

Consultation on Business Plan and Budget 2020/21

Draft

16 December 2019

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1. Executive summary

1.1. We are the UK regulator for content, goods and services charged to a phone bill. We act in the interests of consumers.

Phone-paid services are the goods and services that can be bought by charging the cost to the phone bill or pre-pay account. They include charity donations by text, music streaming, broadcast competitions, directory enquiries, voting on TV talent shows and in-app purchases. In law, phone-paid services are referred to as premium rate services (PRS).

We build consumer trust in phone-paid services and ensure they are well-served through supporting a healthy market that is innovative and competitive. We do this by:

- establishing standards for the phone-paid services industry
- verifying and supervising organisations and services operating in the market
- gathering intelligence about the market and individual services
- engaging closely with all stakeholders
- enforcing our Code of Practice
- delivering organisational excellence.

1.2. Our planned activity for 2020/21 is outlined in Section 4 and is based on a core assumption that the market will continue its transition into a new landscape for consumers. This planned activity primarily continues to build on the work we have undertaken in 2019/20 (as set out in Section 3), but also clearly indicates the areas we will explore as part of our development of a new Code of Practice.

1.3. The proposed PSA budget for 2020/21 is £4,042,212. It has been built bottom-up and is the costing of the activities set out in Section 4. There is a reduction of 0.8 full time equivalent (FTE) staff, and overall the budget represents a neutral change in real terms¹ over 2019/20 (a cash increase of £102,737). Real terms savings of 21% (£1.1m) have been delivered since 2015/16.

| | Cash budget £,000 | Real terms budget £,000 |
|---------|----------------------|----------------------------|
| 2015/16 | 4,444 | 5,116 |
| 2016/17 | 3,995 | 4,540 |
| 2017/18 | 3,850 | 4,226 |
| 2018/19 | 3,850 | 4,088 |
| 2019/20 | 3,939 | 4,042 |
| 2020/21 | 4,042 | 4,042 |

1.4. This business plan and budget is subject to approval by Ofcom and is required to satisfy their statutory requirement that we should be adequately funded to meet our regulatory obligations.

1.5. We plan to deliver on the four-year commitment we agreed with industry funders to utilise collected fines and administration charges to smooth the amount of levy required. The call on industry funders for 2020/21 is therefore unchanged at £1,800,000. We anticipate, however,

¹ Based on RPI at October 2019 of 2.6%

that the levy will need to be set to recover the full PSA budget from 2021/22 and that this is likely to mean the levy will at least double for industry funders.

- 1.6. We expect the market size in terms of qualifying outpayments to be £500m, which means an adjusted levy of 0.36% is required to generate total levy funding of £1,800,000.

| Levy summary | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|--------------|--------------|--------------|--------------|--------------|---------------------|
| Estimated market size (outpayments) | £448,342,000 | £430,500,000 | £430,500,000 | £410,000,000 | £480,000,000 | £500,000,000 |
| PSA full operational budget | £4,444,074 | £3,995,266 | £3,849,650 | £3,849,585 | £3,939,475 | £4,042,000 |
| Unadjusted levy | 0.93% | 0.87% | 0.83% | 0.94% | 0.82% | 0.81% |
| PSA budget to be funded by adjusted levy | £2,679,581 | £2,733,766 | £1,874,640 | £1,800,000 | £1,800,000 | £1,800,000 |
| Adjusted levy | 0.60% | 0.63% | 0.44% | 0.44% | 0.38% | 0.36% |

2. Strategic purpose

A new articulation of PSA's strategic purpose, as set out below, was approved by the PSA Board in September 2019. It indicates both our current purpose and what we strive to achieve in the future, and replaces the previous vision, mission and strategic priorities.

2.1. About the PSA

- 2.1.1. We are the UK regulator for content, goods and services charged to a phone bill. We act in the interests of consumers.
- 2.1.2. Phone-paid services are the goods and services that can be bought by charging the cost to the phone bill or pre-pay account. They include charity donations by text, music streaming, broadcast competitions, directory enquiries, voting on TV talent shows and in-app purchases. In law, phone-paid services are referred to as premium rate services (PRS).
- 2.1.3. We are a non-profit making company limited by guarantee. We carry out the day to day regulation of phone-paid services in the UK, primarily through our Code of Practice approved under the Communications Act 2003. Ofcom defines the scope of our regulatory remit and also approves our annual Business Plan and Budget to ensure we are sufficiently resourced to carry out our functions.
- 2.1.4. We are a designated public body and, as such, an arms-length body of the Department for Digital, Culture, Media and Sport (DCMS). We are audited by the National Audit Office.

2.2. What we do

We build consumer trust in phone-paid services and ensure they are well-served through supporting a healthy market that is innovative and competitive. We do this by:

2.2.1. Establishing regulatory standards for the phone-paid services industry

We set standards to ensure that consumers who charge a purchase to their phone-bill do so knowingly and willingly and receive good customer service.

These standards are designed to ensure all consumers have a similar positive experience of phone-paid services, including consumers who may be considered vulnerable.

Our standards are clearly set out in our Code of Practice. They deliver the necessary technical and operational protections in the market and are aligned with consumer expectations, including those based on experiences with other payment mechanisms. We evolve these standards in response to industry best practice, advances in technology, risk, and consumer behaviour and expectations.

The Code standards are supported by guidance, free compliance advice, and examples of best practice.

2.2.2. Verifying and supervising organisations and services operating in the market

Consumers should be able to trust that they are dealing with genuine service providers. We require all² organisations operating in the phone-paid services market to register comprehensive details about themselves and the services they provide.

We support consumers to access this information easily, helping them to have sufficient details to be able to resolve any individual issues.

We require all parties in the phone-paid services industry to check the credentials and behaviour of who they work with, and to have systems in place to identify and deal quickly with issues affecting consumers.

We work with networks and intermediaries to ensure they meet our requirements around due diligence, risk assessment and control. We do this by actively monitoring and regularly auditing for compliance with the Code.

2.2.3. Gathering intelligence about consumers, the market and individual services

We invest in research and our expert monitoring capabilities to improve our understanding of market trends, consumer behaviour, experience and expectations, and use this to inform and enforce the standards we set.

We continually receive and assess information about individual services, including complaints. We engage directly with consumers to understand the issues they are raising, we undertake detailed monitoring of individual services, and we ask service providers for further information when necessary.

We actively monitor the wider market to identify potential consumer harm, address issues early and share information.

2.2.4. Engaging closely with all stakeholders

We engage with all stakeholders - consumers, industry, government and other regulators, and the media - to inform and facilitate our regulatory approach.

We support industry to understand what our regulatory approach means for them in practice. This support is driven by our desire for consumers to be able to access services that they want, in a market that competes on price, product innovation, quality and customer service.

