



Charity £10 Drop Charge for Fixed Line Services

Business Case

March 2011

Introduction

The current Government has expressed a desire to increase public donations to charities and has pledged to investigate options to better facilitate these donations to be made. Over the past couple of years there has been a growing uptake of Premium Rate Service (PRS) billing solutions by the Charity Sector to facilitate easy and spontaneous telephone donations by members of the public. Recent campaigns such as Comic Relief and the Haiti Earthquake appeal have used PRS effectively to generate over £10M for such worthy causes. This has to date been almost exclusively achieved through the use of mobile phones since fixed line telephone services are currently restricted from similar transactions of the values achieved by mobiles through regulatory controls applied by the Statutory Regulator Ofcom which do not apply to the mobile environment.

To continue this momentum and further this Government initiative, AIME believes that the introduction of a VAT free Fixed Line drop charge of increments up to £10 for registered charities would offer fixed line users similar facilities to those enjoyed by mobile users and greatly benefit the Charity Sector.

General

Prior to the introduction of PRS to the Charity Sector, street collection, direct debit, or credit card transactions were the most common means to facilitate low value donations. These methods are resource hungry for the charities which must pay staff, or recruit volunteers, to process card transactions, or rattle tins. These methods, particularly credit card, can also be inconvenient and time consuming for those seeking to respond to appeals and make donations, resulting in a significant under achievement to potential donations.

The automation of the PRS mechanism has enabled charities to process donations more quickly, cheaply and conveniently enabling overhead to be reduced and public response rates to be improved. The ease and convenience of the PRS mechanism has proved extremely popular with the public thus enabling charities to convert more good intentions into actions.

Currently the preferred PRS mechanism using mobile phones for charities is Mobile Originating SMS (MO). Donations are made through texting a key word, such as the name of the charity, or the campaign, to a 5 digit shortcode, which is then charged to the consumer's mobile phone bill; a method far quicker and more attractive to consumers than credit or debit card. The MO billing mechanism has proved particularly popular as it enables donations at set price points such as £5 and £10, which correlate well with the average small donation amount. Following the recent HMRC announcement, charity donations via mobile shortcode are VAT free allowing the full donation to be passed to the charity.



Donations via fixed line telephony are also possible by dialling numbers in the 09 range, either through a single drop charge, or through per minute billing. However, regulatory pricing limits currently restrict billing units to £1.50, requiring the consumer to either call several times, or hold on the line for several minutes, in order to make a donation similar to that possible by a single MO donation. In reality few consumers will wish to make multiple calls and the latter option if implemented would present additional regulatory issues around undue delay and reduce the convenience factor. Fixed donations are, in practice, therefore restricted to a maximum of £1.50 inclusive of VAT.

Potential for Increase Charities Donations

Overall charity donations equated to £4bn in 2009, with donations by new methods growing by 10% over the last 5 years. It is predicted that donations via mobile giving will rise to £96m per year by 2014 and we believe this figure could be further boosted by appropriate innovation in fixed line donation solutions.

Figures released for the combined donations to the Tsunami, Burma, Asia and Haiti appeals revealed that £48 million was via credit/debit card over the phone. The phone is clearly a popular method for making donations, though it is hampered by the inconvenience of exchanging card details with a phone operator, which could be alleviated through fixed line drop charge facilities.

A further £159 million was given in cash for the same campaigns. Cash donations make up by far the largest percentage of contributions received, largely due to the spontaneous and hassle free nature of the donation method. Fixed line drop charges, at the appropriate amounts, would extend the convenience of the instant cash type donation and combine this with a potentially much larger number of calls-to-actions, such as Comic Relief style TV events.

With a recent survey suggesting that 46% of people state money wasted on admin as a key reason that puts them off giving to charity and with 33% raising staff salaries as a concern, it is believed that staff cost savings by an automation of the fixed line donation process also has the potential to increase the pool of potential givers.

Fixed line drop donations are therefore predicted as able to provide a considerable financial boost to charities, both through increased donations and resource savings. While it is clearly difficult to quantify AIME believes the requested improvement to the collection capability of Fixed Line drop facilities would benefit charities to the tune of £20 - £25m per annum.

Consumer protection

It is proposed that the higher rate drop charge would only be available for allocation to registered charities on a separate prefix for easy identification. The charity registration process would weed out potential for deliberate scams, which would be backed by further industry due diligence. Charities are public facing bodies which rely heavily on brand and repeat donations. Abuse of the prefix is therefore unlikely to serve the interests of the charity.

The range would meet the definition of controlled PRS and would be backed by the consumer protection measures housed in the PhonepayPlus Code of Practice, which we believe to be adequate regulatory control.



The promotion of existing mobile donation access routes alongside a fixed line donation option would minimise the likelihood of bill shock. As the majority of Mobile Networks have already agreed to pass on 100% of the donation via shortcodes, there may also be scope for discussion between Fixed and Mobile Networks on the setting of minimal network uplifts should a Mobile user call a Fixed Line donation number.

Conclusion

The current differential between the maximum per transaction donation amount via the two different PRS billing methods available to Fixed Line and Mobile services has resulted in Fixed Line Networks being unable to provide charities with a solution comparable to that being offered by the Mobile Networks. As well as creating obvious network competition issues, the regulatory pricing barrier also restricts the abilities to make donations of households who do not have access to a mobile phone.

AIME's Fixed Line Forum has identified through discussions with industry members that the introduction of VAT free £5 and £10 single drop charge on the 09 range, or other designated range with a revenue share arrangement, would address the current imbalance in the charity sector of the PRS market. Whilst we understand Ofcom's commitment to consider an increase to general PRS fixed line tariffs in a current Consultation, AIME is requesting that Ofcom considers the introduction of £5 and £10 fixed line drop charge tariff for the exclusive use of registered charities as an exceptional case and can proceed outside the full NTS Consultation process and timescales. We hope that in consultation with HMRC that such a solution could be implemented on a prefix which is VAT free, to enable the full donation to be passed to the Charity.

Sources:

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