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Our Ref: GDP 26.3.8

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26th November 2012

Dear Sirs,

CICRA 12/47 Billing Practices for Fixed Telecoms Services - Consultation

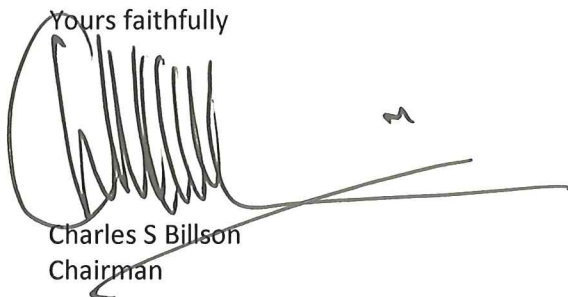
Thank you for this opportunity to make our thoughts known about what we see as yet another example of the failure of the existing dominant operators to respond to customer needs, as they might do if there was greater competition in the market.

The practices described in the consultation, while not uncommon, are derived from practices established in the days when there were only fixed line services and C&W (formally Guernsey Telecom) and JT were sole providers of telecommunications services in their respective geographies. It is notable that in markets where there is effective competition (e.g. mobile and local loop unbundling) service providers have recognised that customers have a choice of provider and that all points of interaction with the customer, including billing, are important in winning and keeping their loyalty. The Channel Islands fixed line market does not seem to have moved on from the days when telecoms products and services were designed for administrative and engineering convenience.

We note that the consultation document does not provide any indication of the number of customers affected by the issues raised. While we would expect the number to be smaller than it was only a few years ago, this segment may well coincide with the older and perhaps less well off section of the community. Their protection is important and we therefore consider the consultation issues to be important. Indeed we see the issues to be of sufficient importance that the non-telecom utility providers could take this opportunity to reflect on their practices.

The attached responses follow the structure and questions raised in the consultation document.

Yours faithfully



Charles S Billson
Chairman

Encl.



Question 1: Are respondents of the view that the payment deadlines in Sure's and JT's Consumer Codes of Practice give customers enough time to pay their fixed line bills?

We feel that this is the wrong question. The question should be whether the time a customer has to pay their bill should be dictated by the (in)efficiency of the bill issuer's processes prior to reception of the bill. By making the due date dependent on the issue date, which may be well ahead of the dispatch and delivery dates, the nature of the customer's credit arrangement with the issuer is blurred. The amount of time the customer has to respond and pay should not be dependent on the bill issuer's (in)efficiencies.

If, as would be expected, C&W and JT wish to maximise cash flow and minimise customer debt then they are free to minimise the time it takes them to perform their internal processes of data collection, calculation, printing and delivery to the local postal operator for dispatch.

Additionally, we note the recent moves by CICRA to have the local postal operators set and report upon targets for local delivery times. This will provide C&W and JT with additional capability to predict bill delivery dates.

We can see no reason why C&W and JT cannot state on their bills a reasonably accurate date on which they expect their bills will be delivered and from which the period the customer's has to pay commences.

But this issue should not be confined to paper billing. There is a general rise in the levels of bills being delivered by email which can reasonably be expected to be delivered in hours, if not minutes, and for which non delivery notification mechanisms are available. Here there is every opportunity to put the expected delivery date into the covering email.

Starting the allowed payment period from the expected delivery date ensures that customers are not disadvantaged by the means of delivery and there is clarity between the bill issuer's processes and the customer's credit terms.

What we see in the current situation are essentially historic practices, from more monopolistic days, rather than well thought out and progressive processes to effect market differentiation.

Question 2: Respondents' views are sought on how late payment penalties and reconnection fees might be set by Sure and JT. For example, should these be proportionate to the size of the outstanding amount, or a fixed penalty?

C&W and JT act as commercial companies and it is therefore reasonable for them to seek to manage the credit they give customers, their cash flow and to recover the costs associated with late payments.

We do not believe there is a case for any utility to levy late payment penalties and reconnection fees; especially if they are allowed to set these at a level that provides no encouragement for them to invest in modern systems and processes for operations and billing. Interest based charges are a more appropriate way of covering costs, especially where debts remain unpaid for some time.



Question 3: What alternatives are open to Sure and JT to address persistent late payers?

As with sending bill reminders before a final demand, there is a wide range of actions that can be taken to remind and encourage customers to settle their debts. This is especially so as telecoms operators move to 'next generation' technologies. The most obvious measures are restricting outgoing calls to 'emergency services only' and, in the broadband context, traffic limiting and speed throttling. While there are labour costs associated with customer debt management, in a modern operations and billing system environments the cost of activating and restoring such measures are small and easily configured to local circumstances.

