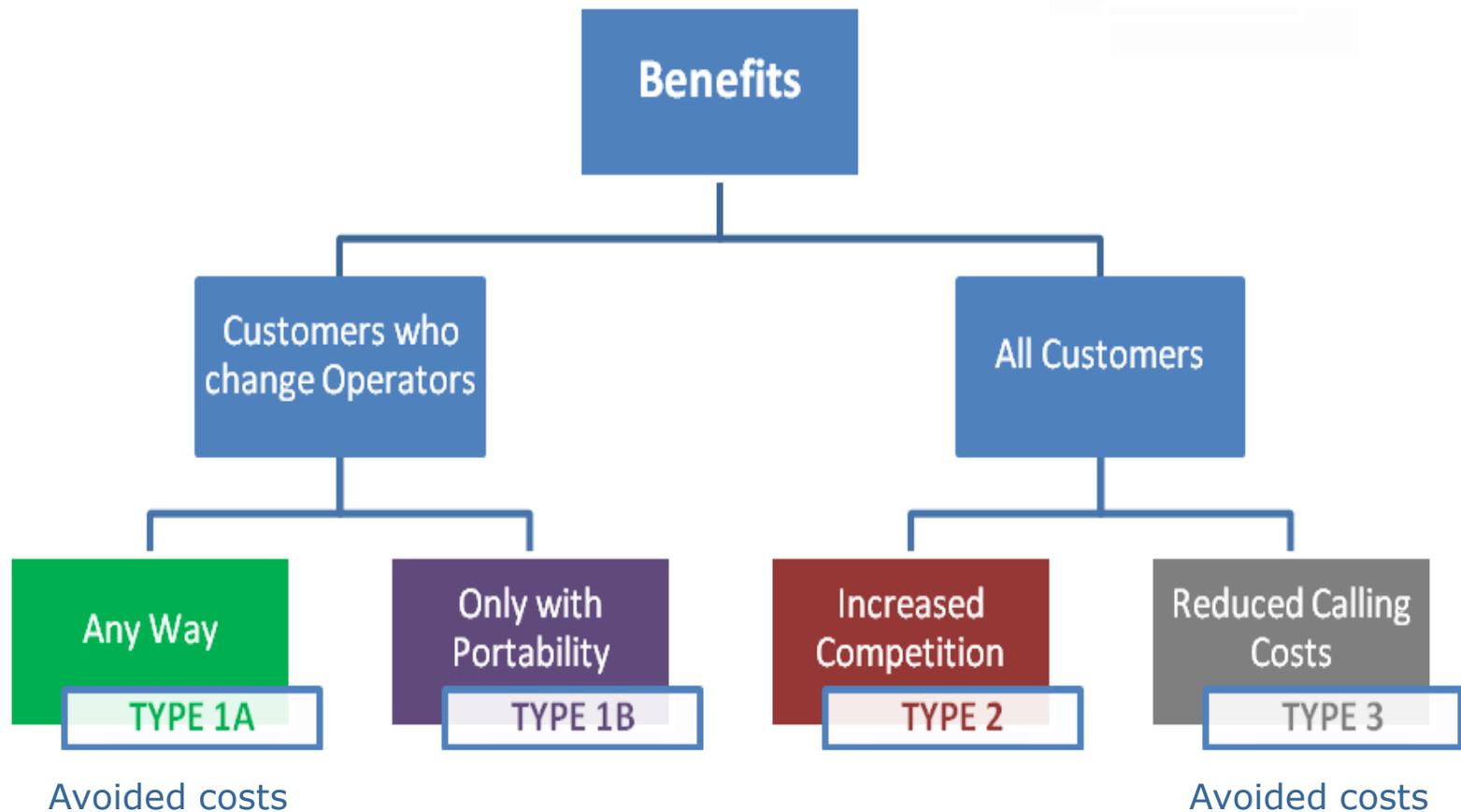
Country	Operators	Penetration	Competition	Awareness	Porting Time (d)	% porting
Hong Kong	5	125%	V High	High	1.5	14.6%
Finland	3	105%	High	High	5	10.6%
Spain	3	105%	High	High	6	7.8%
Australia	4	80%	High	High	0.3	7.5%
Ireland	3	102%	High	High	0.2	6.5%
Sweden	4	113%	High	High	5	6.1%
Belgium	3	86%	Medium	High	2	4.6%
Malta	2	80%	Low	Medium	0.5	3.6%
UK	5+	111%	High	Low	7	2.5%
France	3	78%	Low	Low	30	0.6%
Germany	4	91%	Medium	Low	6, was longer	0.4%

