

**NOTES OF THE ILP MEETING ON TUESDAY 20<sup>th</sup> January 2009**

**Present:**

Jacqui Brookes (Chair) - FCS  
David Ashman - PRA  
Hamish MacLeod - MBG  
Anne Hoitink - Ofcom  
Michael Traynor – BT  
Iain McCallum – O2  
Jeremy Flynn - AIME  
Suhail Bhat - MEF

Sir Alistair Graham - PhonepayPlus  
Paul Whiteing - PhonepayPlus  
Jeremy Hallsworth - PhonepayPlus  
Cara Shummen (minutes) – PhonepayPlus

**Apologies:**

Jack Wraith – TUFF  
Michael Eagle – FCS  
Mark Gracey – UKCTA  
Michael Taylor – ITSPA  
Mark Hawkins – MDA/MX Telecom  
Stuart Godfree – MDA/MKodo  
Suzanne Gillies – PRA  
Roy Ellyat – AIME  
Neil Dennett – ITV  
Ann Cook – ITV

## 1.0 Presentation of the consultation on the Business Plan and Budget 2009/10

Paul Whiteing presented an overview of the PhonepayPlus Business Plan and Budget for 2009/10. The vision and objectives in the 3 Year Plan 08/11 were outlined. The achievements of 2008 the CCP Launch, Mobile Review, dealing with 070 scams, re-launch of Phone Brain, Live Entertainment simplification, targeted compliance work with mobile aggregators, introduction of Broadcast PRS prior permission and ramping up of Industry Support activity. The 2009/10 Business Plan high level priorities are identified as:-

- 12<sup>th</sup> Code preparation
- Proactive tracking of market developments and risks
- 0871 regulation
- Mobile Review outcome and ongoing compliance
- Broadcast PRS testing for compliance
- Targeted approaches to systematic compliance failings
- Broadening and strengthen industry engagement including ILP
- Fundamental review of customer care and consumer experiences
- Continued drive on efficiency savings and improved PhonepayPlus performance

Paul Whiteing also outlined the journey of change underway to becoming:

- More strategic
- More engaged with stakeholders
- Focused on compliance, not just complaints
- Focused on evidence and risk
- Focused on consumer trust; not just scams

It was suggested that there will be a market decline in 2009/10 and the budget would increase by 2.4% (£106K). Paul Whiteing reminded ILP that the key budget drivers includes:-

- Staffing costs (including Board and CCP) are 61% of total budget. Costs held at 0.2% increase after wage inflation
- Increase in costs outside of control – rent and rates
- A significant range of costs are driven by industry such as contact centre, investigations and industry support. The ability to control them therefore to some extent sits with industry.

## 2.0 Discussion

Jeremy Flynn opened the discussion. He suggested some significant cuts to the proposed budget were needed especially in this declining market. He said that the budget should be reduced by 10% by looking at the core requirements and where non essential work can be reduced. One suggestion for reduction was in the area of Consumer Education costs suggestions for cost reduction included:-

- If the customer care process in the industry was “cleaned up”, an education program would not be necessary
- By staying industry focused and preventing harm this will care for the consumer more

than running a costly consumer education programme

- The Code already protects Children (and other vulnerable groups) so the Phone Brain programme is therefore not necessary. Children are mainly targeted by the use of the word 'free'; a crackdown on misuse of this word would further protect them.
- If an increased budget is used for consumer education the industry would like the results to measure the success of it as a justification of the expense and show savings elsewhere
- Industry research should be shared to increase consumer awareness

Hamish McLeod suggested that if there is going to be an increase in the budget then industry would like to see an improvement in all KPI areas. What is being done about this?

