



## **UKCTA Response to the PhonepayPlus Consultation: “2008/9 Annual Plan and Budget”**

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### **Introduction**

UKCTA welcomes this opportunity to comment on PhonepayPlus’s budget proposals.

UKCTA is a trade association promoting the interests of competitive fixed-line telecommunications companies competing against BT, as well as each other, in the UK’s residential and business markets.

### **General Comments**

We have some general comments to make about the proposed budget statement:

1. We support the idea of “pre-empting, preventing and protecting”. This regulatory approach will do a lot to encourage trust (which has seen a swift downturn in 2007) in the industry.
2. The budget consultation acknowledges that there has been a drop in PRS revenues and indeed that this could continue into 2008, but it is not clear how this has been reflected. A 2.2% increase on last year’s budget does not seem sensitive to a struggling industry. That said, there is no indication what the next levy will be – will it be lower?
3. UKCTA are always concerned by the cost implications associated with extended regulation in the telecoms sector. In the 2007 Report and Financial Statements, ICSTIS declared that it has assumed the role of “a consumer protection body operating on a co-regulatory basis” – a “consumer protection body” seems a somewhat wider remit than simply that of “regulator of PRS”. Furthermore, in this budget statement, in the Chairman’s Foreward, Sir Alastair refers to “phone-paid” services. It is not clear what “phone-paid” may mean – does it mean PRS, or does it



mean something else? And if it does still mean PRS, why is that term no longer being used?

Statements like these do nothing more than suggest that PhonepayPlus is extending its remit outside that of regulating PRS and enforcing the Code of Practice.

PhonepayPlus's remit is clearly stated in its Code of Practice. Does PhonepayPlus see its remit extending outside PRS and if so how is this being funded? It would be unfair to expect the PRS industry to fund any extra "consumer protection" roles.

4. The £104,920 figure for the website seems quite high. We recognise that plans are afoot to redevelop the Phonepayplus website, but we would like to see these costs broken down. How much relates to the redevelopment, how much for hosting, how much for Phonebrain, etc.
5. We also feel that the funding to cover 0871 regulation is too high. Although it will be difficult to know how much correspondence PhonepayPlus will need to deal with when the regulation "goes live" we wish to understand how quickly the levy for 0871 will be reviewed to ensure that the levy is not too high for such a low margin product.

Furthermore, we are still keen to hear from PhonepayPlus about how it has calculated the levy and financials for funding 0871 regulation - a matter still outstanding from correspondence between UKCTA, Ofcom and PhonepayPlus.

A further question, one which we would have liked to have seen in the budget consultation, is whether there will be any cross funding. If PRS revenues are dropping, how will PhonepayPlus continue to finance the cost of the regulation? Will some of the monies raised from the 0871 levy be used? Or will PhonepayPlus simply cut back on its spending and resources for PRS?