These figures are older,
but the message does not change

Impact & Effectiveness

- Should increase competition
 - NP does not create competitiveness
 - Competitiveness is willingness of operators to reduce prices or improve service to increase market share
- Difficult to isolate the effects of number portability as the market is often dominated by the effects of new entrants
- Many implementations have been too poor to be effective (e.g., initial implementations in Germany, UK)
- Portability can work well but prices may not change
- May increase share of incumbent or dominant provider (e.g., Hong Kong, Korea, Spain)
- Greater impact likely with higher populations (i.e., costs are fixed, but benefits rise with number of switchers)

Benefit types



Changes in Benefits ↓

- Benefits are reducing as number changes are getting easier to manage by users, yet users are learning to demand portability = a paradox
- Why are benefits reducing, especially for mobile?
 - Email makes it cheap and easy to notify a change of number
 - Mobile operators can use SMS to tell contacts of number change
 - Mobile numbers are not learned but stored in terminals
 - Parallel accounts are cheap, even dual SIM terminals
 - The use of paper is reducing, and most letters or invoices are generated from word processor templates where numbers can be easily changed

Costs

- Set-up (network and systems, also service providers and retailers)
 - old systems can be 10x more expensive than new
 - costs will be less for exporting numbers only
 - typically 80% systems, 20% networks
- Additional conveyance (via block/transit operator)
- Porting process - specification, development, implementation
- Annual running costs for NP-specific equipment and servicing
- Reference database and service (if using All Call Query)
- Delays to other programs (e.g., while the focus is on NP)
- Loss of tariff transparency and the effect on on-network discounts
- Costs are generally not immediately passed along to users

The costs are fixed and may be large

Changes in Cost ↓

- Many new billing systems and ordering systems support portability
- NGN technology makes All Call Query routing easy
- Most equipment manufacturers are building in portability
- Costs reduce if implementation of portability can be phased in with other changes and upgrades
- Tariff transparency a large issue due to on-net discounts stimulated by high mobile termination charges – but large reductions in termination rates will reduce this problem (strategy of European Commission)
- Possible savings through cost sharing of database or by harmonising regional requirements and specifications

Alternate Consideration

If...

- A text is sent to all your address book about your change of number...
- You can send all your email contacts an email about your change of number in just a couple of minutes (free of charge)...
- You can tell all your Facebook contacts easily about your change of number...
- You can alter your number on letterheads and your web page easily with your computer...
- Callers to your old number hear a message about your change of number...

Does a number change still remain a problem?



Lessons

- There is a market size threshold below which portability is not likely to be a net benefit
- If NP is to be done it must be implemented well or it will waste money, goodwill, and could be negative
- Other regulatory measures are needed to increase the prospects of success:
 - Symmetric and low termination rates to reduce on-net discounts
 - Tariff transparency if on-net discounts remain
 - Prohibitions on price discrimination
- Without taking measures to break down switching barriers, there is a risk of helping the largest operator

Long Term Trends

- Improvements in other regulatory issues will make the market more ready for NP, but other trends will reduce its value:
 - Greater availability of the Internet makes telling others and finding numbers much easier
 - People are less dependent on telephony/text for communication - more on email, instant messaging, social networking (e.g., Facebook)
 - Competition is making networks more efficient and coverage better, so the remaining scope for continuing improvements is reducing
 - Number changes are not the only barrier to switching, other barriers such as unique on-net services may increase
- The value of portability may reduce, but
- New (NGN) products, improved database possibilities and better implementation processes will continue to reduce costs
- User's expectations for portability may continue to increase – it is already just *expected* in most countries

Thank You

“In this bright future you can't forget your past.” Bob Marley

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