² Where service providers have successfully applied for an exemption on behalf of the merchants they represent (e.g. App stores), then only that service provider needs to Register.

We work to identify and remedy any instances where our approach may unnecessarily hinder consumers who knowingly and willingly want to charge a purchase to their phone bill from doing so.

We promote consumer choice by enabling credible organisations to enter the market with ease and by creating the conditions where providers can innovate safely and invest with confidence.

We communicate with consumers to improve understanding and awareness of phone payment, and the various ways consumers can charge content, goods or services to their phone bill.

We work with Ofcom, DCMS and other regulators to ensure that consumer interests are best served through a co-ordinated approach to regulation.

2.2.5. Enforcing our Code of Practice

Where apparent breaches of the Code are committed, we investigate and enforce where appropriate in the most efficient and effective way possible. We aim to eliminate sharp practices, negligent behaviour and the deliberate use of phone payment as a mechanic to exploit consumers.

We ensure we are fair and proportionate, with enforcement delivered through the appropriate means. We will always be transparent in our decision-making, and our approach to investigations and sanctioning, including fines and ordering consumer redress, is detailed in the Supporting Procedures to the Code of Practice.

Where our remit and sanctions are unable to wholly or partially hold to account those providers causing consumer harm, we will refer them to the relevant enforcement authorities.

2.2.6. Delivering organisational excellence

As a regulator, we are committed to acting in a transparent, accountable, proportionate, consistent and targeted manner in everything we do. We uphold high standards in our governance, legal, finance, human resources, information systems, and customer service functions.

2.3. Our values

To deliver the best consumer protection and maximise how we further their interests, we need to behave in the right way. We are committed in all we do as an organisation to the following values:

| | | |
|-----------------|-----------------------------|---|
| Right touch | Fair and proportionate | <ul style="list-style-type: none"> • Be fair, reasonable and well-informed. • Ensure our actions support good regulatory outcomes for all stakeholders and give certainty and confidence. |
| | Aware of the bigger picture | <ul style="list-style-type: none"> • Anticipate developments that may affect us and those around us. • Be curious and inquisitive, ask questions and challenge assumptions. Be flexible and enabling of responsible innovation. • Plan for the future and think of the impact of our work. |
| Collaborative | Open | <ul style="list-style-type: none"> • Look outward, share ideas, listen to others and embrace their knowledge. Collaborate with everyone. Be approachable, transparent and accountable. |
| | Decisive | <ul style="list-style-type: none"> • Make decisions in a timely manner with confidence and clarity. |
| Value for money | Effective and productive | <ul style="list-style-type: none"> • Pursue our priorities energetically. • Get it right first time and swiftly deliver effective outcomes. • Innovate to find creative solutions and work more efficiently. |
| | Professional | <ul style="list-style-type: none"> • Be experts: we are role models and we support others. • Be reliable because we are consistent, pay attention to detail and are focused on quality. |

3. 2019/20 Review

We have continued to evolve our regulatory approach in 2019/20, with a broad focus on:

- clarifying our strategic purpose to better reflect our role on behalf of consumers
- using this clarification to lay the foundations for a new Code of Practice (to come into effect in 2021/22)
- implementing and reviewing the range of key policy work developed in 2018/19, all designed to minimise the risk of consumers engaging with phone-paid services unknowingly and/or unwillingly
- prioritising the use of our limited resources to pursue the most effective enforcement outcomes
- developing a more detailed understanding of the market and consumer expectations, and deploying this to target regulatory interventions with increased precision
- adapting to changes in the market as high-profile brands expand their phone-paid service offerings, including developing key stakeholder relationships to ensure Code compliance is easily maintained
- developing our technology and automation to deliver greater efficiency and effectiveness, while ensuring our cyber security keeps pace with emerging threats
- delivering on our people strategy to maintain a high performing, engaged and motivated workforce.

Outlined below is the more specific work we have delivered, against each of our new strategic purpose areas:

3.1. Establishing regulatory standards for the phone-paid services industry

- 3.1.1. We have committed to provide regulatory certainty to industry by retaining the current Code of Practice (Code 14) until at least 2021. However, during 2019/20 we have begun to lay the foundations for Code 15 through:
 - clarifying our strategic purpose (as set out in section 2)
 - identifying the areas of potential change required to ensure the Code remains fit for purpose for the market we are regulating
 - setting out a clear long-term timetable for development, consultation and implementation of a new Code.
- 3.1.2. Our core work in 2019/20 to maximise the effectiveness of Code 14 has included:
 - ongoing consideration of our risk assessment framework in the context of changes in the phone-paid services market
 - implementing and monitoring key regulatory changes, including:
 - subscription services – introducing Special conditions to meet consumer expectations and reduce unwanted sign ups to recurring charges, monitoring over time that desired outcomes have been achieved, and paying close attention to any transfer of potential consumer harm to other areas of the phone-paid services market
 - Level 1 aggregator platform security - working closely with Mobile Network Operators (MNOs) on the application of agreed standards to ensure payment platform security remains high and we collectively

maximise consumer confidence that their consent to charge has been properly obtained

- information, connection and signposting services (ICSS) – applying our regulation to include all ICSS regardless of number range and reviewing ICSS Special conditions to better protect the consumer
- directory enquiries – assessing the broad impact of the Special conditions introduced in February 2019 to prevent harm caused by potentially misleading advertising of directory enquiry services
- further developing our work on supporting consumers to obtain appropriate redress as quickly and simply as possible, through engaging with industry on our policy development and consulting on renewed regulatory guidance
- developing our approach towards ensuring consumers receive a high standard of customer care, through fairly and proportionately enforcing breaches of Code provisions in this area.

3.1.3. We have continued to adapt our compliance and industry support in line with changes in our stakeholder landscape, including delivering over the course of 2019/20 through:

- compliance advice both on general Code enquiries and on areas of complexity or innovation, with an estimated 800 requests expected to be made during the year
- updated or new guidance on areas of high interest and impact, including around consent to charge, due diligence risk assessment and control (DDRAC) and refunds
- providing greater certainty to industry around how our regulatory expectations on data retention and GDPR are aligned, through new guidance on retention periods for different types of data requested by PSA at various stages of an investigation.

3.2. Verifying organisations and services operating in the market

3.2.1. We applied new Registration requirements in 2019/20, following a period of system development and implementation workshops with industry. We have also subsequently worked with industry to manage individual issues and ensure that the new requirements are not proving to be unduly onerous on service providers. A working group of industry users has been helpful in feeding back on system usability and recommending a road map for system development.

3.2.2. We have also refreshed our approach to Registration, working more closely with industry to ensure the information they provide is complete and accurate.

