

**From:** [REDACTED] **On Behalf Of** Kip Meek

**Sent:** 11 March 2005 14:08

**To:** Colette Bowe (External)

**Cc:** [REDACTED]

**Subject:** DQ Market Research

Dear Colette,

Following your note on the Results of the November 2004 Directory Enquiry market-research, I wanted to respond formally to you and your colleagues on the Consumer Panel in relation to the broader points the Panel raised .

The Panel makes two points, the first about consumer information on DQ, the second about the scrutiny that should accompany an intervention of a type which affects the structure of a market. I'll deal with each point in turn.

Your point about consumer information is that Ofcom should remedy the information gap in the DQ market, specifically by either naming and shaming poor performers or praising those who perform well (in both instances assessed by a combination of price and accuracy measures).

A narrow response to this point is that we will be publishing our research and that this report, as you know, contains within it data of the type you mention.

However, while conforming to the letter of the Panel's injunction, perhaps it doesn't conform fully to its spirit. Publishing the results will not lead to all DQ users being aware of the results. That would require action such as placing advertisements in national newspapers setting out league tables. However, we're not convinced that such a course of action can be justified in this case. This is for two reasons. First, while we have some sympathy with your point (discussed below) about the effectiveness of the communications work done prior to the change in the DQ regime, we are not convinced that the problems are so severe from a consumer perspective as to merit this type of initiative – the level of complaints about DQ services is low and, if we were convinced of the need to spend money on advertising, there would be other areas which would be higher priorities (measured against levels of consumer detriment and the need for increased consumer awareness). Secondly, as you know, the draft research report on which you were initially commenting turned out to overstate the decline in accuracy of some of the worst performers and the figures have now been corrected, as you will have seen. This suggests that there is a need for some caution about the results and we need to bear in mind the issue of proportionality in drawing attention to the findings.

Your second point we accept. Although the NAO's forthcoming report on the DQ liberalisation does conclude that the actual liberalisation process was handled well by Oftel, there are certainly some important lessons to be drawn from the DQ experience. Oftel did commission a cost benefit analysis, but, with the benefit of hindsight, we now know that this did not anticipate the scale of the consumer disruption or therefore sound warning bells. The following

points in particular we think could form part of a checklist of issues to consider before proceeding with major initiatives of this type:

- Benchmarking the pre-change position
- A consumer-orientated delineation of what an effective change would deliver
- Consideration of the consumer information implications and of other non-price issues
- Auditing of effects
- Consideration of the possible price dynamics post-change
- Consideration of how to mitigate the effects of the intervention if it is unsuccessful (or less successful than hoped)
- An effective intersection with consumer bodies and representatives
- A consumer information plan (in line with the Ofcom consumer information principles) to explain the change.

This list has been derived from your note and discussed and agreed with the consumer policy team. We think it could play a very useful role in our work going forward, although like any list of this type, it should be used with intelligence and judgement and will need to be undertaken in conjunction with and as part of the regulatory impact assessment process.

In fairness to Oftel, it's also worth pointing out that while some of the items on the list deserved more attention than they received, others were attended to – hence, the curate's egg message of the NAO report.

More generally, as you know, we are reviewing consumer policy and its implementation across Ofcom and will ensure this list of items is included with others to address, prior to major initiatives. Obviously, as the scope of this review is determined, we'll keep you and the Panel informed.

Thanks very much, Colette, for the advice from the Panel.

Kip