



BT's response to PhonepayPlus consultation

*“Business Plan & Budget 2012/13:
A PhonepayPlus Consultation”*

20 January 2012

Comments on this document can be addressed via e-mail to Graham Pottie (graham.pottie@bt.com)

1. Executive summary

The proposed 2012/13 Budget appears consistent with achieving the objectives of PhonepayPlus (PPP). BT supports the reduction in PPP's budget proposed for 2012/13, which continues the reduction in PPP's costs and recognises that this industry sector is in decline. The budget appears to align planned resources with agreed aims whilst recognising that effective regulation is needed as new technologies and/or channels appear.

Our main points are:

- BT's data shows that the overall 087x market has been in decline for a number of years, though this trend became particularly marked after the regulatory regime changed in 2009 both for 0870 and 0871/2/3 (which fell under PPP's remit for the first time).
- The PRS market will continue the trend away from fixed voice services to mobile SMS services in part because of the unfair regulatory regime around Higher Rate Premium Rate Services which strongly favours mobile operators. Yet the vast majority of consumer complaints are generated by the mobile sector (see Annex C of consultation document). Hence mobile operators benefit from a more favourable regulatory despite generating more consumer complaints.
- The priorities for PPP should be around compliance with the regime defined in the 12th Code, fully implementing the Registration Scheme and number checker, informal and formal enforcement and identifying and pre-empting new threats and potential harm.
- We believe that, while charities should continue to be exempt from the registration fee, all other organisations should pay the full registration fee. Organisations generating less than £5,000 outpayments in their first year could also be exempt from paying the fee. They would be liable for the full fee in their second or subsequent year.

We welcome the fact that PPP will work with the industry body AIME (Association for Interactive Media & Entertainment) and others to co-opt research and also that PPP aims to publish its planned schedule of research early in the new year. This will enable industry to see what PPP is concentrating on.

The remainder of this response sets out our responses to PPP's consultation questions.

One part of BT's response is confidential, which is marked in square brackets. We have provided both a confidential and non-confidential version of our response to PPP.

2 Responses to PPP's consultation questions

1. *What information or evidence do you have about market trends and about the overall size of the PRS market in 2011/12?*

We agree with the expected contraction of the PRS market. Specific market trends for lower rate services are provided in the response to the following question.

2. *What information or evidence do you have about any specific segments or content areas and their potential for growth and decline over 2011/12?*

We agree with PPP's views on the expected further decline of the DQ market.

BT's data shows that the overall 087x market has been in decline for a number of years, though this trend became particularly marked after the regulatory regime changed in 2009 both for 0870 and 0871/2/3 (which fell under PPP's remit for the first time). [**Confidential:**

]

We had expected some of the calls lost to the 0870 range to shift to 0871, but that hasn't happened. We think that's due in part to more onerous regulations on 0871. We know from our own discussions with SPs that they are put off taking 0871 numbers because of the additional layer of PPP regulation and requirements for due diligence. Some of the traffic has moved to 0844, where PPP regulation does not apply.

Overall, the decline in the 0870 calls market in part as a result of regulatory change has not been matched by growth elsewhere in this sector.

3. *How do you see the PRS market developing in 2012/13? In particular, do you have any insights into how PRS might develop on social media, smartphones or other platforms?*

We believe the PRS market will broadly follow the UK economy and continue the trend away from fixed voice services to mobile SMS services. This is in part because of the unfair regulatory regime around Higher Rate Premium Rate (i.e. a drop charge and pence per minute limit of £1.53 for PRS calls on fixed lines, whereas mobile operators frequently charge £10 for premium SMS and can charge more). We believe that the current trial of social media driven participation will expand in to a more valuable and sustainable market provided compliance is maintained at the current level across different user channels.

4. *What comments do you have on the priorities for 2012/13? Are there other projects or issues that you think PhoneyPayPlus should consider in the coming year?*

In our view, the priorities for PPP for 2012/13 should be:

- Achieving and maintaining compliance with the regime defined in the 12th Code consistently across fixed, mobile, voice, app and web services such that the reputation of PRS continues to improve and further investment in PRS services is encouraged.
- Fully implementing the Registration Scheme, including the number checker.¹
- Swift and consistent application of both informal and formal enforcement.
- Developing a model of effective identification and pre-emption of new threats and potential harm, either on its own or with other organisations.

¹ We're aware that not all 118 numbers are registered with PPP and it is not always clear who the service provider is

5. *Do you support our proposed levy budget changes for 2012/13, having regard to the activities and priorities in the first full year of the new Code that drive those changes? If not, please explain why.*

The proposed 2012/13 Budget appears consistent with achieving the agreed objectives of PPP and represents a further reduction in costs. While this is consistent with the reported market decline, the ability of PhonePayPlus to achieve its objectives is not fully correlated with the level of industry revenue.

The proposed costs for Consumer Support and Complaint Resolution are provisions rather than commitments and should be regularly reviewed to match actual demand.

While there is no specific provision for managing the response to a large scale malware problem in the Budget, PPP needs to ensure that the reserves are sufficient to enable action.

6. *Do you agree that we should make a provision in the Registration Budget for improved usability of the Scheme? Are there particular functions of the Scheme you would like to see enhanced? If so what are they and what benefits would they bring?*

Yes. There should be a provision for the improved usability of the Registration Scheme. One example is the usability of the search functions to improve the Due Diligence capability of registered organisations (we particularly support improvements to encourage widespread Due Diligence). This cost should be covered in the Registration Scheme budget rather than the Levy budget.

7. *Do you agree with our Registration financial model assumptions?*

We believe that the developments to the Registration Scheme should be covered by the Registration Scheme budget and recovered over a number of years.

8. *Do you agree with our assessment of the options, with particular reference to our assumptions and our preference? If not, do you have other suggested options?*

We believe that, while charities should continue to be exempt from the registration fee, all other organisations in their second or subsequent year should pay the same registration fee. Only those organisations generating less than £5,000 in their first year of operation should be exempt in order to encourage full registration. The finding that many organisations generating low levels of outpayments are actually departments of larger organisations supports PPP adopting a variant of option 4.

END