3.2.3. We have developed a new front-end user experience of Service Checker, with new functionality drawing on the enhanced registration database. This will enable consumers to have a much better understanding of services and the organisations that provide them, through:

- receiving more accurate and comprehensive data when they base their search on a number or other information shown on their bill

- having the ability to access the same information from other search options e.g. brand name, service name, service description.

3.2.4. As part of continuing to develop our application and enforcement of Code 14, we have had a particular focus on developing clear and emphatic guidance on the due diligence, risk assessment and control we expect to see delivered in the market.

This work has involved:

- revising guidance that sets higher, clearer expectations around “Know Your Client”, due diligence checks, risk assessment of clients and their services, and ongoing control of same, and enables better, more standardized processes and record keeping within the industry
- enhancing the due diligence reporting available through PSA, through utilising the new Registration database and providing additional investigation and enforcement data
- incorporating this emphasis into our enforcement strategy.

3.3. Gathering intelligence about the market and individual services

3.3.1. We have worked closely with our consumer panel to ensure we harness their insight and challenge from the consumer perspective. This has included:

- ensuring our consumer-facing website content is consumer-friendly, relevant and easy to navigate
- assisting us to understand users of phone-paid services better
- providing advice around the user experience of the new Service Checker
- supporting our strategic planning and policy development, including on ICSS, subscription services and consumer vulnerability.

3.3.2. We have further developed our broader understanding of the market through:

- publishing the Annual Market Review for 2018/19, including building on the enhanced consumer engagement and analysis from 2017/18
- research into consumer expectations and experience with different refund mechanics, which has also added to our research base and informed our policy development around subscription services and ICSS
- understanding the potential impact of the widespread introduction of e.g. Rich Communication Services (RCS) text messages and eSIMs, including any risks to informed consumer consent
- ongoing delivery of Project Horizons, through which we analyse the potential impacts of longer-term changes in service types and service delivery in the market. Work in this area has included consideration of the reaction of the wider digital payment market to the implementation of the General Data Protection Regulation (GDPR).

3.3.3. We have continued to support consumers to self-serve enquiries as best as possible, whilst ensuring we have been able available to receive and understand any issues with services they wish to report to us. During 2019/20 we have re-emphasised our role as a regulator, seeking to clearly manage consumer expectations around how we consider and act on information they give us. We have also ensured we have in place the capacity to handle the vast majority (93%+)

of the expected 300,000 contacts automatically, which means we have been able to balance our resources to:

- develop our working knowledge of individual services through monitoring, so that we are better able to inform consumers about their possible engagement with that service when they report an issue to us
- identify and share best practice of compliant service delivery, as well as being an initial step in assessing evidence of potential non-compliance with our Code
- separate out enquiries from complaints and carry out a thorough assessment of issues being reported to us. As a consequence of our policy work, we expect total complaints in 2019/20 to fall to around 17,000 (from 21,000 in 2018/19)
- in carrying out this thorough assessment, we have sought to engage with industry in the most efficient and effective way. Work in this area has included:
 - reviewing how we request information from aggregators and service providers, ensuring we communicate clearly and with precision
 - exploring whether we can access information directly through an application programming interface (API) with aggregator systems
 - developing the evidence gathering and assessment capabilities of our staff.

3.3.4. We have continued to invest in maximising the effectiveness of our overall monitoring capabilities. Developments in 19/20 have included:

- automating scans of Google Ads to create a database of thousands of phone-paid service journeys
- enhancing the monitoring of services to cover the full consumer journey over the lifecycle of a service
- harnessing intelligence shared by MNOs and their compliance audit houses
- targeting monitoring as part of the investigations process (pre and post allocation of cases)
- targeting monitoring in support of policy development e.g. subscription services and ICSS
- undertaking detailed forensic monitoring of complex market issues e.g. identifying malware issues and their potential impact on consumers.

3.4. Engaging closely with all stakeholders

3.4.1. We have continued to drive improvements in consumer confidence at every opportunity in 2019/20, and our engagement with consumers has included:

- continually reviewing our communications with them, ensuring we tailor them to the feedback we receive e.g. by clearly explaining our role as a regulator when issues are raised with us
- ensuring we communicate clearly to all affected consumers about refunds sanctions under Track 2 cases and agreed refunds as part of Track 1 action plans
- building stronger working relationships with consumer representative bodies
- utilising our digital transformation framework to consider any new proposals that would enhance our consumer service offering e.g. through providing a chat platform on our website

- continuing to identify and explore opportunities to drive up awareness of the PSA and providing advice in ways that both clearly allow consumers to understand our role and the phone-paid services market better. In 2019/20 our engagement with the national broadcast and print media has included BBC Radio 4, BBC One, Financial Times and The Guardian, the Mail on Sunday and the Daily Mirror
 - through engagement with industry, identifying positive stories about phone-paid services and exploring the best ways to communicate them.
- 3.4.2. We have continued to make our regulatory remit as clear as possible to industry and during the year we have continued to offer workshops on our investigations and enforcement processes, both to new entrants to the market and as a refresher to existing service providers. We have also developed the documentation we use with industry to provide clarity as to which stage of our processes (as set out in our Supporting Procedures) the communication relates to.
- 3.4.3. We have sought to build on positive developments for consumers in the phone-paid services market by continuing to engage collaboratively with industry broadly through:
- continuing to meet regularly with major networks, aggregators and service providers at a strategic level
 - expanding this programme to incorporate new relationships with high-profile service providers as they either enter or increase their engagement in the phone-paid services market, including Google, Apple and Microsoft
 - continuing to engage with industry, including through the ILP, to identify and discuss areas where consumer confidence may be improved
 - creating opportunities for industry to share their market experience and expertise with all PSA staff
 - ongoing engagement with MNOs, to minimise the impact of any instances of poor customer service where consumers contact their network first.
- 3.4.4. As high-profile brands and services have increased their presence and share of the phone-paid services market we have aimed for our regulatory role to become more weighted towards maintaining compliance in each of the different sectors of the market. The nature of our work in this area has been wide-ranging, and in 2019/20 has included:
- convening a senior industry roundtable to consider and implement changes in their business practices that will allow for operator billing to achieve its growth potential
 - continuing to manage the process of considering Code exemptions with transparency, with clear communication around the decisions to agree pilot exemptions and whether to make them permanent or not
 - delivering our annual industry Forum, at which we share and debate key themes in the phone-paid services market
 - continuing to engage with specific industry groupings on a more formal basis, including through the ILP and with representative bodies and trade associations such as aimm and Mobile UK

- continuing our regular programme of informal engagement with individual organisations, utilising operational data to identify areas of possible concern and to resolve them quickly
- continuing to offer workshops for industry partners on policy matters as they arise, including around subscription services and refunds
- enhancing the support we are able to give to individual service providers regarding the Registration process for their organisation and services.

