

Dear Paul,

Thank you for sharing with me the PhonePayPlus business plan for 2010/11 and giving us the opportunity to respond.

Your document includes a number of questions and I have added my comments in response to those. However, I thought it would be worth summarising our thoughts on the role and direction of PhonePayPlus.

As you will be aware from our conversations and correspondence we believe that PhonePayPlus has a key role in regulating and policing the premium rate market. We have supported the adoption of the new principles-based code and we are encouraged by the increasing number of cases you are tackling. The graph, in Appendix C, setting out the decline in the size of the premium rate market over the past 4 years is very disappointing and puts into perspective the task facing all of us to improve public trust in premium rate services. Rebuilding this trust is paramount.

Whilst we are comfortable with the overall level of budget proposed we would encourage PhonePayPlus to focus its time and resources on the rigorous and proactive enforcement of the Code of Conduct. Whilst the loss of your Director of Legal is an operational matter we do believe that a strong legal team and tight legal interpretation of the Code must be a pre-requisite of any regulation. To ensure success in these vital areas we think you should consider an even greater allocation of resources away from such things as events, research programmes and consumer education.

## Specific Questions

**Q1. PhonePayPlus will be developing a new Three-Year Strategic Plan in 2010. Do you think our purpose and role as set out above still describes the priorities for regulation in the phone-paid services sector? If not, how do you think this should develop?**

We support the Vision, Mission and Values as set out

**Q2. What information or evidence do you have about market trends and about the overall size of the phone-paid services market in 2009/10?**

Consumer trust in Premium rate service is low, especially for anything which is subscription based. PhonePayPlus will need to consider who regulates and how to regulate services supplied and paid for within Applications on the phone. To the consumers these services will be seen as similar in nature to normal premium rate services as they will be purchasing them on the phone.

**Q3. What information or evidence do you have about any specific segments or content areas and their potential for real growth or decline over 2009/10?**

None

**Q4. How do you see the phone-paid services market developing in 2010/11?**

The growing market for applications will lead to new services based on various billing models. As with any new market this will present an opportunity for the less scrupulous

business to misrepresent charges and hence take advantage of a somewhat naive market.

Early action to establish a code of conduct with the major players within the mobile marketplace will be necessary to preempt this behaviour.

**Q5. What comments do you have on the priorities for 2010/11? Are there other projects or issues that you think PhonePayPlus should consider for the coming year?**

None.

**Q6. Do you agree that PhonePayPlus should increase consumers' PRS literacy, in so far as it builds an appropriate level of trust in the market?**

We do not feel that it is the role of PhonePayPlus' job to educate the consumers.

Consumers are already familiar with premium rate service. Public trust in the industry can be established when service providers do the right thing and are seen to be doing the right thing.

We therefore feel that PhonePayPlus should focus its resources on regulating the industry and clamping down on abuses in a more proactive way (for example it might be better to pre-empt consumer complaints by checking well publicised services yourself.)

**Q7. How should PRS literacy work be funded, through the industry levy or through a new fine sanction imposed for breaching the PhonePayPlus Code of Practice?**

We feel that PhonePayPlus would be better served focussing management time and resources on regulation and therefore do not encourage an industry levy to fund this work

**Q8. What is an appropriate initial level of funding for our PRS literacy programme?**

See 7 above. We feel that there are more important areas on which you should focus time and resources.

**Q9. What areas should PhonePayPlus focus its core research programme in the coming year? Do you have knowledge of any industry research initiatives in these areas?**

We believe that PhonePayPlus should confine itself to providing centralised industry stats on a timely basis.

We do not feel that it is the role of PhonePayPlus as a regulator to produce research on commercial matters. If companies and individuals want to understand trends in the industry let them commission and pay for the results themselves. For example, it is up to commercial organisations to “understand consumer readiness to engage premium rate service models” and build businesses around this.

**Q10. Do you support our proposed budget changes for 2010/11 having regard to the activity and strategy that drives the changes? If not, please explain why**

See comments herein.

**Q11. Do you have any comments as any other risks that PhonePayPlus might face that are not identified above as part of the business plan design?**

Mobile phone applications as alluded to in the answer to Q4.

All the best

Colly

Colly Myers

Any Question Answered