

# PHONEPAYPLUS ANNUAL PLAN AND BUDGET

Cable&Wireless  
Worldwide

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Cable&Wireless Worldwide is a wholly-owned subsidiary of Vodafone, bringing together two great British companies and two leading telecoms brands to deliver fixed and mobile communications internationally. Both companies have common qualities. We share a pioneering spirit, a belief in the power of communications and are both challenger brands. Most importantly, we share a focus on providing the best services for our customers.

In PRS terms this represents a truly end to end network offering. Combined the companies represent one of the largest market shares in both origination and termination volumes of 0871, 09, Directory Enquiry and Premium SMS traffic. We continue to enjoy an active and collaborative relationship with PhonepayPlus directly, through the ILP and via the Mobile Broadband Group and UKCTA. We look forward to continuing to work with PhonepayPlus in the coming year.

Our response below is made to cover the perspective of both companies.

Cable&Wireless Worldwide is largely supportive of PhonepayPlus' intended plans and budgetary proposals. We have directly responded to each of the consultation's questions below and have taken the opportunity to expound some of the themes in relation to the funding mechanism debate.

**1. DURING 2013/14 WE WILL COMMENCE THE PREPARATION OF THE NEXT THREE-YEAR PLAN COVERING THE PERIOD 2015-18. DO YOU HAVE ANY FEEDBACK ON THE CONTINUING APPROPRIATENESS OF BOTH OUR CURRENT VISION AND SUPPORTING VALUES?**

Cable&Wireless Worldwide believes that the current Vision and supporting Values offer PhonepayPlus a wide remit within which to work and are reflective of the regulator's role. We do not believe there is a need for further refinement.

**2. DO YOU AGREE WITH OUR ASSESSMENT OF THE PRS MARKET AND DO YOU HAVE ANY OTHER INFORMATION OR DATA THAT YOU COULD SHARE?**

Cable&Wireless Worldwide forecasts another challenging year for the market, with continued volume decline in terms of fixed line and Directory Enquiry minutes and revenues. Whether the much hyped increase uptake in smart phone usage drives significant enough mobile traffic to offset the decline and results in a neutral market is hard to predict, but an assumption that the market will remain broadly flat we believe to be appropriate.

**3. WHAT COMMENTS DO YOU HAVE REGARDING OUR THEMES FOR 2013/14?**

PhonepayPlus has set out three themes for the forthcoming year: i) strengthening compliance, ii) improving consumers' experiences and iii) preparing for the digital future which Cable&Wireless Worldwide broadly supports. The priority we believe must be given to understanding the drivers behind the increased number of complaints and addressing these issues. Is the increase the result of new activity amongst the less scrupulous providers, the result of increased consumer awareness and engagement with Premium Rate or simply the manifestation of better sign-posting, particularly by originating operators who may now be less likely to simply refund their customers if they make a complaint?

Strengthened compliance will automatically feed through to an improved consumer experience, but Cable&Wireless Worldwide is cautious as to whether the focus on the value chain will automatically reap similar rewards. Some of the most recent adjudication cases involving the subsequent targeting of vulnerable groups (particularly from information gleaned during a competition) or the increasing concerns about the behaviour of affiliate marketers are all but invisible to the Network Operator, regardless of the levels of due diligence conducted or risk control undertaken. PhonepayPlus has done well in the last six months to firmly enforce the code in such cases directly identifying the perpetrators behind the issues and we would be disappointed if this focus were to be diluted.

**4. DO YOU AGREE WITH OUR PROPOSED WORK PLANS FOR 2013/14? IF NOT WHY NOT?**

Cable&Wireless Worldwide agrees with the stated objectives and work programmes. We have not seen any evidence to suggest that the code requires a technical review at this stage and would prefer a further period of stable regulation. However we acknowledge that PhonepayPlus is right to consider its ability to enforce the current code and to address any issues which it has encountered in doing so.

**5. DO YOU AGREE WITH OUR PLANNED RESOURCE ALLOCATION AND ACTIVITIES FOR 2013/14? IF NOT, WHY NOT?**

Cable&Wireless Worldwide welcomes the acknowledgement that the current economic climate is challenging and the continued steps that have been taken to provide further efficiencies within the budget.

## **6. WOULD YOU SUPPORT EXTRA COST FOR A FUNDING REVIEW IN 2013/14?**

We welcome the opportunity to explore the question of funding as part of this consultation as we are aware of dissatisfaction amongst some stakeholders. We do not believe however that these concerns can justify outside consultant expenditure of £100k at the present time. Nor do we believe that under the current regime there has been a change or a compelling reason to review the funding mechanism at this time or that such a review would conclude anything other than that the current model is the most appropriate.