Paul Whiteing reported:

- PhonepayPlus currently has several operational KPI's in place. Paul Whiteing would also like to add more strategic KPI's and benchmark KPI's to mark improvements.
- It was noted that the KPI's are currently under review and a matter for the Board to discuss and implement following discussions with Ofcom

Several members supported the idea of further monitoring and testing of all services to increase compliance in the industry. It was noted:-

- If the industry is aware that PhonepayPlus are testing services, compliance will increase
- Taking control of industry testing will ultimately drive down costs for PhonepayPlus
- PhonepayPlus should adopt a zero tolerance policy for compliance
- Receiving complaints as is presently done should be viewed as a monitoring procedure
- It was surmised 4-5 additional full time staff would be needed to do monitoring and testing across the whole industry (broadcast, PRS, Mobile etc)
- Members offered support to implement and share their testing knowledge. The Executive agreed to consider offers of help if tangible offers were given.
- Testing can be very complex. For example PhonepayPlus is aware of an aggregator which has strong compliance measures in place but non-compliance activity still gets through.
- Testing gives the regulator, industry and consumer a greater education
- If PhonepayPlus concentrates on Pre-empting and Preventing than Protecting will automatically follow.

It was suggested that further research of the market needs to be undertaken to identify which areas need the most attention. It was agreed that knowledge was power and supported the ideal of 'Intelligent Policing'.

- PhonepayPlus is willing to log the research that is going on across the Industry in a central area
- The Industry found that as per the Mobile Review the Qualitative testing rather than Quantative testing was the most helpful. It was argued that PhonepayPlus could go out and perform more Qualitative testing rather than paying high fees to outsource it. Members of the ILP expressed that they were available to talk to in regards to Qualitative research
- Ofcom which has a larger budget, is sharing research with PhonepayPlus

- £170K is proposed in the budget for research

Several members supported the idea of the 'Polluter Pays' policy. It was noted:-

- A 'Polluter Pays' policy would not necessarily lower the budget. If there were higher fines there would be greater compliance resulting in less fines and less money therefore it would be possible the levy would need to increase to support the fixed costs that do not change eg rates, rent etc
- PhonepayPlus is progressing towards a 'Polluter Pays' policy by issuing larger fines. The CCP administration costs are absorbed by the Admin Fine imposed as part of a fine.

Several conclusions were drawn from ILP members discussion:-

- There is a downturn across the whole industry
- Small cuts (such as printing) should be made wherever possible
- PhonepayPlus was completely confident that they will stay within the budget on 2009/10 as they will have in 2008/09; the suggestion on page 27 of the plan that the 2008/09 budget will overspend by £50k is not now the case
- There are several ways in which the ILP members can assist PhonepayPlus to reduce costs, such as
  - Sharing research studies
  - Using marketing and resources
  - Spending more on testing and sharing the results
  - Work with PhonepayPlus by tightening their Customer Service processes and not directing all calls to PhonepayPlus unless absolutely necessary
  - Sharing intelligence and bringing evidence to the table
- PhonepayPlus needs to tighten the Customer Service Procedure including the Number Checker function on the website to ultimately reduce Call Centre costs
- Staffing levels are high and cuts should be considered in that area
- The lease on Maguire Street ends in late 2010. Although a move has not yet been discussed, there is the possibility to do so and therefore decrease rent and rates costs

### **3.0 A New Funding Model**

Paul Whiteing presented the premise behind developing a new funding model to fund PhonepayPlus. A review of the current model is tied in to the current review of the Code. As PhonepayPlus moves forward it is time to consider a change based on:-

- The current model is mature, not straightforward or well understood by the networks who implement it
- Involves bureaucracy and effort
- Subject to verification through audit which involves an increased cost

The New Model should:-

- Easy to understand, administer and implement
- Fair, transparent, non-discriminatory, justifiable

- Allows for once only end of year adjustment
- Avoids the need for the audit process
- The Principle of the 'Polluter Pays' (to an appropriate level) are consistent with the practicalities of good regulation

The discussion was open to the ILP Members for suggestions, guidance or comments. It was agreed that the current model can be confusing. The ILP Members supported a review of the current model and a move to a more fairer up to date model.

The next ILP meeting will be held on **Tuesday 24<sup>th</sup> February, 10.30am**

**ILP Meeting Dates**

Tuesday 19<sup>th</sup> May, 10.30am

Tuesday 18<sup>th</sup> August, 10.30am

Tuesday 17<sup>th</sup> November, 10.30am