

aimm response to the PSA Consultation on Business Plan and Budget 2019/20

Prepared by Joanna Cox, General Manager, aimm on behalf of the aimm membership

Introduction to aimm

The Association for Interactive Media and Micropayments (aimm) is the specialist UK-based trade organisation representing the commercial and regulatory interests of member companies involved in the interactive media and micropayment industries - where consumers interact or engage with services across converged media platforms and may pay for those services or content using a variety of micropayment technologies including premium rate. We are a not for profit organisation, funded by our members, run for our members. We create conditions for growth and protect the regulatory environment in which our members operate.

aimm has a membership that represents the entire value chain - from the providers and promoters of information to the network operators and technical service providers that deliver and bill them to customers. No other organisation has such reach or representation. Members of aimm work collaboratively to address key industry issues and to build a trusted business environment, encouraging investment, creating new opportunities and developing business partnerships.

We uphold our Code of Ethics and Core Values to create an environment of consumer trust and industry confidence within which our members' commerce can grow. We will facilitate communication and engagement throughout the value chain to ensure a coordinated industry approach to excellence and success in interactive services.

We are committed to furthering the interests of Interactive Media and Micropayments through the regular exchange of information and communication throughout the value chain, effective engagement with regulators and legislators and the presentation of a successful industry image to consumer and business media.

aimm promotes excellence in the world of interactive media and micropayments. The purpose of aimm is to create an environment of consumer confidence and trust within which our members' commerce can flourish. aimm promotes and abides by the philosophy that consumers who are accurately and openly informed of the nature, content and cost of participation in an interactive service experience should be perfectly placed to exercise their freedom of choice and thereby enjoy the most effective form of consumer protection.

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Membership input

aimm welcomes the opportunity to respond to the Phone-paid Services Authority (PSA) consultation on the business plan and budget 2019/20

To assist aimm in providing a comprehensive input to the Phone-paid Services Authority, aimm communicated with its Members in the following manner;

- Written input from Members
- One-to-one discussions

aimm Members who operate in the Phone Paid Services markets are broadly split into seven categories although there is some overlap inside individual Member businesses.

Fixed Line Networks who are often Fixed line L1

Mobile Networks

Mobile L1 aggregators

L2 providers of traditional PRS services (fixed line, PSMS, and DCB)

Broadcasters (who are often L2 providers)

Charities and Charity enablers (who are often L2 providers)

Industry Support companies

aimm sought responses from Members across all of the represented industries and in this paper varying views are represented. The viewpoints that will be reflected in this response have come from some, but not all Industry Support companies, Level 1 providers and Level 2 providers.

There are varying strands of opinion that will become apparent throughout this document. Members views are differentiated depending on their position in the value chain and perspective of the market.

Some of aimm's larger Members may input their response directly to the PSA through their regulatory staff or regulatory representatives. Wherever possible, we ensure that views of members made through independent responses are in synergy with aimm's collective views.

As our response is guided and supported by Members input, some views may be expressed that are not necessarily those of the aimm Executive or aimm's Board of Directors

General notes

Alongside the five questions posed by the PSA, Members noted that the PSA Registration fees detailed within the document are continuing in line with 2018/19 costs, and that exemption remains available in some cases.

Response to PSA questions

Q1 - Do our plans for 2019/20 sufficiently deliver our role as a regulator? What else do you think we should be doing or not doing?

Members agreed as a whole that the business plan delivers what they expect of a regulator. Members have enjoyed the consistency of the Code ‘freeze’ though some have been affected in their areas of business by Special Conditions implementation. Some Members felt that these Special Conditions are subject to less of a consultation process than a full Code change would be.

Members felt that a ‘wrap-up’ of last year’s plan would be useful to frame and contextualise the business plans for the coming year. This would result in a clear focus on successes that have been achieved up until this point but would also highlight areas that need to remain on the agenda and require further work and the reason that these areas are as yet incomplete.

Some Members felt that there are areas detailed within the plan that potentially sit outside of the PSA’s remit as a regulator. An example of this is the security project, where the Business Plan states in 4.2.2 that the PSA intend to be: “working closely with MNOs on the application of agreed standards of L1 aggregator platform security, to ensure we collectively maximise consumer confidence that their consent to charge has been properly obtained”. Some Members have concerns that this is the business of the contracted parties, and that the guidance should come from the MNOs, enabling the PSA to then regulate the outcomes of the agreed arrangements - according to the Code - in a fair and proportionate manner, as is their remit.

Some Members would also like to see recognition within the Business Plan that the PSA intend to understand further the roles and responsibilities of each entity involved in the operation of PFI payment flows. They feel that more examination should be made when investigating any breach, as to the root cause, and that there should be more work done when delineating between flaws in flow and those responsible for that element of the mechanic, and flaws in promotion/marketing, and the responsible parties there.

