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**Consultation**  
**Simplifying non-geographic numbers**  
**Policy position on the introduction of the unbundled tariff and**  
**changes to 080 and 116 ranges**

**Submission by**

**Association for Interactive Media and Entertainment**  
**(AIME)**

**Background on AIME ( [www.aimelink.org](http://www.aimelink.org) )**

AIME is the UK based trade organisation representing the commercial interests of member companies involved in the interactive media and entertainment industry – where consumers interact or engage with services across converged media platforms, and pay for services or content using a variety of micropayment technologies.

We uphold our Code of Ethics and Core Values to create an environment of consumer trust and industry confidence within which our members' commerce can grow. We are committed to furthering the interests of Interactive Media and Entertainment through the regular exchange of information and communication throughout the value chain, effective engagement with regulators and legislators and the presentation of a successful industry image to media.

We are the only UK trade association with membership across all elements of the interactive media and entertainment value chain, which is generally supported by Premium Rate Service (PRS) billing facilities. Our membership represents over 90% of annual industry revenues, which stood at £0.80bn in 2010 within the UK and which, we believe, have the potential to increase to £1.5bn - £2.0bn per annum over the next three years, assuming we have a healthy balance of self and formal regulation and that industry is successful in continuing to build consumer trust.

AIME promotes and abides by the philosophy that consumers who are accurately and openly informed of the nature, content and cost of participation in an interactive

service experience are perfectly placed to exercise their freedom of choice and thereby enjoy the most effective form of consumer protection.

## Summary

- AIME supports the principle behind unbundling and a single access charge; subject to the success of market competition
- AIME welcomes HRPRS (increased tariff points to £3 per minute and £5 per call excl VAT) as a positive first step
- AIME re-iterates with emphasis the need to expedite the introduction of HRPRS ahead of the unbundling (early 2015) to prevent business closures and job losses
- AIME seeks a commitment by Ofcom to a review of HRPRS Service Charge caps after 12 months of operation, with a view to a further increase to align with Mobile alternatives
- AIME seeks a commitment to a regular ongoing review of Service Charge tariff caps to account for inflation and market innovations
- AIME agrees that no further regulatory protection measures are necessary to support HRPRS or the wider unbundling proposals
- AIME welcomes the proposal that the detail of the price points implementation is left to industry self-determination

## Introduction

AIME welcomes the opportunity to respond to this further round of consultation on the simplification of Non-Geographic numbers, which also proposes an increase to Premium Rate price points (HRPRS).

AIME is generally supportive of the proposals, subject to the success of market competition to control the market. The principle of pricing transparency has long been sought by the promoters of content who share the frustration that the complex value chain has presented barriers to pricing clarity at the point of sale. The separation of the access charge and the rationalisation of a diverse range of price points to a single charge are generally seen by the industry as positive steps forward.

AIME advocates a market led approach to pricing where this practicable. We therefore welcome Ofcom's proposed strategy to allow the market to determine the price points and access charges. We anticipate that the market will find a natural level, though should significant market distortion occur, we trust that Ofcom will stand ready to undertake a swift review and act to protect the general interests of the PRS market and its consumers.

AIME particularly welcomes the proposal to increase per minute spend cap to £3 and per call drop charges to £5 (excl VAT). We agree that the existing regulatory protections should be sufficient to prevent consumer harm. We would hope to see these price points reviewed after 12 months of operation and in the absence of

unforeseen consumer harm to see a further increase to achieve parity with the price point available on the Mobile networks. Further we would hope to see a regular ongoing review of tariffs caps in line with inflation and market developments.

Ultimately AIME would like to see the regulation of Fixed Line brought in line with Mobile and other micropayments, with de-regulation occurring where self-regulation is possible.

AIME believes the allocation of the 80 tariff points is a matter that should be steered by market demand. We therefore agree that the process for designating these is managed at industry level.

Whilst supportive of the direction or the proposals, we remain concerned at the slow pace that the project is taking. With the increase to tariff points still being intrinsically linked to the rollout of unbundled pricing, we estimate the market is being damaged by c. £100m per annum in missed revenue opportunities by the delays to date and by Ofcom's planned implementation strategy which will add at least a further 18 months.

