



**BT response to the ICSTIS pre consultation on
“ICSTIS’ regulation of 0871 (NTS) services: A pre-
consultation paper seeking input into ICSTIS’
implementation of Ofcom’s objectives for regulation
over 0871 services”**

Please address any queries on this response to: nicola.robbins@bt.com

1 Introduction

- 1.1 BT welcomes the chance to comment on this consultation and is pleased to see that ICSTIS is actively seeking input from stakeholders as to the scope of 0871 regulation.
- 1.2 Please note that some parts of BT's response are confidential. These parts have been marked as such.

2 Summary

2.1 BT strongly believes that 0871 regulation should be proportionate to the level of potential harm given that the current call charges are much lower than those of premium rate services (PRS). The table below illustrates the current available prices that a consumer could pay from their BT fixed line. It must be noted that the costs of dialling these numbers increase when the call is made from a mobile phone or another network.

Call type	Minimum price (inc VAT)	Maximum price (inc VAT)
0871	6p per minute	10p per minute or per call
PRS	10p per minute or per call	£1.50 per minute or per call

- 2.2 BT strongly suggests that this new regulation be lighter touch than that of PRS. The table above shows that, from a BT line, the maximum pence per minute of a PRS call is up to 15 times that for an 0871 call. Hence the level of regulation needs to be proportionate to the potential problem. Whilst regulation should ensure consumers are protected it should also ensure that the industry growth is not stifled or curtailed.
- 2.3 The new 0871 regulation must be able to deal fairly with both legitimate businesses and rogue traders. It must also be able to keep pace with market developments to ensure consumer and industry protection is maintained whilst closing down loopholes quickly and efficiently via the use of ICSTIS's emergency powers.
- 2.4 0871 provides a migration path for customers currently using 0870 and who want to maintain a revenue share post January 2008. BT is concerned that the consultation timescales outlined are too slow and that clarity is needed sooner rather than later to allow organisations, businesses and Network Operators time to assess the impacts of regulation and subsequently decide on and implement a chosen migration strategy for January 2008. For example a business that sells the majority its goods via a printed catalogue will need to be planning now to meet the timescales.
- 2.5 BT suggests that running a shorter consultation period and bringing forward the publication date could save time and allow for parallel running if required and ultimately a smooth cut over from the old to the new numbers.

3 Response to specific questions

Understanding the characteristics of the market and services

Question 1 *We would welcome feedback about the distinctive characteristics of the market for 0871 numbers, including information about the market size, the main types of use for 0871 numbers and views on how this is changing, and is likely to change, as we move towards 2008 and beyond.*

The section marked in yellow is IN CONFIDENCE and should be excluded when published.



BT believes that currently there is little correlation between users of 0871 and those that use 0870; these are separate and distinct groups. This may well change moving forward and BT believes that future trends will very much be determined by the needs of businesses to maintain revenue share and their view of the impact of the new 0871 regulatory regime - both of which are relatively unknown factors at the moment.

Question 2 *We recognise that a considerable amount of use of 0871 numbers relates to business call centres for customer service and information. Again, we would be interested to hear from those companies and other affected organisations about how the decision by Ofcom to extend regulation of PRS to 0871 may impact on their operations and how any ensuing burden should be minimised without losing sight of the need to ensure an appropriate level of consumer protection.*

BT is seeking information from our customers as to the course of action they may take. We believe there are three main options:

- Stay on 0870 and lose revenue share
- Move to an alternative revenue share number, such as 0871 and continue with revenue share
- Change contact strategy completely

The existence of regulation on 0871 is likely to limit migration to this range. The uncertainty surrounding what that regulation will look like is also making it harder for Service Providers to make plans. We currently have little information to share as we are at the initial stages of the exercise.

An additional barrier to entry and deciding factor may be the unavailability of international access to 0871 numbers as some businesses will be accustomed to international access for 0870 numbers. BT does not currently plan to open up international access to 0871 as there is little customer demand and other factors need to be considered such as the risk of Artificially Inflated Traffic and the need to agree access and settlement rates with overseas operators. BT will of course review access in the light of customer demand.

BT suggests that ICSTIS also works with call centre trade associations as they may well have a valuable input.

How might the market change in the wider context of the other changes announced by Ofcom?