If however Ofcom were to conclude in the NGCS Review that PhonepayPlus is to acquire responsibility for all 08 services in addition to its current responsibilities, then we believe that would signal the point at which any review should be considered. Any review deemed necessary after Ofcom's conclusions would need to seek input from a wider group of Service Provider stakeholders (e.g. corporate companies), than the limited traditional PRS membership of AIME. However internal PhonepayPlus work in conjunction with these new stakeholders, Ofcom and the ILP would still seem to us to offer a more cost effective mechanism.

Funding is a topic that has been the source of frustration to sections of the fixed line community since the introduction of 087 to the Premium Rate regime and the last review conducted by KPMG. Cable&Wireless Worldwide participated in this review and concluded that the existing mechanism for calculating the levy was appropriate at the time, but that the lighter touch regulatory approach introduced with 087 services warranted an accordingly reduced levy calculation which was rejected in favour of the current model.

The funding debate is often mischaracterised as traditional fixed originated vs. mobile originated Premium Rate and this can become caricaturised during debate. Cable&Wireless Worldwide does not believe that there is any current reason to distinguish between *traditional* i.e. 09 fixed line and mobile PRS. The frustrations expressed are not a simple case of fixed vs. mobile operators nor is it a juxtaposition of the past dialler issues on fixed line vs. more recent mobile aggregator concerns. Cable&Wireless Worldwide instead recognises a combination of factors exacerbated by the perception of increasing burden by those sectors of the market under the most commercial pressure. These underlying trends are clearly delineated by PhonepayPlus' table in Annex A.

The table shows upward trends for mobile originated and Payforit outpayments across the two year period. In contrast the quarter by quarter view for landline, DQ and 087 is almost entirely a picture of decline. Very broadly a third of PhonepayPlus' funding comes from the 'light touch' regulation of 0871, Payforit and DQ, all of which represent areas of low regulatory activity for PayphonePlus and reduced levels of experienced consumer harm.

The number of complaints experienced is often cited in this debate as it represents the most visible measure to operators for demonstrating areas of potential inequity in the current funding model. It cannot be denied that there has been a demonstrable shift in this regard, with complaint volumes moving from fixed line services to the mobile originated services as the unscrupulous sectors of the market seek to exploit the boundaries of new opportunities such as affiliate marketing, social media and smart phones. However this shift in profile may be offset with reference to previous periods where the reverse pattern was true as

vulnerabilities with dial-up services were exploited on the fixed line networks and fixed and mobile roles were reversed.

We support PhonepayPlus' current plans to concentrate on making polluters pay for the harm they cause and to continue ultimately to offset these fines against the future industry levy, but this is only as effective as PhonepayPlus' ability to recover these fines; an area for continuous improvement. We await Ofcom's conclusion of the NGCS Review with interest as it may have implications in terms of PhonepayPlus' remit which may warrant revisiting the levy calculation at that point.

**7. DO YOU AGREE WITH OUR ASSESSMENT THAT THE CHARGING MODEL, AND EXEMPTIONS, SHOULD REMAIN UNCHALLENGED DURING 2013/14? IF NOT, WHY NOT?**

We are satisfied that the current charging model and exemptions for the Registration Scheme continue to be appropriate. The renewal process has however raised a number of questions regarding the effectiveness of the Registration Scheme. At the ILP, discussion has touched upon the number of companies that appear to have left the Premium Rate market. We do not believe that this has been the case in such numbers, but rather that smaller operators where PRS may not be the core of their business or activity have simply neglected to renew their registration. In such cases the traffic volumes and potential for consumer harm are likely to be low, but it obviously does have an impact to the scheme as a whole and isn't always apparent to Network Operators or Level 1 providers who may have a far more complex relationship with the customer than simply as a PRS provider. We would ask PhonepayPlus to consider whether future years require them to take more active engagement directly with outstanding registrants? There is obviously a key role to be played by Network Operators and

Level 1 operators in this regard, but we also believe that PhonepayPlus' engagement with these operators in relation to their Level 2 clients can be improved through information sharing as registrations lapse.

Experience would also suggest that number registrations by Level 2s continue to be lacking, although it is less clear to us what impact, if any, this is having on the efficiency of number checker. If fully completed it would assist PhonepayPlus' ability to apply pressure upon non-registrants.