

Service charge caps for 09 and 118 services

Response to Ofcom consultation document

Submitted by TalkTalk Group

19 September 2012

TalkTalk Group (“TalkTalk”) welcomes the opportunity to respond to this consultation as follows.

Question 4.1: Do you agree with the assessment criteria we are proposing to use for our analysis, and in particular the three additional criteria we have identified as relevant?

We agree with the proposed assessment criteria. It is important to balance the interests of consumers (risk of bill shock and fraud) against those of originating operators (risk of bad debt). We also agree with the need of ensuring the availability of 118 services at “affordable” prices.

Question 4.2: Do you agree that a maximum SC should apply to 09 numbers for the reasons set out above?

Yes we agree that it is appropriate to impose a maximum SC for 09 numbers for the reasons outlined by Ofcom.

Question 4.3: Do you agree that a maximum SC should apply to 118 numbers for the reasons set out above?

Yes we believe it is particularly important to apply a maximum SC for 118 numbers given their importance to consumers.

Question 4.4: Do you agree that a different maximum SC for calls charged on a per call basis and calls charged on a per minute basis is appropriate?

Yes we agree that different maximum SCs is appropriate so as to enable to continuation of service offerings in the market.

Question 4.5: Do you agree that we should use the RPI measure of inflation to uplift the BT’s current maximum retail price for 09 calls to derive the maximum SC under Option 1?

It seems sensible to use the RPI measure as this is well-known in telecoms regulation from Ofcom’s practice of setting price controls.

Question 4.6: Do you agree that we should not uplift the SC caps by inflation on an annual basis?

This seems sensible to avoid disruption although it is important to schedule regular reviews of the SC caps to account for inflationary impact.

Question 4.7: Do you agree that the maximum SC cap should be set exclusive of VAT?

Yes we agree since the VAT may change and cause unnecessary regulatory disruption (as indeed has happened in the past).

Question 4.8: Do you agree that Option 2 (a £3 per minute and £5 per call cap) is the most appropriate maximum service charge limit for 09 and 118 numbers? If not, please explain why.

We believe these are sensible SC caps for 09 numbers. We have reservations about using the same caps for 118 numbers which we believe may warrant lower caps to provide adequate consumer protection. There has been a significant increase in 118 termination rates over the years with very little or no corresponding innovation in DQ services.

Question 5.1: Are there any other consumer protection measures we should consider for the 09 and 118 ranges? Please explain why you consider any additional measures you identify might be appropriate.

We believe the consultation document offers a comprehensive and exhaustive list of potential consumer protection measures.

Question 5.2: Do you have any comments on our assessment of the costs and benefits of a pre-call announcement on the 09 and 118 range? Please provide reasons for your view.

We believe Ofcom's analysis and assessment is relatively comprehensive to which we have very little to add. Clearly, a pre-call announcement would improve consumer awareness of call costs but could also have a negative effect on consumer perception and may lead to a reduction in overall call volumes which may harm innovation and the development of 09 and 118 services.

Question 5.3: If relevant, please provide an estimate of the likely costs that you would incur if a pre-call announcement were implemented on these ranges, taking account of any benefits it may bring.

In principle we believe the introduction of a pre-call announcement at the network level may be quite feasible and may not be too expensive. The cost depends on the granularity of messaging required (e.g. a general price warning at the start of the call will be less expensive than say a regular tariff specific price warning).

Question 5.4: Do you have any comments on our assessment of the costs and benefits of a consumer opt-in for 09 and 118 numbers? Please provide reasons for your view.

We are sceptical to the need for regulated requirement for a consumer opt-in for 09 and 118 services. TalkTalk, like we believe most other retail operators, already offer its customers tools to protect them against high bills caused by calls to these services, e.g. call barring and even monthly credit caps. We therefore believe a regulatory requirement would be unnecessary and disproportionate which would certainly have a negative effect on demand for 09 and 118 services.

Question 5.5: Do you have any comments on our assessment of the costs and benefits of time-related notifications on the 09 and 118 range? Please provide reasons for your view.

We believe the cost of implementing time-related notifications is likely to be very high without any commensurate increase in consumer protection.

Question 5.6: If relevant, please provide an estimate of the likely costs that you would incur if time-related notifications were implemented on these ranges, taking account of any benefits it may bring.

We are not able to provide any likely implementation costs for this option.

Question 5.7: Do you have any comments on our assessment of the costs and benefits of dedicated number ranges on the 09 and 118 range? Please provide reasons for your view.

We are concerned that it would be a significant and costly effort of educating consumers (who arguably struggle to understand the difference between 08 and 09 ranges in some cases) of the cost of calling different dedicated number ranges. We also doubt it would offer any significant increase in consumer protection.

Question 5.8: Do you have any comments on our assessment of the costs and benefits of an extension of the 30 day withhold period on the 09 and 118 range? Please provide reasons for your view.

We would argue that the 30-day withhold period has had a positive impact on being able to recover money to compensate consumers. However it seems unlikely that extending this period would provide any step change in consumer benefit whilst it would certainly harm the cash flow of legitimate service providers. We therefore believe it would be disproportionate to extend the current withhold period.

Question 5.9: Do you agree with our assessment that additional consumer protection measures would only be justified if SPs are able to set SCs for services on 09 and 118 with the ranges proposed under Option 3? Please provide reasons for your view, including, if relevant, the measures that you consider would be appropriate.

We agree with Ofcom's assessment.

Question 6.1 – Do you agree that the level of the SC should be set at £5 per call and £3 per minute and that no additional consumer protection measures will be required? If not, please provide alternative options and evidence to support your preferred option.

We agree with Ofcom's proposal.

Question 6.2 – Do you agree with our proposals in relation to the timing of our proposals for a maximum SC charge for 09 and 118 numbers taking effect?

We appreciate the reasoning behind Ofcom's proposals around timing although we would also note that mobile shortcodes already apply similarly high tariffs thus putting fixed terminating operators at a continued competitive disadvantage.

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