Question 3 *We would welcome feedback about the likely consequences of the possible migration to or from 0871 numbers flowing from the changes announced by Ofcom to 0870 revenue share and as a consequence of extending PRS regulation to all 0871 numbers.*

BT believes that the migration to or from 0871 numbers will largely depend on the scope of the new regulatory regime that will apply to 0871. Heavy and more onerous regulation could result in fewer businesses migrating to the range and on the flip side the lighter the regulation the more migration could be possible.

Other consequences may also include a change in contact strategy whereby the internet or other numbers ranges such as 0800 are promoted as primary contact methods. These sorts of changes do of course have cost implications for both the business and the consumer alike. For example an insurance business currently using 0871 and moving to an 0800 number will lose revenue share and may feel the need to pass this on to the customer as a cost e.g. an increase in an insurance premium.

Consumer expectations from the regulation of services using 0871 numbers

Question 4 *We would welcome feedback about consumer concerns that arise, particularly with the promotion and content of 0871 services, and we would welcome feedback about safeguards that stakeholders believe would be necessary and proportionate for the development of an effective consumer protection regime for 0871 numbers.*

Ofcom have clearly outlined their twofold objective of introducing a new regulatory regime for 0871; price clarity and consumer protection, but that regulation of 0871 should be lighter touch than applied to PRS. BT agrees that these are the correct areas to focus on but suggests that the onus should be on the SP to clearly outline the cost of calls via marketing materials, websites, etc especially as prices can differ from operator to operator and from fixed to mobile. Perhaps for consistency the SP should be obliged to quote a maximum price e.g. the maximum price for this call is 10p per minute and may cost more from mobile phones. In addition to support the consumer protection and price clarity objectives perhaps the maximum price from a mobile phone should also be quoted as prices can differ considerably. There are some instances where price publication may not be reasonable, for example on the side of a van, as prices can change.

Determining regulatory requirements and a Code of Practice

Question 5 *We would welcome thoughts on what approach we should take to formulating a Code of Practice and how far this should be separate from the current ICSTIS Code and, if so, why. Are there additional issues relating to 0871 numbers, not covered in the current Code and distinctive to 0871, that would also be addressed?*

BT believes that the new regime should be both proportionate and as simple as it can be to achieve its goals, and that it should not significantly increase costs that will have to be borne by customers and/or network operators and ultimately callers.

The more straightforward the regime, the less likely it is to lead to mass non-compliance; this will also help with the concern over timescales for implementation as the simpler the regulation the more easily and quickly it can be put in place.

In summary BT suggests:

- A separate code of practice for 0871 regulation to allow for independent branding.
- It should be split into two documents: one for SPs and one for Network Operators.
- It should be kept as simple and brief as possible with supporting information presented as help notes where appropriate.
- It should be quick and easy to register via an on line system.
- The existing PRS approach for chat/dating/entertainment/prizes services should be retained.

BT believes that the existing ICSTIS code of practice could be used as the basis for the 0871 code as there are areas that have been effective in stamping out rogue behaviour. Other areas will need to either be removed or amended, for example, BT believes that Network Operator due diligence as per the planned 11th code would not be proportionate to the level of risk and therefore suggests that a simpler version is required.

In addition, BT does not see a need for a prior permission regime for 0871 numbers as this could be unduly bureaucratic and burdensome. It would be preferable to have a simple set of ground rules where SPs are penalised if they transgress the rules.

BT also believes that out payment arrangements should continue as they are; payments are currently made within a 28 day period. BT does however recommend that if ICSTIS receive a customer complaint or if a Network Operator alerts ICSTIS to potential Artificial Inflation of Traffic, ICSTIS should be able to order money to be withheld until the issue is resolved as per the existing PRS emergency procedures.

BT suggests that ICSTIS work with the Industry Liaison Panel to draft the new code.