3.4.5. We have continued to work closely with regulatory partners on issues as they arise. In 2019/20 this has included:

- working with Ofcom to ensure our regulatory approach dovetails effectively with their broader objectives
- continuing our regular engagement with DCMS and Ofcom on a range of policy issues, including ICSS and subscription services
- working specifically with DCMS to consider any areas of potential legislative change, to support our effective enforcement of both the current Code and any planned developments for Code 15
- liaising with the Fundraising Regulator as part of developing special conditions for subscription services as they relate to charity donations
- continuing to participate in Operation Linden to develop our collaborative working with other regulators, particularly in relation to protecting consumers from unsolicited advertising
- utilising our MoUs to identify ways in which we can work with sister organisations to bring about the best overall regulatory outcome for shared consumer audiences. We have continued to make referrals to other enforcement bodies, especially where it is clear their regulatory remit would have primacy.

3.5. Enforcing our Code of Practice

3.5.1. We have continued to utilise the intelligence we have about the market and the ways in which we engage with industry to resolve potential issues quickly and informally. We have resolved a large majority of cases in this way, including through earlier identification of potential consumer harm in the market.

3.5.2. However, where we have needed to tackle cases of potentially serious consumer harm, we have applied a fair and proportionate enforcement strategy that clearly supports the implementation of our policy work and key regulatory changes.

3.5.3. We have continued to bring forward cases of potentially serious consumer harm for formal investigation and enforcement, and ensured that the robust application of our allocation procedures has included a solid initial evidence base.

3.5.4. Following the allocation of cases, we have used our published enforcement prioritisation criteria to enable us to target our resources more appropriately and strategically. The effectiveness of this approach has included enforcement activity around DDRAC to underpin the standards we have set in this area.

- 3.5.5. We have retained capacity to work on around the 100 most serious cases, whether Track 1, Track 2 or post-adjudicatory, and have sought to balance our case management capabilities to adjust to improvements in our monitoring effectiveness, changes in the prioritisation of case types and the shifting potential for consumer harm in different parts of the phone-paid services market.
- 3.5.6. We continued to invest in the skills and capabilities of our staff, which in 2019/20 has included:
- developing specific areas of expertise to manage particularly complex cases (e.g. potential due diligence, risk assessment and control breaches of the Code by Level 1 aggregators) and to be able to work effectively in a climate of increasing legal challenge
 - ensuring we investigate each individual case robustly and comprehensively, while having due regard for the length of the investigation
 - auditing all parts of our investigations and enforcement procedures, and implementing recommendations for greater efficiency and effectiveness.
- 3.5.7. We have also sought to underpin the impact of our enforcement activity by maximising the effectiveness of the sanctions available under the Code. Work in this area in 2019/20 has included:
- improving the efficiency of the interim measures process, allowing for earlier imposition of withhold directions and suspensions
 - reviewing our approach to communicating enforcement decisions, including consideration of publishing agreed Track 1 action plans in addition to existing Track 2 adjudications
 - managing the comprehensive debt recovery process of unpaid fines and admin charges, and maximising the deterrent effect through communicating the legally exhaustive procedures we follow in chasing down all outstanding debts.

3.6. Delivering organisational excellence

- 3.6.1. We have continued to underpin the delivery our regulatory approach through first rate governance, legal, finance, business systems, human resource and communications functions. Work in 2019/20 has included:
- managing Board succession planning, with clear periods of overlap to deliver effective ongoing governance
 - delivering robust and professional legal oversight of commercial, HR, policy and enforcement decision making, and providing clear internal guidance on the interpretation of the law, public sector and other regulatory rules, Code and Supporting Procedures
 - validating our approach to managing anti-bribery and conflicts of interest through an ongoing review of the current application of our policies and processes
 - maximising the security of our processes around the storage, management and sharing of legal and investigative intelligence
 - ensuring we continuously review and test our ongoing compliance with GDPR

- working closely again with the National Audit Office on the auditing and filing of our financial statements, and with DCMS on the reporting of relevant financial and operational data
- as part of our digital transformation framework, maximising the effectiveness of existing systems and utilising both in-house resources and free/low cost applications to deliver bespoke systems where appropriate
- continuing to prioritise cyber security, including undertaking annual system penetration testing and implementing any findings. During the year we achieved the National Cyber Security Centre certification “Cyber Essentials”
- investing in our people’s ability to reach and deliver their full potential, through:
 - reviewing our organisational structure and job design to ensure we have sufficient flexibility to respond to market changes as necessary
 - supporting the development of technical skills where required
 - developing our approach to talent management, to ensure we attract and retain individuals with the skills, experience and knowledge we need
 - building on the achievement of Investors in People (IIP) Silver accreditation. through implementing findings from the IIP assessment to maintain areas of high engagement and/or target areas identified for improvement.

4. 2020/21 Business Plan

Our plan for 2020/21 is based on our expectation that the phone-paid services market will continue its transition into a new landscape for consumers through:

- more engagement from blue-chip organisations, based on expected continued growth in app store purchases, including through wider availability in the market, and the possible entry of new players into market
- financial growth in the mobile market, through growth in operator billing and some PSMS (radio and TV competitions), offset partly by decline in other service type areas
- continued decline in traditional voice services
- increasing engagement with phone-paid services³. This engagement is driven by convenience, impulse purchasing and price, and there is an expectation that increased blue-chip engagement in market will drive up trust and confidence
- the market becoming increasingly compliant and healthy, as a result of the impact of regulatory changes (e.g. special conditions for subscription services and ICSS), enforcement strategy (e.g. due diligence, risk assessment and control expectations, improved sanction deterrent), and other policy developments (e.g. L1 platform security, guidance relating to online advertising to children).

This plan also assumes we will have to continue to focus on non-compliance as it occurs, whether arising through deliberate or inadvertent action by service providers. We also assume that we will need to be equipped to be able to respond quickly if new big issues emerge in the market and/or there is a high-profile impact on consumers.

