

Summary

As a business we are supportive of the aim of improving customer confidence in using the phone because this is the primary route for customers contacting us. However we have three significant concerns regarding any move of the 084x range to be regulated by PhonepayPlus

The proposition provides no empirical evidence that a change to PhonepayPlus regulating the 084x range will improve customer understanding of tariffs and it is our direct experience to the contrary, ie that the shift of number ranges to PhonepayPlus will further confuse customers because they will then associate the 084x numbers with the tag 'premium rate'. Therefore if PhonepayPlus are to undertake regulation of the 084x range they must undertake a significant awareness and branding exercise otherwise we believe consumer understanding of tariffs will be adversely impacted.

The proposition carries no assessment of the potential costs that might be incurred by such a change in regulation. At a time of significant economic stress such an omission is unacceptable. Any move of 084x to be regulated by PhonepayPlus requires a cost benefit analysis to determine the full cost to the UK of such a change.

The assertion that there was no reduction in 087x use we believe is a false assessment caused by the choice of measuring points. There should be a re-assessment of the impact that the change in regulation had to the 087x market including the impact of premium rate association had on forcing businesses to change number.

As a business we will have to seriously consider any change proposed by the regulator for the 084x range because we are unhappy with the market associations that come with premium rate regulation and the poor reputation that regulation has for preventing fraud and scams.

Question 1. Do you consider that PhoneyPayPlus' consumer protection rules are appropriate for the lower-cost revenue-sharing ranges if they were to be administered by PhoneyPayPlus? If not, why not? Please supply any evidence that supports your view

The primary issue is the association with the premium rate market it regulates

We do not allow ANY supplier working / providing a service on our behalf from using any service regulated under PhoneyPayPlus, this is for two reasons;

1. Our business rules do not permit us to work with any business that would be considered from or associated with the 'adult entertainment', pornographic or gambling segments. We do not allow the use of any service regulated by PhoneyPayPlus because of their association with the 'adult' chatline market.
2. PhoneyPayPlus (and ICSTIS before) had a poor reputation for dealing with fraud and scams. We have seen in the last 18 months occasions of attempted 070 fraud and been present in a meeting where a representative of the regulator described 076 fraud levels in terms of a double digit percentage. Whilst we acknowledge the enforcement regime has improved significantly in the last two years that reputation persists in customers' minds.

In addition we do not consider PhoneyPayPlus regulation appropriate because it will not advance Ofcom /PhoneyPayPlus ambition of improving consumer understanding of tariffing. The evidence for this is the research performed for Ofcom by Deloitte on International Experience, reference 1, and can be summarised by the paragraph;

5.3 How Can consumers best be made aware of the cost of calls

This review identified no studies which had been conducted in order to assess the impact of any of these measures on consumer understanding of the system. It is therefore difficult to draw firm conclusions based on this information

We anticipate that the moving of a the 084x range to PhoneyPayPlus will further confuse customers regarding tariffs. We do not have the resources of Ofcom / PhoneyPayPlus, but in an un-scientific survey of staff the response to questioning on the function of PhoneyPayPlus regulation was 'Premium Rate' and that such numbers are costly to call, ie greater than £1 per minute. There was no knowledge outside the specialist telecoms staff of the distinction between 09 and 087x regulation, or even that 087x was regulated by PhoneyPayPlus.

In response to paragraph 3.5

While it would not be an issue for us to have an answer time requirement we question whether the impact of such a rule can be assessed on the basis of an extrapolation from 087x. For example;

HMRC use 084x and state they service 70% of an annual call volume of sixty million calls (from public data). That is a potential 18 million calls where, under a PhoneyPayPlus regime, the caller could complain they were not answered in a reasonable time. HMRC is adding messaging that offers advice on other channels for contact, thus those who are answered could spend a 'long time' listening to advice before reaching an agent.

Given the modern phenomena of internet and social media driven massed complaint campaigns we question whether PhoneyPayPlus has truly examined the potential impact such a rule could have both to businesses and to the regulator.

Question 2. In the event of the lower-cost 08xx revenue-sharing being subject to PhoneyPayPlus regulation, do you consider it would be necessary to modify the branding or presentation of this regulation? If so, what changes would you consider to be necessary?

We question the assertion that the change to 087x regulation had no impact. We believe the PhoneyPayPlus assertion is incorrect because it bases the measure from when PhoneyPayPlus became the regulator. It is our understanding from figures provided by a supplier that there was a significant shift of users from 087x in the run-up to the change in regulation. Whether the reason for the change was loss of revenue share and / or reputational association with 'premium rate' was not investigated by the supplier. For an accurate assessment of impact the assessment should be done from the point at which the initial consultation identifying the change of 087x regulation and survey work should be done to determine the reason for the decline in use.

An unscientific survey of the business users contributing to this submission showed no knowledge of the differing regimes and associated PhoneyPayPlus only with regulation of the premium rate, ie 09, range. The premium rate association was the primary factor in assessing potential call costs, ie when a person understood 087x was regulated as premium rate number the estimate of call cost was higher than actual cost.

Given we could find no understanding of the differing regimes it suggests that PhoneyPayPlus needs to undertake a significant exercise to explain the functions it undertakes **now** and consider significant branding changes if it takes on regulation of 084x or it risks making the consumer understanding of call tariffs worse rather than improving it.

Question 3: We discuss the appropriate application of the existing PhoneyPayPlus rules to the remaining 08x ranges in section 3: do you have any comments on the potential regulator burden that inclusion of a low cost number range in the PhoneyPayPlus regulatory controls might impose, and how we can ensure it is proportionate to the risks identified in section 3

Costs of informing customers of any change would be significant if the regime were to require inclusion of call costs within customer information. As an example, providing updates to customer documentation packs alone would cost approx £200K in production and mailing alone, ie excluding staff time.

There was insufficient time within the consultation period and no examples of the potential changes to allow a fuller estimate of other costs impacts, such as website changes, updates to recordings, marketing literature, stationary, etc. If the move of regulation to PhoneyPayPlus is believed likely then there must be a proper assessment of the potential cost impact to business to demonstrate the cost benefit of the change.

Question 4: Do you have any views on whether the current levy approach would be appropriate for the low-cost revenue-sharing ranges?

We have significant problems with the levy, not because of the cost because it is likely to be financially insignificant, but because the levy generated from 084x could cause a rebalancing of the levy rates in the 09x range. If this occurs then it could be interpreted as the 084x users indirectly improving the profitability of adult services operators. If PhonepayPlus were to take regulation of 084x services there must be strict separation of accounting to demonstrate that this is not happening.

In response to paragraph 4.13

As stated previously, the figures shared with us indicated that the 087x range did undergo significant decline in use prior to PhonepayPlus taking of regulation and we consider it highly misleading to measure the impact from 2009 and use this as a basis to support propositions.

References

1. <http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/International-experience.pdf>