Question 6 *We would welcome feedback on how we should regulate call centre waiting time issues, recognising that being in a queue for a long time leads to consumer expense as well as generally leading to a perception of poor service. We would particularly welcome the views of trade bodies whose members are active in call centre provision about how best practice could link to our regulatory requirements once agreed.*

A requirement to meet a specified call answer time would not be feasible to operate with large call centre operations or single person operations (the plumber scenario). BT is happy to work with ICSTIS to see if there are alternative solutions rather than a strict call answer time threshold, as the introduction of minimum queuing times could have several potential impacts that ICSTIS should bear in mind:

- Increase in consumer prices - resulting from the need to employ more staff or even automate services. The businesses would potentially pass these additional costs on to the consumer via a price increase e.g. an increase in an insurance policy premium.
- Poor customer experience - businesses may potentially cut customers off prior to the call being answered (after queuing) to avoid breaching the regulations. This is inconvenient for the consumer who is highly likely to prefer to dial once, queue once and then be answered by the particular service they require.
- Poor quality of service - many businesses offer consumers additional contact centre services that are non-profit making and the call payments contribute to partially funding the cost of the service. Limitations on queuing times will potentially jeopardise these services and reduce the level of overall service to the consumer.

Again it is worth noting that the more onerous the regulation the lower the potential take up could be for 0871.

BT suggests the high and low risk services to the consumer are differentiated. For example high risk would include services from those industries that require more stringent regulation e.g. PRS, chat lines and those that may be used by vulnerable consumer groups. An example of a low risk service could be an information line e.g. National Rail Enquiries automated service for train timetables already used regularly by consumers who value the service and without a high complaint level. Price of the call is a good proxy for differentiating between high and low risk services. As demonstrated in the summary, the price of 0871 calls is significantly below those of PRS calls. This suggests regulation of call centre queuing times would be disproportionate compared with PRS calls.

BT thinks that the regulation needs to balance the views of the consumer and the business operating the call centre.

Question 7 *We would welcome views on the potential incentives that we could create in order to develop improved performance and consumer service in this area without the need immediately to resort to regulatory sanctions.*

BT suggests that an industry award scheme for best practice could be well received. In addition a league table of complaints/investigations per company similar to the one published by the Office of the Telecommunications Adjudicator could be made available.

Given the highly competitive nature of the supply of 0871 calls to Service Providers by telecoms operators, ICSTIS can also rely on the market to provide these incentives. In many cases the Service Provider's industry will be highly competitive as well, e.g. retail services. But where it is not the case and customer service is poor, ICSTIS must be careful not to confuse lack of competition in that service sector with lack of competition in the supply of calls to Service Providers within that sector. Otherwise it risks making inappropriate regulatory decisions. The result would be regulation of telecoms when the underlying problem is a lack of competition in the industry sector in which the Service Provider operates.

Question 8 *In respect of pricing transparency, we would welcome views on how we move to a situation of compliance in time for early 2008 when we take control of the regulation of 0871 numbers. Many companies reported to Ofcom that they face long lead times to amend their promotional copy in respect of advertising for 0871 numbers. What action can we take and with whom to ensure that service providers and others in the value chain promoting these numbers fully understand the need for providing transparency in good time for any regulatory changes which may take place early in 2008?*

BT suggests that ICSTIS undertake an advertising campaign in appropriate media to alert businesses and consumers to these changes, this could be funded from existing budgets. The campaign will need to be developed at the same time as the branding of 0871 as success and take-up of 0871 is dependant on both these factors. Ofcom have carried out a high profile consumer campaign recently following the end of the price control regime and there may well be some learning that they can share with ICSTIS. Alternatively Ofcom may wish to take ownership of this campaign as it is closely linked to other numbering changes such as the introduction of the new 03 number range. BT thinks the idea is worth further consideration.

BT is already proactively talking to its customers about their options, however it is difficult to gain any firm insight as potential migration is dependant on the scope of the regulation – please see BT's response to question 2.

BT firmly believes that the timescales outlined for this change in regulation is far too slow. Certainty is needed now. Please see BT's response to question 13.

Question 9 *Pricing transparency for 0871 numbers will be affected by the fact that many such numbers, especially when used for customer services, are listed in white pages telephone directories where space for the listing is restricted to a company name and number. There is no provision to provide information relating to the likely cost of the call. How should we consider dealing with issues relating to pricing transparency in this context or in other contexts such as advertising such numbers or radio or television?*

BT always tries to make pricing information as clear as possible for customers and we already do the following:

The Phone Book

- The preface of our Phone Book already contains price information for 0845, 0870 and 0871 calls (see page 14 of the attached).
- Where there is a paid for advert it is the responsibility of the advertiser to include pricing information.
- We do not include pricing information for normal directory entries as there is no space for pricing information by the individual entries. There could be significant additional cost as a result of changing this. In addition it is not clear if this will add value to the customer experience.