Members were interested in the research that has been done into refund mechanics and were pleased with the support that aimm received in making operational the Alternative Dispute Resolution provision as detailed in 3.1.1. Members also note that in 4.1.1 the PSA are “commissioning research into consumer expectations and experience with different refund mechanics”. Some Members are keen to state that they would welcome a ‘refund workshop’ to enable them to input into this operational area of the business, particularly as many are experts in the field. They would like to work with the PSA to

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provide input on copy presented on the PSA website in this area and also around communications to consumers around refunds - as well as to understand further the PSA viewpoint on refund mechanics.

Members noted with approval that in 3.3.2 there is intent towards “improving communications overall with industry, through reviewing all written templates and website content for clarity, tone and use of language” and would like to suggest that this is taken even further with the active production of good news stories for use in negative news rebuttal and for promoting the successes that the industry has enjoyed (as such using the free publicity to reassure the public that the mechanic can be trusted and used for a variety of digital purchases).

In 4.2.2 members took note of the PSA plans for “maximising the effectiveness of our sanctioning process, through *improving the efficiency of the interim measures process, allowing for earlier imposition of withhold directions and suspensions *managing the comprehensive debt recovery process of unpaid fines and admin charges”.

Members suggested that it might be an effective deterrent (to those intending to attempt to avoid paying their debt) to list out the comprehensive process that the PSA will seek to follow in this instance.

Q2 - Do you have any comments on the proposed budget for 2019/20? If you recommend any changes, please clearly identify which areas of activity you expect this to impact upon.

Members noted the slight increase in Policy, External Relations and Communications, however it is in this area that Members place significant importance, and in some cases would welcome further budget increases here if it were to positively impact on PR for the industry and actively educate consumers. Some Members felt that this could be a productive use of cash reserves currently showing in the accounts and would help satisfy one of the PSA Mission Statements “To ensure our regulatory approach supports growth, stimulates competition and encourages market entry”.

Some Members questioned the requirement for Premises attracting a high level of rent and rates as presented in the budget.

Q3 - Do you have any comments on the proposed levy for 2019/20?

Members are aware that the levy is paid for by the operators - and not passed down the value chain. As such Members are generally happy to defer opinion on this subject to those making payment - other than to suggest that any sizeable reduction in the size of the market should lead to a reduction in the levy. No comment on this has been received by the operators.

Q4 - What is your view on the estimated size of the market for 2019/20?

Some Members were buoyed by the findings in the AMR, and the quarterly data presented in the second half of 2018, and agreed that operator billing could increase in the coming year, particularly if there is to be an increase in app store related DCB and high-profile services. Some members feel that the projected increase in revenue will likely be enjoyed - in the main - by those new, higher profile big brands, and may not filter through to current aimm Members.

However the forecast growth expectation is not shared by some others in our membership. These Members feel that the consultation paper does not take into account the changes to the regulatory environment within some of the Mobile Network Operators which will decrease the opportunity to utilise SMS as a billing mechanism with the exception of televoting or charity donation services. Some Members also consider that services utilising PayForIt do not provide the revenue returns required to make it a contender against other payment methods and feel that a business plan that reflects these concerns would be more accurate for the coming year. Furthermore, some Members have advised caution in the optimistic figures recorded for 2018, feeling that this could be down to increased activity pushed through by those in the industry seeking to build their customer databases before regulatory changes come into force.

Some Members also suggested that it is difficult to comment on industry revenue predictions until the consultation for Phone Paid Subscription services reaches a resolution.

Q5 - Do you have any other comments on the Business Plan and Budget 2019/20

As part of the PSA Mission “To encourage and support two-way engagement with all stakeholders regularly and at all key moments”, Members have indicated that they have found value in some of the events held during 2018, and would be keen to participate in further forums and other networking events that will bring industry together. Members feel strongly that there is great worth in every opportunity to talk as an industry and communicate at every level of the value chain.

Some Members look forward to the Registration scheme bringing forth improvements to Number Checker to assist consumers in their queries particularly in relation to DCB, though others feel that the only way to fully assist consumers in this area is through better billing descriptors from the MNOs. Some Members have questioned the delay in introducing the Registration scheme and feel it should be expedited for launch at the earliest opportunity. Members are also surprised that the cost of launch has been fitted into the IT Service budget figure.

Our response has been made constructively, compiled from member input and with the intent of achieving an effective, fair, economical and proportional regulatory regime for phone paid services in the UK. If any clarification to our response is required or if we can be of any further assistance please contact me personally at joanna@aimm.co

Regards,

Joanna Cox