Vodafone response to PSA's *Consultation on Business Plan and Budget 2024/25.*

Vodafone welcomes the opportunity to respond to the PSA's annual budget consultation. This budget takes place at a period of considerable change for the PSA as its powers are subsumed within the wider Ofcom framework. Vodafone welcomes the fact that there are no further calls on industry to fund this exercise in this year's budget, but it is disappointing that the budget is seemingly a continuation of previous years and does not acknowledge more the ongoing change of the market landscape.

Vodafone does not seek to downplay the bureaucratic upheaval of moving staff from one organisation to another or the need to evaluate the migration of the current registration or software support systems, however this does not warrant maintaining the current level of expenditure on employees.

Vodafone is aware that the apparent industry growth in the PRS market is focused almost entirely on the sales of PRS digital content and services using the hyper-scaled global App Stores. These services are provided by three prominent providers in conjunction with a handful of Global players who under Ofcom's proposals for the Future Regulation of Phone-Paid Services will essentially be un-regulated whilst having the combined largest interest in the market.

Vodafone has previously recognised the extent to which the introduction of the PSA's 15th Code of Practice (05.04.2022) has been successful in curtailing consumer harm in conjunction with the Payment Services Regulation 2017 that limits single transactions to £40 (inc VAT) and combined PRS purchases to £240 (inc VAT) per month of Service Charges to a single user.

These regulatory measures combined with the effective compliance monitoring of the Mobile Network Operators means, as reflected by PSA in this consultation and elsewhere, that complaints to the PSA are at an all-time low and are likely to be lower still once ICSS service providers are required to deliver effective pricing information before a charge can be made.

However, this is not reflected through a commensurate reduction in the costs of regulation. Vodafone does not contest that the PSA should continue its efforts to minimise consumer harm and pursue previous cases, but in a market where the vast majority of purchases and 100% of donations are through trusted brands and the traditional, less compliant, digital and voice services are in continued decline, the regulation of the remaining services, even including ICSS, does not warrant previous levels of PSA funding.

Q1 – Is the activity set out in Section 4 sufficient for the effective and efficient regulation of the market in the period up until the transfer of responsibilities to Ofcom? Please identify any activities you think are missing or are not required.

As set out above Vodafone believes that the infrastructure used to support the PSA Supervision meetings conducted by the PSA currently should be radically repurposed to ensure that DDRAC (Due Diligence, Risk Assessment & Control) is sufficiently delivered but in a proportionate manner. The current level of complaints and potential for consumer harm suggests that the oversight regime is over blown and a belated reaction to the massive decline in complaints that occurred before its introduction.

Vodafone calls on the PSA to focus resources on the continued investigation of a very limited number of historic issues in the market rather devote substantial time and money on Supervision Meetings which could be usefully replaced with an annual declaration by providers. The cross-check of complaints into the PSA should focus the attention on those members of the value chain that actually require active supervision such as the ICSS providers.

To demonstrate the reduced need for industry supervision we have summarised below an overview of the traditional PRS services in a market that clearly continues to consolidate in terms of provider numbers and revenue generated, requiring reflection in a more proportionate approach.

- Service providers providing **Charitable Donations** using charge to mobile whether via Premium SMS (PSMS) or Charge To Bill (CTB) are closely regulated and have a severe aversion to the prospect of damaging their band identities. They are not deemed likely to cause consumer harm using this donation collection method. The charitable donations collected are relatively stable but show no signs of an opportunity for growth. In terms of MNO participation, charitable donations are a cost centre as 100% of donations pass through and hyper care is required for Radio and TV campaigns.

- The reality is that calls into **09x** services outside of ICSS continue to decline. When the ICSS service providers are required to deliver pre-sale information using the free 60 seconds period prior to billing the remaining compliant market will become apparent.

- Calls to numbers starting **118x** continue with a very limited number of compliant service providers.

- Calls into numbers starting **087x** and **084x** are also reducing with the traditional resellers focusing on migration to 080x and 03x number ranges because of business customer demand. These calls are charged in a range from 1 pence a minute to 13 pence a minute with individual network access charges applied. Service Providers are not deemed to carry a substantive risk of creating consumer harm.

- Calls to **Voice Shortcodes** remain resilient with a very limited number of compliant service providers.

- The number of **Intermediary Providers** linking independent merchants to the MNOs has continued to consolidate and their appetite to engage with Merchants that deliver any form of risk of consumer harm is very low.

- Media companies utilise both **PSMS and CTB** to generate revenue via audience participation and competitions and are similar to the charities, they too have a severe aversion to the prospect of damaging their band identities are not deemed likely to cause consumer harm.

Q2 – Do you have any comments on the proposed budget for 2024/25? If you recommend any changes, please clearly identify which areas of activity you expect this to impact upon.

Vodafone is unable to identify the job roles of the 32.6FTE that remain in PSA for the forthcoming year and as indicated above we believe the need to maintain such high staffing levels is predicated on a disproportionate level of Supervision for a largely compliant market. The PSA and Ofcom need to re-evaluate what an effective oversight regime means.

Q3 – Do you have any comments on the proposal regarding the Registration fee?

Vodafone is comfortable that this is removed.

Q4 – Do you have any other comments on the Business Plan and Budget for 2024/25?.

Vodafone remains committed to the fact that the hyper scaled Apps Store should pay their portion of the Levy directly to the PSA. We call for the PSA to make strong representations to Ofcom to ensure this happens.