



Premium Rate Association response to 2011/12 Annual Plan and Budget: A PhonepayPlus Consultation

The Premium Rate Association welcomes this opportunity to respond to your Business Plan and Budget 2011/2012 a PhonepayPlus Consultation, although we note that the better regulation task force do state that, rather than the 6 weeks you have allowed us to respond, there should be a minimum of 12 weeks. Certainly Christmas in between lessens the time for effective liaison with members.

As a membership driven trade association representing commercial businesses operating within the Premium Rate telephony sector we are starkly aware that effective regulation is intrinsically linked to the good levels of consumer trust and in turn a buoyant industry.

As your document outlines there are to be both a new code and a new registration scheme to implement and administer.

We are glad to note your proposed reduction in cost in line and reflecting the market position.

We note with interest you are using an external agency for monitoring and would ask why was this decision made, who is the external agency and welcome the sharing of such data as you suggest.

We welcome a shift in where budgets will be used, so more industry focused via work with industry support and intelligence however we note the increase in enforcement work how can you predict such an increase?

On another note can we have confirmation on the level of collecting of fines this year, last year it appears collections rate was 74% of fines imposed.

In relation to your questions:

Q1 What information.....

It is clear the market place needs new ideas and a confidence in regulation to drive forward the entrepreneurs and also consumer confidence to increase spending this will be difficult however with price increases due to VAT increases and a the bad debt levy.

Q2 What information.....

As you are well aware it is difficult to gain accurate information on market growth other than physical revenues generated via networks.

Q3 How do you see.....

Certainly new applications and new entrants into the market place (such as Android) will drive forward consumer friendly applications and consumer demand although budgetary constraints will be the test as to whether great applications will lead to low value high demand purchases.

Q4 What comments.....

It remains to be seen as to whether your new registration scheme will in fact get all SP's IPS and others involved in PRS to register. We still await a definition and a reason why market affiliates will be excluded from the scheme. How and who will be able to determine if everyone that should have registered has?

We believe your priority should be to regulate fairly, evenly and with true independence at all times.

Q5 Do you support.....

We support effective use of industries money and by more industry focused and lead activity there seem to have been improvements as evidenced by a reduction in fines. Although it would be interesting to see if this is due to the 200 cases the complaint resolution team worked with or whether this was due to no major industry crisis and therefore a large reduction in initial cases or complaints of a serious nature. The movement of budget into different areas is to a degree a matter for those of you internal to PPP being on the coal face and therefore seeing that deviation and reduction of budget leads to more efficiencies.

However it also seems out of kilter that any industry which was worth £1.2 billion had a regulator costing the industry "just" £2.2million and last year you cost £4.2 million with an industry worth £900 million. This year you will cost £3.7 million with an industry worth £800 million. Therefore whilst you state a reduction in cost of 13.2% on reflection this would appear to show a market decrease not a budgetary one.

Whilst we note and appreciate a reduction in rents, we must question why you need London offices at a cost of £325,433 per annum for 7,000 square feet; whilst we as an association appreciate that people are intrinsic to any organisation we are happy to offer to you several well known property agents who will find you accommodation at a location well placed for your staff but at a vastly reduced cost.

We note the reduction in cost for staff, legal, publications and external audits, but the note the large increase in website costs and telecoms. Where is the budget for the registration scheme database development?

Re Phone brain you have said before that this research and the ideas arising from working with the children could not be published will this years work be able to be published as this is a cost to industry?

We note and encourage the ongoing development of working relationships with other regulatory bodies as highlighted at the ILP in the hope that regulation and responsibilities will be clear and regulation will not be over burdening.

We are well aware that the cost of regulation is not based on market size alone, but we must stress that PPP must be very aware in their actions and budgetary demands on diligent companies. With this in mind we are keen to encourage best value regulation which includes seeking cost savings for compliant businesses wherever possible and, therefore, fully support the “polluter pays” environment described. We currently have an industry which has suffered a massive reduction in revenues and a reported drop in consumer complaints and believe that the regulator must take these factors into consideration when setting its final budget figure.

We do also recognise that this year there will be a concentration on making sure that the 12th Code of Practice is fully operational. On a small note we would say that this years budget document appears to be less detailed than in previous years as to the true breakdown of costs i.e. no cost for Phone Brian.

The areas that we question expenditure in are the cost of your premises, at £325,433 , the cost of your website at £82,000. We have previously mentioned in other responses that at some point it may be worth the industry calling for an external auditor to look at the budgets as set. As your overheads are high, a more detailed breakdown of how many staff and their wages along with the clarity as to your tendering process for your printing and other supplying companies may allow the industry to help reduce such costs.

The main risk for PPP is that it does not focus on its core activity which is to work with industry to establish a fit regulation model along with a workable code. PPP needs to work continue to work with and be clear with the industry.

Conclusion

When looking at the split of regulatory activity our main and recurrent comment is that PPP should always strive to offer, effective, proportionate and best value regulation and must keep costs firmly confined within their scope of regulation and remit and must not be drawn into other arenas of regulation.

The PRA believes that the year ahead is bound to raise new regulatory issues with the 12th Code of Practice and will certainly be eager to add comment and information to the implementation of the code and registration scheme, both through consultation and direct input through interaction with the ILP.

Echoing our comments above we are very happy to see a collaborative approach to regulation which will explore the potential of working with the ILP and industry and are pleased to note the commitment to share information with stakeholders.

Outsourcing can deliver a business with immediate, skill specific and expert resource to cater for most eventualities and therefore setting aside funds for these services is a must but we would have certainly expected to find cost savings in staff cost as a result. This has not happened.

In regard of “depreciation” it would be useful to know what is being depreciated.

On a related note, a common question regarding premises cost is whether PPP would not be better positioned away from Central London to provide better value regulation. We again note your points re staff but many businesses relocate for cost saving reasons and their staffs move with them; in terms of PPP relocation this could be on the outskirts of London.

In summing up our response, the main comments revolve around whether an increased budget is required or suitable when considering current market and consumer complaint conditions.

We also must make it clear that this year's budget document is vague in its description of the financial requirements listed consequently it makes it very hard to make constructive comments, it would also be of benefit when repeating this exercise to make the previous year filed accounts available for comparison. This point was reiterated on presenting this budget document to a chartered accountant who was amazed that a budget of this size could be authorised on the back of a proposal with such a lack of financial information and justification.

We are aware that PPP do not need "sign off" regarding the budget proposal from any party other than Ofcom's but hope that PPP still see the value in public consultation and the positive results that can be achieved from undertaking such an activity. This can only be realised if the consultation documentation is clear and fully descriptive in its reasoning.

We agree that keeping your costs under review is a welcome objective as is your continued role as an effective regulator

We welcome this opportunity to respond to this consultation and welcome the essence of PPP's continued efforts to evaluate your own effectiveness and operational abilities.

As ever, should PPP require further comment we will always make ourselves available.