It is worth noting that in a converged telecoms network and billing environment, where mobile and fixed services are part of the same contract and appear on the same bill, the network operator has even greater flexibility in applying service limiting measures designed to invoke customer action.

These measures are in addition the C&W and JT's existing rights to demand deposits, to offset monies from other services and to receive payment in advance for items such as line rental. In the last resort there is the availability of local Petty Debts proceedings which gives an effective method of having customers address their indebtedness should they fail to respond to initial measures.

C&W and JT already have a considerable armoury and it is difficult to imagine that they cannot negotiate and implement suitable measures to deal with customers that either cannot or will not pay in a timely manner. The consultation contains no information on the numbers of customers affected or the scale of debt C&W and JT experience but they would have to be significant before additional measures are required.

Given the dominant position the two companies hold in terms of access to local loop, and as the holders of universal service obligations, we do not believe that C&W and JT should be allowed to entirely cease all forms of fixed line service to customers in provable circumstances of hardship. Without an opening of the local loop, customers have no alternative service providers.

Opening the local loop for effective competition will not only give the customer choice as to which service provider they wish to contract with but also encourage the service providers to improve their customer services offerings; including credit terms, billing arrangements and the handling of debt. These are as much of the service as the underlying technical service and, with there being little difference in the nature or quality of the underlying telecoms service, can provide a significant differentiator between service providers.

Question 4: Do respondents take the view that Sure and JT should continue to provide payment methods other than direct debit?

Yes.

There continues to be an acknowledgement of the need to provide basic telecoms services to all parts of the community through the Universal Service Obligation and it should also be acknowledged that billing practices must also match the needs of the population; especially those parts that are less familiar with, and less happy to use, methods other than paper bills and cash/cheque payments.



A wide range of billing and payment methods must therefore be maintained even if some of these are more expensive to provide and come with higher charges.

Question 5: Do respondents agree that customers who choose a method of payment different from direct debit should pay the additional cost incurred by Sure or JT in providing this particular payment method?

Yes.

'User pays' is a strong principle and there should be no question of either cross subsidy from customer using other payment methods or that C&W and JT, as commercial companies, should receive public subsidies for customers less able or willing to opt for lower cost payment methods. If sections of the community find it difficult to pay justifiable telecoms charges then that is an issue for government to provide subsidy through the social welfare system. Parallels can be easily drawn with senior citizen bus passes and heating allowances.

Any subsidy paid directly to C&W and JT would create administrative complications and provide C&W and JT with unfair advantage over new entrant operators.

Question 6: Do respondents agree that Sure and JT should accept electronic transfers from customers who prefer this payment method to the use of direct debit?

Yes. It provides convenience for the customer and is a natural extension of electronic billing.

Question 7: Respondents' views are sought on the quality and accessibility of information regarding what customers pay according to the payment method they choose and the costs of falling behind with their payments.

There can be no excuse for C&W and JT to do anything but make their terms and conditions and price lists clear, transparent and easily accessible; this includes all aspects of their products and services.

Publication on their websites is essential but it should also be available in paper form for that part of the community without ready internet access.

We would also raise here the question of payment through the use of cards and continuous authorisations. This is a widespread practice amongst utility companies but is little understood by customers who often mistakenly think they are protected in the same way as that provided by the Direct Debit scheme. While we would not suggest that C&W and JT should not accept cards and use continuous payment, or that they might in anyway abuse the power that gives them to take funds from customer accounts, customers should be more aware of the associated issues.



Re Charges for Suremail.gg accounts

While we are not in a position to dispute the objective evidence, we are surprised that CICRA takes the view that there are insufficient grounds to investigate this area further.

From the personal experience of the LP Telecoms team when dealing with retail customers at another local telecoms company, CICRA correctly observes that the loss of a long established email address is a substantial barrier to a customer switching providers. In the case of businesses it is usually an insurmountable barrier.

Also, while the additional £6/year may appear small compared to any potential savings, the saving is often too small to overcome what is perceived as both a risk of future loss of the email address and the nuisance caused by what will be a small charge appearing on yet another telephone bill. The assurance that the customer could keep their (@cwgsy) address was a considerable comforter and often the point at which the customer agreed to switch.

In the digital world, email addresses should be seen on a par with telephone numbers where lack of number portability has long been seen as a barrier to switching and the development of competitive services.

We feel that CICRA should think again about this area and, at least, consider a scheme whereby the operator that takes a customer's services can pay the justifiable marginal costs of the email provider, without the involvement of the end customer. This is no different to the remainder of the broadband wholesale regime.

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