Directory Enquiries

- When a customer requests a PRS number from BT they are specifically told it is a PRS number. It's possible that we could do something similar for 0871 by telling the customer the type of call it is. The success of this will depend on the success of any branding of 0871.

BT is more than happy to work with ICSTIS on this point to identify alternatives to potentially costly changes to the Phone Book.

Governance issues

Question 10 *Do stakeholders have any views about our preliminary conclusions on governance arrangements for regulating 0871 numbers?*

BT agrees with ICSTIS's preliminary conclusion that it is appropriate to use the existing ICSTIS organisation and processes as it will minimise regulatory costs and should be quick and easy to implement for 0871.

Funding to cover regulatory costs

Question 11 *We would welcome any thoughts on how far the current funding model, which appears to have operated well for many years, could be adapted to incorporate 0871 number or whether specific alternatives should be considered. If the latter, with what justification?*

A lower ICSTIS levy would seem appropriate for 0871 calls as the regulatory regime is intended to be a lighter touch compared to PRS. The more straightforward the rules, the less the administrative burden for both SPs and for ICSTIS. Keeping costs down is an important consideration given end-customers will for the first time be likely to bear the cost of paying the 0871 levy. The additional incremental cost for end-users is even more important to bear in mind given that customers may face a price increase if their SP moves from an 0870 number to an 0871 number.

Regardless of the collection mechanism employed BT suggests that there are some simple principles that ICSTIS should consider:

- There should be no cross subsidisation between the PRS and 0871 funding arrangements.
- All parties due to pay should be identified and monies should be collected. This process should be audited regularly to ensure this principle is adhered to.
- All terminology should be clearly defined, for example, what is meant by an out payment; is it just UK originated calls, etc.

BT is supportive of using the existing model, but would also like to put forward an alternative outline idea, which could warrant further evaluation. BT suggests it might be more practicable to collect the monies from the originating network operator (ONO) by deducting the levy amount from the out payment due to go to the terminating network operator (TNO). The ONO would then pass the money directly onto ICSTIS. BT suggests this could have several benefits:

- There could be much greater revenue certainty for ICSTIS. The scenario where companies receive the out payment but go bust or disappear before paying the levy to ICSTIS could be eliminated.
- ICSTIS will have to deal with fewer organisations when collecting the levy.
- The issue of whether the existing process captures all TNOs and subsequently all of the owed money could be resolved. From the ONOs viewpoint, their total out payment will remain the same; it will just be split between the TNO and ICSTIS.
- From the TNO viewpoint, whilst this would reduce their revenues, this payment method could reduce the administrative overhead in having to undertake this work for ICSTIS which could benefit many of the smaller TNOs.

It might also be worthwhile examining whether this levy collection method should be extended to also cover PRS calls. Having one collection method for both call types would be simpler to administer for operators and the benefits outlined above would also be applied to PRS calls.

Branding issues

Question 12 *We would welcome stakeholder comments on branding issues and how far, in the context of a re-brand of the core ICSTIS business, stakeholders consider there is a need for public perception reasons, for a separate brand for 0871 numbers.*

Branding is a key success criteria and it will be key to the migration from 0870 to 0871. There are negative connotations associated with PRS e.g. it is perceived as expensive, and not trustworthy. These perceptions must be avoided in the case of 0871. BT therefore is supportive of a separate branding arrangement for the 0871 regulatory regime. BT suggests that “revenue share services” or even “special services at a higher rate” may be appropriate alternatives.

Please also see BT’s answer to question 8 concerning the need to raise awareness of the changes with both industry and consumers.

Next steps

Question 13 *We would welcome any comments on this proposed timetable.*

BT is very concerned about the timescales outlined as we do not believe this gives businesses, organisations or Network Operators sufficient time to implement a revised strategy, particularly as the deadline for compliance is January 2008.

BT suggests that ICSTIS need to revise their timetable to ensure more information on the scope of 0871 regulation is available sooner rather than later. BT believes this could be done by reducing the gap between planning for the consultation, due to start in October 2006 and actually issuing it in February 07 (a period of up to 5 months). BT also suggests that running a shorter consultation period (currently proposed as Feb 07 to May 07) could save additional time and allow for parallel running if required and ultimately a smooth cut over from the old to the new numbers.

- END -