In this market context, our plan for 2020/21 is to both continue the range of relevant work we already do and begin to implement a longer-term re-emphasis of our regulatory approach:

- we currently operate a broad outcomes-based Code, but with a range of more prescriptive rules required to ensure compliance in line with consumer expectations and protection requirements. Our plan is to move towards a regulatory regime built around raising market standards, that allows for:
 - greater clarity of what is expected from industry and in line with good practice operating in the phone-paid and relevant adjacent markets
 - higher expectations in line with consumer needs
 - greater flexibility to update individual standards
- entry to the phone-paid services market is open, with minimal PSA Registration requirements and responsibility for enabling, facilitating and delivering compliant services taken by providers throughout the value chain. We aim to consider how best to offer consumers greater security and confidence in all service providers in the market, while not hindering the innovation and competition that benefits them. This potential move towards more verification and supervision may include:
 - consideration of effective and practical up-front checks and/or the benefits of authorisation of relevant providers and services
 - optimisation of Registration and due diligence, risk assessment and control measures
 - assessment of the value of regular compliance auditing

³ Our most recent research indicates that around 58% of the UK population over 16 years of age used at least one phone-paid service in 2018-19 (source – Annual Market Review for Phone-paid Services 2018-19)

- our current broad organisation structure and resource allocation is predominantly focussed on the enforcement of our Code, and we subsequently spend a disproportionate amount of attention on addressing issues arising from bad practice from a small part of the market. We aim to move further towards preventing issues arising in the first place, through:
 - smarter engagement with key parts of the value chain
 - a focus on best practice and mitigation of risk
 - utilising our full range of regulatory interventions in response to emerging and live market issues whilst also making our investigatory and enforcement procedures more effective. We plan to do this through a more tactical approach to enforcement and an assessment of required future investigatory powers and sanctions
- the engagement we have at the moment with individual consumers is relatively reactive. We also have a range of consumer criticism to respond to, particularly driven by the limited remit we have around individual consumer redress, with consumers frustrated by the lack of routes to seeking redress including ADR. Our plan to move towards a more proactive approach that delivers consumer benefit includes:
 - providing better targeted advice and education
 - increased monitoring and intelligence gathering to identify and address issues earlier
 - better regulatory support for consumer redress.

Outlined below are the specific range of activities we plan to undertake in 2020/21.

4.1. Establishing regulatory standards for the phone-paid services industry.

- 4.1.1. Much of our activity in 2020/21 will be centred around the development of Code 15. We aim to ensure our thinking is clearly articulated and discussed in advance of a formal consultation process, with an indicative timetable of:
 - research and development of standards – Q1/Q2, continued from 2019/20
 - industry engagement, including workshops and call for inputs – Q1/Q2
 - PSA consultation on draft Code 15– Q3/Q4
 - Ofcom consultation on draft Code 15 – Q4
 - Submission to EU and standstill period [if required] – Q4
 - Publication of cleared Code 15– Q1 2021/22.
- 4.1.2. In developing the standards we wish to establish in the phone-paid services market, we will engage with all stakeholders on how these standards can deliver for consumers in terms of protection, increased confidence and a healthy market. The range of work we plan to undertake includes:
 - learning from other regulators who take a similar standards-based approach, and aligning our articulation of expectations with the language used to express standards elsewhere
 - ensuring we can access and understand best practice in each of the areas we wish to have standards for, and that this best practice can be clearly incorporated into practical standards

- considering Code design, such that it is easy to update individual standards in line with evidence and changes in best practice. We also aim to explore the possibility of light-touch regulation where providers adhere to prescribed course of action.

4.1.3. Alongside developing Code 15, we will also continue to work in the consumer interest through the efficient and effective application of Code 14. We continuously review our policy work and its impact, and based on recent activity in 2019/20, our areas of focus in 2020/21 will include ensuring:

- special conditions for subscription services and ICSS are supporting the knowing and willing purchase of these services by consumers
- the guidance on consent to charge is robustly underpinning the delivery of the required technical platform standards
- the guidance on DDRAC provides those parties best placed to identify and control consumer harm with a framework of clear expectations to adhere to
- there is a systemic, coordinated approach to the use of complaint data and other intelligence across all levels of the value chain, in order that higher risk services can be quickly identified
- consumer expectations are being met through our guidance on refunds
- our expectations and requirements around data retention and information reporting are understood by service providers, and that they are meeting these requirements.

4.1.4. We will continue to manage the process of considering Code exemptions with transparency, including clear communication around decisions to agree pilot exemptions and whether to make them permanent or not.

4.1.5. We also will consider the risks and opportunities around new and emerging technologies as they arise, and how the current Code can ensure consumer interests are met in these circumstances.

4.1.6. We will continue to underpin Code 14 with ad hoc compliance advice both on general Code enquiries as well as on areas of complexity or innovation. We estimate that a similar number of compliance requests will be likely to be made during the year as in 2019/20 – i.e. around 800. As we develop standards for Code 15, we will simultaneously review how we will best provide compliance advice for those standards.

4.2. Verifying and supervising organisations and services operating in the market.

4.2.1. Our work in 2020/21 on verifying organisations and the services they provide will primarily be based on implementing the new Registration requirements introduced in 2019/20. During the year we will further develop our account management approach to supporting organisations to provide complete and accurate information, and we will continue to engage with industry on Registration issues through working groups and workshops.

4.2.2. As part of developing standards in this area for Code 15, we will look at different ways in which we can best serve consumers by ensuring all service providers are reputable organisations and individuals. We will discuss widely with industry a number of possibilities, including:

- tailoring different approaches for different parties in the value chain (e.g. expectations on L1 responsibilities may vary from those placed on a start-up L2)
- testing compliance against robust standards as a condition of Registration
- seeing if it is possible to practically define required attributes/qualifying criteria of organisations and the behaviours expected of them
- looking into establishing probationary periods before organisations are fully registered into the market
- exploring use of increased and reasonable requirements to enter the market, such as “fit and proper” tests on individuals, financial viability checks or bonds, checks on technical and other necessary capabilities, and provision of more comprehensive organisational and service information.

4.2.3. After a suitable period of use (following introduction during 2019/20), we will review consumers’ experiences in using Service Checker and the level to which it supports their ability to understand organisations and services they have engaged with. We will look to implement changes in functionality that deliver additional benefits to consumers, while delivering value for money through subjecting proposed changes to a rigorous cost benefit analysis.

4.2.4. We will also engage with key stakeholders during the year to explore how consumer confidence and prevention measures can be supported through a process of ongoing supervision. This may include:

- consideration for regulatory inspection and compliance audits
- considering the practicality and effectiveness of annual compliance reporting by networks and aggregators.

4.3. Gathering intelligence about the market and individual services.

4.3.1. It is essential that the development of Code 15 is underpinned by an accurate understanding of the phone-paid services market, including consumers’ experiences of it. During the year we will therefore:

- continue to run an independent Consumer Panel, and incorporate the consumer insights they provide
- commission further research to add to our understanding of consumer experiences, expectations and behaviour when using aspects of phone-paid services
- commission our Annual Market Review, and use the benchmarks established in the review of 2018/19 to analyse changes both in market size and consumer engagement with phone-paid services.

