



17th January 2013

Paul Whiteing
Chief Executive
PhonepayPlus
Clove Building
4 Maguire Street
London SE1 2NQ

Dear Paul

PhonepayPlus Business Plan and Budget 2013/2014

The Mobile Broadband Group ('MBG') welcomes the opportunity to comment on PhonepayPlus' business plan and budget for 2013/14.

There has been steady progress in the 2012/13 with the introduction of the 12th Code, the new registration scheme and, in the mobile sector at least, modest growth in revenues. The main blot on the record has been the increasing level of customer complaints, mostly arising from new Internet based marketing approaches, where there is perhaps less knowledge of the Code's responsibilities among the providers in the relevant value chain. It will be a priority for the 2013/14 business plan to focus activity on measures that will return the industry to a path of falling complaints.

Q1: 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?

The MBG is broadly supportive of the vision and values presented by PhonepayPlus. We want a regulatory system on which consumers can rely, which is cost effective in relation to the services being regulated and which underpins a commercially successful sector.

Q2: Do you agree with our assessment of the PRS market and do you have any other information or data that you could share?

With respect to the outlook for the mobile element of PRS, we expect the sector to at least hold its own in the immediate future, with some prospects and opportunities for modest growth.

Q3: What comments do you have regarding our themes for 2013/14?

The MBG notes PhonepayPlus' aspiration to improve the customer journey for those that are experiencing problems with PRS, in particular the statement that *'some phone companies would appear to be better than others at signposting their customers to us with the correct information..'* It is worth pointing out that PRS numbers are appearing in all kinds of different places now and the responsibility, and need, to signpost people to PhonepayPlus goes wider than just 'phone companies'. PhonepayPlus's efforts to get itself better known needs to look at platforms where PRS numbers are being regularly advertised.

We also note comments in paragraph 4.9 that PRS is *'increasingly becoming one online payment option which is competing commercially for consumers'*. The MBG agrees that there is considerable work to be done on the part of Government, regulators and stakeholders to review the framework of regulation for this space, and to emerge with a regime that is proportionate, coherent and consistent with general consumer law as well as communications law. The MBG will welcome opportunities to discuss this in greater detail with PhonepayPlus during the course to 2013/14.

We also agree with the increased focus on ensuring the rate of fine collections is important is improved. The imposition and collection of appropriate fines is a significant element of PhonepayPlus' strategy for ensuring that there is an element of 'polluter pays' for costs driven by code infringement.

Q4: Do you agree with our proposed work plans for 2013/14? If not, why not?

The MBG is broadly supportive of the proposed work plans. We welcome the commitment to work closely with the ILP to keep the regulatory framework updated.

We are not entirely clear what the difference is between a 'technical review' of the code and a normal review; is this intended to be some sort of interim activity between full blown reviews? If so, we agree that it is certainly relevant to keep a close eye on the efficacy of the code against emerging threats. However, we would be hopeful that, with the new structure of the Code, incremental change can be effected, after due stakeholder consultation, through improved guidance.

As in Q3 above, we concur with the need to examine the regulatory arrangements for payment services. We are clear, though, that there remains a strong need to retain the 'digital' exemption for third party payments under the Payment Services Directive. The deletion of this aspect of negative scope would have a disastrous impact on the PRS market.

Q5: Do you agree with our planned resource allocation and activities for 2013/14? If not, why not?

The MBG agrees with PhonepayPlus that it would not be appropriate to propose an increase in the cash budget in these constrained times. The challenge, faced by almost every commercial and state body is to use existing resources more effectively. The MBG notes that PhonepayPlus will be introducing a more detailed time recording system and presumably this will assist considerably in improving efficiency.

Q6: Would you support extra cost for a Funding Review in 2013/14?

No – we strongly disagree with this optional budget item.

At the ILP's budget meeting on 18th December there was consensus that an extra £100k should not be allocated to this activity.

While some industry members supported the idea of reviewing the model, they felt that it would be possible for PhonepayPlus to work out and evaluate the viable alternatives using their own resources. This section of stakeholders did not want external resources to be used.

The MBG on the other hand does not support a funding model review so soon after the last exercise carried out by KPMG. PhonepayPlus gives some very good reasons in the draft budget as to why the current model is the best of those available, as it is simple, objective, well understood, and relatively easy to collect. Those that point to mobile being the greater source of complaints currently were not making arguments for change during the dialler issues a few years ago (exclusively a 'fixed line' problem).

The MBG supports the 'polluter pays' principle but feel that this can be most equitably and practically achieved in this context in the way that fines are levied on wrong doers. We strongly support PhonepayPlus' intention to improve fine collection rates and look forward to seeing what specific measures will be put in place to turn aspiration into reality.

Q7: Do you agree with our assessment that the charging model, and exemptions, should remain unchanged during 2013/14? If not, why not?

The MBG supports the proposed charging model for the registration scheme.

The MBG looks forward to working closely with PhonepayPlus in the coming year and we would, of course, be happy to discuss in more detail any of the matters raised in this letter.

Yours sincerely,

Hamish

Hamish MacLeod