

Chris Handley  
Floor 4  
Competition Group  
Ofcom  
Riverside House  
2a Southwark Bridge Road  
London  
SE1 9HA

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## **Service Charge Caps for 09 and 118 Services**

Magrathea welcomes the opportunity to comment on Ofcom's proposals for maximum Service Charges for PRS and Directory Enquiries services in an unbundled tariff regime. Please find our answers to the consultation questions below.

### **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?**

Yes. We think that the most important factors to address are price transparency and minimising the opportunities for fraud.

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

Yes, we think that there should be a maximum SC applied to 09 numbers.

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

Yes, we agree that a maximum SC should apply to 118 numbers.

### **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?**

We agree that the maximum SC for "per call" and "per minute" should be assessed separately.

### **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?**

Ofcom has assumed that the presence of the call origination condition indirectly constrains the amount of revenue that OCPs share with TCPs. We do not believe that this assumption is necessarily correct. The absence of the call origination condition would have meant that BT could retain more revenue

which would, in the absence of an increase in the retail charge, have led to a reduction, not increase, in the revenue share passed on to the TCP.

Whilst the value in real terms of the current maximum retail price for 09 has indeed eroded since 1997, we would also observe that retail call prices have, in general, fallen since that time. This fact, combined with the general desirability of reducing opportunities for fraud and bill shock, means that Ofcom should not feel it is a priority to ensure that 09 call prices are adjusted for inflation. We agree that there is a case for increasing the maximum retail charge, but we do not think that starting from an inflation-adjusted £1.53 is important.

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

We agree that if £5 or £10 price per call caps were imposed, an annual adjustment for inflation would not be necessary, as there is already considerable room for movement from the current (and indeed the RPI adjusted) rate. We also agree that it is not helpful for consumer price awareness even if Option 1 (RPI-adjusted rate) is selected.

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

To provide consistency with 084 and 087 numbers, we agree that the maximum SC cap should be set exclusive of VAT.

**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.**

In general, we are quite concerned that imposing a higher maximum PPC charge than exists currently will increase the likelihood of fraud being committed on this number range. We would therefore oppose a £10 maximum SC.

We agree with Ofcom's rationale for proposing a £5 maximum, i.e. recognising the synergies with commonly used mobile drop charges. We note, however, that mobile network operators often have tighter credit control policies and greater use of prepayment than fixed line providers and are therefore less likely to be exposed to fraud or to inflict bill shock. Whilst we agree this is the best option of the three, it will be important to ensure that adequate anti-fraud safeguards are in place, as discussed below.

With regards to the £3 per minute maximum per minute charge, we think this is at the top end of what is appropriate. We would suggest that around £2 per minute is an appropriate maximum, both for consumer protection and to minimise fraud. We have no evidence that resellers who use our service require a higher rate than this for their 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.**

Not that we are aware of. However, this is on the assumption that adequate controls are placed on the Access Charge.

**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 are strongly opposed to the introduction of a pre-call announcement on the 09 and 118 ranges.

Ofcom's principal reason for favouring unbundled prices over maximum prices is Ofcom's belief that unbundled pricing offers optimum price transparency. We remain opposed to unbundled pricing and still believe that maximum pricing offers the best deal for consumers. However, Ofcom expects the

SC to be clearly stated on all consumer marketing and therefore a pre-call announcement should not be necessary.

We agree with the suggestion that it would be particularly unhelpful on DQ services where speed of call completion is important to consumers. We also agree with the concerns about operational issues connected with the need to impose such a requirement on TCPs rather than OCPs.

Ofcom remains concerned that “cost will be an issue”. We would therefore recommend that Ofcom limits the PPM charge to around £2 rather than £3.

**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.**

**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.**

Again, we believe that if prices are capped at a reasonable level (around £2 per minute or £3 per call) and the AC and SC are advertised clearly and prominently, then an opt-in mechanism for 09 and 118 numbers should not be necessary.

We do not believe that an opt-in mechanism for 09 and 118 numbers would be helpful for consumers as some consumers may not know whether they need to opt-in until such time as they have need to call such a number. We agree with Ofcom’s observations about the compatibility of such a measure with the Universal Service Directive and we think this would be a step backwards in terms of improving the image of these numbers for consumers.

**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. 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.**

For the reasons set out by Ofcom, we do not believe that time-related notifications should be imposed. In any event, if such an obligation were introduced, it should be the responsibility of the TCP/SP as it currently is in some cases under PhonepayPlus rules, rather than the OCP.

**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 think it would be useful to have separate number ranges for higher rate calls. We think that consumers would be readily able to grasp the difference between the ranges and remember those which are charged at a higher rate. It would therefore provide extra consumer protection, as there will be a broad range between the lowest price and the highest price 09 numbers. There is evidence that such number range identification has been effective in the past (eg when 0898 was used for premium rate services).

**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 think there is some merit in extending the withhold period for up to six weeks but not for longer than this.

**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 are opposed to Ofcom opting for Option 3 because of the potential harm it could cause to both consumers and TCPs. We refer to our comments above in relation to the benefits of introducing the various consumer protection measures under Options 1 and 2.

**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.**

No, because we think there is still a case for introducing separate number ranges for higher rate calls and extending the withhold period under Options 1 and 2.

**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?**

Yes.