4.3.2. We will further develop our approach to gathering intelligence about individual services, with planned activity in this area to include:

- ensuring that the intelligence we collect is fully aligned with our regulatory priorities and enforcement strategy, so that we are able to make sure the market is working as it should for consumers
- considering the business case for a PSA app which facilitates the ability of consumers to report issues and include evidence of potential non-compliance
- continuing to provide automated support to consumers to quickly and efficiently answer their enquiries, enabling resources to be targeted towards receiving and analysing issues reported to us. We estimate around 250,000 enquiries will be made in 2020/21, and that a minimum of 93% will be dealt with through either Service Checker, our website, or information on our telephone Interactive Voice Response (IVR)
- enhancing our systematic approach to analysing assessed complaints (issues reported to us where the service in question can be identified), so that this information can be aligned quickly with our own service monitoring and intelligence received from industry. Based on our assumption that the phone-paid services market will become increasingly compliant and healthy, we expect the volume of assessed complaints to fall significantly in 2020/21
- continuing to review how we most efficiently and effectively request information from aggregators and service providers
- expanding our monitoring automation programme to include identification of potential risks of consumer harm arising from services on social media platforms.

4.3.3. We will also enhance our market-wide monitoring processes to deliver greater intelligence on broader systemic issues. During 2020/21, our planned work may include:

- developing the technical capabilities of our staff and the technological resources available for their use
- utilising new service registration data to target monitoring activity on specific service type areas
- monitoring the compliance of phone-payment platforms with developed technical standards
- identifying and considering the potential impacts of longer-term changes in service types and service delivery in the market.

4.4. Engaging closely with all stakeholders.

4.4.1. Our assessment of the intelligence we hold about the market and individual services can lead us to consider one or more courses of action:

- policy development, including consultation on proposed changes
- informal engagement, including individual and collective communication
- formal investigation and enforcement.

In each case, our objective is to bring about changes in behaviour that we believe will benefit consumers of phone-paid services. A programme of engagement with stakeholders is fundamental to achieving this, and during 2020/21 we will look to

make this as effective as possible through a new approach to managing engagement with key stakeholders.

4.4.2. For consumers, we will continue to identify ways in which we can improve their confidence in phone-paid services. Much of what we will do during 2020/21 builds on the investment we have made in recent years, and we plan to:

- ensure that as part of Code 15 developments, we identify and build in standards that deliver against their expectations – not just in terms of their engagement with different aspects of phone-paid services, but also alongside their experiences of other payment mechanisms
- review and refresh our consumer education programme, making best use of our resources to target advice and guidance according to need and consumer risk. We will continue to pursue opportunities to promote educational content through industry partners with significant audience reach
- review our organisational approach to vulnerability to protect all consumers effectively, including ensuring we have clear referral pathways and undertaking a website accessibility review
- further our relationships with consumer representative bodies, and aligning the insights we get from these relationships with those from our own independent Consumer Panel
- review the effectiveness of our communications with consumers, both in terms of individual contact and general messaging. We will continue to consider any digital transformations that would enhance our consumer service offering
- look for further opportunities to promote consumer advice and confidence in the market through the media, including through the promotion of positive stories about phone-paid services.

4.4.3. The range of engagement we will have with industry stakeholders in 2020/21 will be vital on a number of levels, helping to:

- develop Code 15 standards that both protect consumers and drive competition and innovation in the market
- tackle market-wide issues as they arise e.g. inappropriate advertising of phone-paid services to children
- address issues of non-compliance quickly and effectively
- identify and share best practice.

We expect our engagement with industry during the year to include:

- supporting wider industry understanding of our regulatory remit through continuing to offer workshops on our investigations and enforcement processes, both to new entrants to the market and as a refresher to existing service providers
- continuing to offer workshops on a wider basis for industry partners, covering our wider regulatory approach and specific policy developments
- maximising the effectiveness of the Industry Liaison Panel as the body to discuss and promote positive market-wide actions
- delivering an annual industry forum, enabling key issues to be collectively debated

- utilising our regular strategic meetings with the major networks, aggregators and service providers in the market to better understand their plans for the phone-paid services market and the challenges they face
- working with MNOs regarding the customer service they provide and exploring how we can collaborate to improve the overall experience of consumers when they have an issue
- regular meetings with specific industry groupings on a more formal basis, allowing for more detailed sharing of information and views
- reviewing how we manage informal contact with individual organisations to best support how areas of possible concern can be identified and, where appropriate, resolved quickly
- embedding the new stakeholder management approach as support for individual service providers regarding the Registration process for their organisation and services.

4.4.4. We will continue to build our relationships with regulatory partners, with a view to ensuring that the best overall regulatory outcome for consumers is achieved. In 2020/21 the range of engagement we will have will include:

- continuing to work with Ofcom to ensure our regulatory approach dovetails effectively with their broader objectives, and being in regular contact with them and DCMS on a range of policy issues
- working specifically with DCMS to consider any areas of potential legislative change, particularly in relation to our development of Code 15
- making referrals to other enforcement bodies where it is clear their regulatory remit would have primacy, including working more closely with the Insolvency Service to support their ability to disqualify directors over and above the extent of our own sanctions.

4.5. Enforcing our Code of Practice.

4.5.1. Where we need to tackle cases of potentially serious consumer harm, we will continue to investigate and enforce in robust, fair and proportionate manner. We will also seek to maximise the impact of the limited resources we have available, and during the year we will:

- continue to reassess our enforcement strategy, ensuring that our approach is fully aligned with our policy developments and is able to address key issues as they arise in the market
- review how we assess intelligence prior to allocation decisions, and ensure we gather sufficient information as early as possible in considering whether to pursue cases
- review our allocation procedures to ensure that they remain fair and proportionate in line with the shifting potential for consumer harm in different parts of the phone-paid services market
- ensure our published enforcement prioritisation criteria enable us to remain as flexible as possible in being able to target our resources towards those allocated cases that will deliver the most effective impacts for consumers.

We expect to have capacity to work on around the 100 most serious cases, whether Track 1, Track 2 or post-adjudicatory

- explore how we manage complex, high-profile cases alongside simpler cases that involve straightforward apparent breaches with clear evidence.

4.5.2. We will continue during 2020/21 to underpin the impact of our enforcement activity by maximising the effectiveness of the sanctions available under the current Code. In particular, we will continue to publicise the fact that we undertake a legally exhaustive debt recovery process of unpaid fines and admin charges, so that those adjudicated against fully understand that we will as far as possible chase down all outstanding debts over a significant period of time.

4.5.3. As we develop Code 15 during the year, we will also review how our investigations and enforcement could be made more effective. Work in this area is planned to include:

- considering the investigative powers needed to effectively regulate the market now and in the longer term e.g. further reaching, more robust and more flexible information gathering powers
- the range of investigative options required in addition to our current investigative tracks and process of Tribunal adjudications, and the ability to investigate systematic market issues (not just specific services).