In recent months, the wider adoption of Voice Short Codes (VSC) as a payment mechanic to run alongside the 09 access mechanism has also emerged as a solution to provide clarity of pricing. Consumers accessing via a fixed line can dial the 09 access route with charges closely aligned to the quoted price. Meanwhile Mobile callers, where the charge has traditionally been significantly higher than the advertised rate, are provided with an alternative VSC to dial along with details of the consistent charge that will be made to their bill irrespective of the originating Mobile network. These have been introduced as a voluntarily undertaking, particularly within the broadcast medium.

Whilst not negating the introduction of unbundled pricing as an aid to transparency, we believe the VSC solution where adopted provides absolute clarity of pricing for the consumer at point of sale. The historic lack of pricing transparency has been put forward by Ofcom as the only impediment to an earlier adoption of HRPRS. We strongly believe, that there is scope for an immediate introduction of higher price points if, during the pre-unbundling period, VSC use were mandated for services wishing to utilise price points above £1.53. As we have previously submitted to Ofcom, this could be very easily achieved within the existing regulatory framework through the PhonepayPlus Prior Permission Regime.

The market is under extreme financial pressure and this is in a large part due to the current tariff caps that have been in place without increase or review since 1997. During this time inflation has eroded the maximum price point in real terms by 38%. For companies who must meet the increased cost of providing the service, the inability to raise prices has placed considerable strain on finances and threatened the ongoing viability of many businesses. AIME has previously brought to Ofcom's attention the example of business that will be forced to close before 2014, as staff costs are now overtaking the maximum income achievable under existing limits.

Meanwhile disparity in available pricing between fixed line pricing and those offered on the Mobile platform has prevented services completing on a level playing field. This is particularly evident in the Charity Sector where mobile donations are available on price points up to £10, whilst the maximum available drop charge that Ofcom regulation will allow for donations on a fixed line phone is £1.53.

Further innovations in the market place have presented new service offerings, which are being constrained by the artificial price ceiling. This has seen PRS traffic lost to other micropayment and credit card transactions, where no such barriers are presented.

In the presence of the VSC solution, which would meet and exceed the level of pricing transparency sought by Ofcom as the prerequisite to an introduction of HRPRS, there is no viable reason for continuing a market damaging approach to the timescale for implementation as currently proposed by Ofcom.

As identified in our previously submitted business case, we have examples of a number of services which would be able to utilise higher price points to bill for a phone related service, payments for which are currently being lost by PRS Providers to Credit Card. Price points at a comparative level would enable billing providers to compete more effectively. The most recent PhonepayPlus market report compared the PRS industry to other micropayments operating at up to £15 per transaction. This would indicate that £15 would be a comparative level for PRS to be able to compete with, on a level playing field.

If the proposed £5 per call price proves successful, we would favour moving to a limit of £10 as phase 2 and then £15 in phase 3.

We would wish to see a firm timescale for a price cap review put in place to ensure pricing remains in line with the market.

## **Conclusion**

AIME broadly supports the proposal for unbundled pricing and supports the principle of a single access charge.

We welcome in particular the proposal to increase tariffs to £3 per minute and £5 per call (excl VAT), providing this is accompanied by a commitment to a regular review to increase pricing in line with market need. In the absence of consumer harm, we would expect to see tariffs further increased after 12 months of operation with a goal of achieving parity with mobile pricing.

We have substantial concerns over Ofcom's proposed timescale for the implementation of Higher Rate Premium Rate Services. We believe that an early implementation could be safely achieved, in the period prior to unbundling, through the mandating of an alternative Voice Short Codes access route in any promotion wish to use a price point above the current £1.53 limit. An earlier implementation of the increase of tariffs is imperative to prevent business closures and redundancies.

We believe that the proposals can be safely achieved without further consumer protection measures being stipulated and that matters such as the fine detail of price point allocations can be left to industry self-determination.

## **Statement of Representation**

AIME confirms that this response has been compiled following a process of internal discussion and distribution of the relevant Consultation documentation to all AIME members.

A list of members can be found at:

<http://www.aimelink.com/home/members.aspx>

The views expressed in this response are a fair representation of the majority views held by the responding AIME membership. Individual members are actively encouraged to submit their own independent views as they deem fit and at their sole discretion.

If any clarification to our response is required or if we can be of any further assistance please contact David Ashman at + 44 01252 711443 or [davidashman@aimelink.org](mailto:davidashman@aimelink.org)