4.5.4. Also as part of developing Code 15, we will also consider how we might achieve better outcomes for consumers and uphold the reputation of the market through effective deterrents by considering the range of sanctions available to us. During the year this may include:

- exploring more effective ways to hold the whole value chain to account, such as expectations on due diligence, risk assessment and control of contracted parties, the level of publication of wider information about investigations and the role of parties in the value chain in supporting the implementation of relevant sanctions
- looking at the appropriateness, where merited, of more effective means to hold non-compliant providers to account e.g. through the issuance of penalty notices/fines
- considering how to increase the range of effective deterrents, including developing an equivalent range of sanctions that other regulators have. This may include acquiring the ability to hold individuals (directors and or persons of significant control) to account and having greater flexibility in fine amounts.

4.6. Delivering organisational excellence.

4.6.1. We will continue to review our organisational structure to ensure we are as efficient and effective as we can be. As part of this, we have built up over time a strong body of appropriate organisational excellence, and during the year we will continue to ensure the regulatory work of PSA is fully supported through high quality governance, legal, finance, business systems, human resource and communications functions. In 2020/21 our focus will include:

- reviewing on an ongoing basis our core governance structure and administration, and managing Board and Code Adjudication Panel succession planning
- delivering robust and professional legal oversight of commercial, HR, policy and enforcement decision making and providing clear internal guidance on the interpretation of the law, public sector and other regulatory rules, Code and Supporting Procedures
- maximising the security of our processes around the storage, management, retention and dissemination of legal and investigative intelligence
- continuing to prioritise cyber security, including investing in our network infrastructure, reducing our technical debt and undertaking annual system penetration testing and implementing any findings
- ensuring our systems – including Registration, website and CRM – maximise their usability, accessibility, security and value for money
- investing in our staff to continue to achieve a high level of performance. Work in this area will include:
 - reviewing our organisational structure and job design to ensure we have sufficient flexibility to respond to market changes as necessary
 - creating more opportunities for staff at all levels to contribute to our strategic delivery, through enhanced cross-team working and continued investment in our organisation culture
 - continuing to implement the findings from our Investors In People assessment
 - refreshing our organisational culture to ensure it supports delivery of our new strategic purpose
 - carrying out our bi-annual engagement survey and implementing actions to maintain areas of high engagement and/or target areas identified for improvement.

5. 2019/20 Operating budget

5.1. The operating budget for 2020/21 is £4,042,000, as set out in Appendix A.

5.2. This budget represents a neutral change in real terms over 2019/20 and 21% (£1.1m) real term savings in total since 2015/16.

5.3. The budget has been built on a zero-based approach for each cost item, and we have continued to identify and apply operational efficiencies in all our working practices. In terms of the different cost areas identified in Appendix A:

- nearly 70% of our total costs are our people, and we have budgeted for wage inflation in line with the market for our staff resources and our retention and recruitment policies. We continue to manage the mix of our staff resources so that we are able to balance overall costs in this area with the ability to have sufficient flexibility to meet our regulatory responsibilities and priorities. In doing so, we have identified savings that has enabled us to manage our budgeted staff headcount down to 44.6 Full Time Equivalent (FTE) from 45.4 FTE in 2019/20
- we have marginally increased our policy budget to ensure we are able to meet our research requirements in 2020/21 – in addition to the Annual Market Review we aim to deliver one full-scale consumer research project
- our legal fees budget remains more or less unchanged, but in practice actual expenditure will vary with the number of oral hearings during the year and the level and nature of legal complexity we have to deal with
- our IT systems costs are budgeted to be 10% higher overall, due primarily to ongoing increases in software costs (e.g. Microsoft licences) outside of our control. To ensure we deliver ongoing system security, the budget also includes fully costed annual penetration testing
- the budget for premises costs is primarily fixed, but in 2020/21 we have allowed for an expected small increase in Canary Wharf Estate's service charge. Premises fixed costs account for 11% of our total expenditure
- we have been able to hold our telecoms costs, general overheads and depreciation at broadly the same levels as 2018/19.

6. 2019/20 Levy

- 6.1. The levy funding model, as set out in Annex One to the Code of Practice, is the way in which providers of content, goods and services charged to a phone bill pay for the cost of regulation of their market, i.e. the PSA budget as approved by Ofcom.
- 6.2. The levy is applied to the actual size of the market, as measured by outpayments from network operators to their industry clients, i.e. after retaining their network charges from total revenues received.
- 6.3. The unadjusted levy is the rate that would be required to recover the full cost PSA operating budget (after income from Registration Scheme fees and bank interest), but an adjusted levy is applied in practice after further deductions are made from available retained funds. These funds are principally collected fines and admin charges, along with any over or under recovery of levy in previous years.

6.4. The levy calculations for 2020/21 are:

| | 2019/20 | 2020/21 |
|--|-------------|--------------------|
| | £ | £ |
| Phone-paid Services Authority budget | 3,939,475 | 4,042,212 |
| Budgeted other income | (250,000) | (190,500) |
| Amount to be funded by unadjusted levy | 3,689,475 | 3,851,712 |
| Retained funds available | (1,889,475) | (2,051,712) |
| Amount to be funded by adjusted levy | 1,800,000 | 1,800,000 |
| | | |
| Estimated market size | 480,000,000 | 500,000,000 |
| Unadjusted levy | 0.82% | 0.81% |
| Adjusted levy | 0.38% | 0.36% |

- 6.5. In 2017/18 we reduced the amount of levy required from industry by 31% (to £1,874,640 from £2,733,766 in 2016/17) and we reduced it further in 2018/19 and 2019/20 to £1,800,000. For 2020/21 we will hold the levy required at the same level, but we anticipate that this will be the final year in which we are able to utilise retained funds to offset the amount of levy funding required. It is likely, therefore, that the levy will need to be set to recover the full PSA budget from 2021/22 and that this is likely to mean the levy will at least double for industry funders.
- 6.6. Appendix B provides the detail behind our assumption that the estimated market size will be £500,000,000 for 2020/21. Given the agreed levy requirement from industry is £1,800,000, the adjusted levy rate is therefore 0.36%.

7. PSA registration fees

- 7.1. As set out in section 3.4 of our Code of Practice, all network operators, Level 1 and Level 2 service providers must register with us (subject to any exemptions we may make).
- 7.2. The fee for registration in 2019/20 was £155 plus VAT. The principles underlying the fee are:
- to ensure that it is set at a level that does not provide an unreasonable barrier to entry to the phone-paid services market
 - to provide perceived value to the process of registration, including a mechanism through which all industry participants provide a direct contribution to the cost of regulation
 - to realise this value through the functionality of organisations being able to undertake due diligence on other organisations, and for organisations to have due diligence undertaken upon them
 - to continue to contribute to the ongoing running costs of Registration (staff, systems and share of overheads).
- 7.3. For 2020/21 we have budgeted for 1,100 paying organisations. We propose to leave the fee for registration unchanged at £155 plus VAT, which will generate £170,500. This income forms part of the current levy model and will be used to offset the amount to be funded by the adjusted levy.
- 7.4. We also propose to leave unchanged the current exemptions to paying the fee, i.e.:
- for service providers who have revenue below £10,000 per year. In this case registration is free for the first year only
 - for registered charities.

8. Consultation process

8.1. Please structure your consultation response as answers to the following questions:

Q1 – Do our plans for 2020/21 sufficiently deliver our role as a regulator? What else do you think we should be doing or not doing?

Q2 – Do you have any comments on the proposed budget for 2020/21? If you recommend any changes, please clearly identify which areas of activity you expect this to impact upon.

Q3 – Do you have any comments on the proposed levy for 2020/21?

Q4 – What is your view on the estimated size of the market for 2020/21?

Q5 – Do you have any other comments on the Business Plan and Budget 2020/21?

8.2. We plan to publish the outcome of this consultation and to make available all responses received. If you want all, or part, of your submission to remain confidential, please clearly identify where this applies along with your reasons for doing so.

8.3. The closing date for responses is Thursday 23 January 2020, which is designed to allow the time necessary to issue notices regarding changes to the levy in good time for the start of the financial year on 1 April 2020.

8.4. Where possible, comments should be submitted in writing and sent by email to:
pbarker@psauthority.org.uk

Copies may also be sent by mail to:

Peter Barker
Director of Corporate Services and Operations
Phone-paid Services Authority
25th Floor, 40 Bank Street
Canary Wharf
London E14 5NR

Tel: 020 7940 7405

If you have any queries about this consultation, please telephone or email Peter Barker using the above contact details.

Appendix A: Budget

| Expenditure breakdown by cost area | 2015/16 Budget £ | 2016/17 Budget £ | 2017/18 Budget £ | 2018/19 Budget £ | 2019/20 Budget £ | 2020/21 Budget £ |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------|
| People costs Salaries, NI, pension costs, training and recruitment | 2,666,057 | 2,587,849 | 2,609,463 | 2,721,123 | 2,744,024 | 2,804,420 |
| Policy, External Relations and Communications Research, forums, seminars, publications, consumer education and other communications activity | 335,649 | 197,736 | 174,080 | 127,248 | 147,853 | 153,165 |
| Legal Fees External advice, debt recovery and non-recoverable hearing costs | 171,396 | 115,028 | 91,028 | 41,288 | 41,288 | 42,480 |
| IT Systems Business continuity, office systems (including printing), contact information handling, case management, data analysis, and Registration | 357,819 | 316,560 | 265,529 | 255,696 | 280,722 | 309,150 |
| Telecoms Line rental (including handsets), incoming and external call charges, call data storage, Broadband, mobile monitoring | 72,027 | 81,093 | 70,657 | 61,726 | 60,869 | 60,550 |
| Premises Rent, service charge, rates, utilities and facilities management | 475,397 | 410,304 | 409,073 | 418,988 | 438,639 | 444,813 |
| Overheads Insurances, audit and other finance costs, office supplies, travel, couriers and postage, meeting costs | 134,005 | 127,814 | 124,082 | 131,536 | 132,593 | 131,841 |
| Depreciation Leasehold improvements, equipment and furniture, IT and systems, asset disposals | 231,726 | 158,883 | 105,728 | 91,980 | 93,487 | 95,793 |
| Total | <u>4,444,075</u> | <u>3,995,267</u> | <u>3,849,640</u> | <u>3,849,585</u> | <u>3,939,475</u> | <u>4,042,212</u> |
| <i>Real-term totals (as at Oct 2019)</i> | 5,116,105 | 4,540,403 | 4,226,962 | 4,087,913 | 4,041,901 | 4,042,212 |

Appendix B: Market Size by Outpayments

| | Total 15/16 | Total 16/17 | Total 17/18 | Q1 18/19 | Q2 18/19 | Q3 18/19 | Q4 18/19 | Total 18/19 | Q1 19/20 | Q2 19/20 | Q3 19/20 | Q4 19/20 | Total 19/20 |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------|----------|-------------|
| PSMS | 157,517,975 | 176,079,370 | 114,086,995 | 29,702,411 | 30,847,498 | 36,422,339 | 36,683,230 | 133,655,477 | 37,491,706 | 36,902,100 | | | 74,393,806 |
| Voice Shortcode | 13,889,643 | 13,242,773 | 13,109,843 | 3,091,128 | 3,081,248 | 3,316,527 | 2,969,950 | 12,458,853 | 2,782,747 | 2,652,572 | | | 5,435,319 |
| Operator Billing | 113,827,719 | 142,935,480 | 168,814,087 | 55,503,529 | 61,995,650 | 65,036,904 | 64,911,875 | 247,447,958 | 65,552,320 | 64,083,943 | | | 129,636,263 |
| Total Mobile | 285,235,337 | 332,257,623 | 296,010,925 | 88,297,067 | 95,924,396 | 104,775,770 | 104,565,055 | 393,562,287 | 105,826,773 | 103,638,616 | 0 | 0 | 209,465,388 |
| 118 | 47,247,590 | 38,394,807 | 30,250,965 | 8,574,410 | 7,161,657 | 6,672,148 | 5,362,457 | 27,770,672 | 2,924,457 | 3,090,009 | | | 6,014,466 |
| 09 | 53,333,641 | 52,750,424 | 49,072,375 | 11,382,071 | 11,141,091 | 11,748,863 | 14,827,546 | 49,099,569 | 16,767,118 | 15,187,825 | | | 31,954,943 |
| 087 | 37,228,417 | 34,693,967 | 31,298,757 | 6,120,636 | 5,375,205 | 4,732,302 | 3,856,596 | 20,084,738 | 4,335,497 | 4,410,093 | | | 8,745,590 |
| Total Fixed line | 137,809,648 | 125,839,198 | 110,622,096 | 26,077,117 | 23,677,953 | 23,153,312 | 24,046,598 | 96,954,980 | 24,027,072 | 22,687,927 | 0 | 0 | 46,714,998 |
| Total Outpayments | 423,044,985 | 458,096,821 | 406,633,021 | 114,374,184 | 119,602,348 | 127,929,082 | 128,611,653 | 490,517,267 | 129,853,844 | 126,326,542 | 0 | 0 | 256,180,387 |

2019/20 calculation

- in February 2019 we estimated the market size for 2018/19 would be in the region of £440.0m - £460.0m (compared with the actual size of £490.5m)
- our prudent and cautious estimate for 2019/20 was £480.0m

2020/21 calculation

- based on quarterly data for 2019/20 received to date and industry insights given by networks, L1s and L2s, we are forecasting that the market for the whole year will be in the region of £505.0m - £515.0m
- our assumption for 2020/21 at this stage is that ongoing growth in operator billing and elements of PSMs will continue to offset declines in other market areas, and that the levy can be cautiously based on an estimated market size of £500.0m.

