

Representing the Communication Services Industry



PhonepayPlus Business Plan - 2014 . call for inputs
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Introduction

The [Federation of Communication Services](#) is the UK trade association for the professional communication services sector. Our 400 members and associates deliver voice and data functionality and services to business and public sector users by means of copper, fibre and radio transmission infrastructures. Over 50% of FCS members provide services in the fixed markets and many of these are smaller CPs or new entrants. These FCS members deliver telephony services into both the residential and business markets, but most specialise in serving business customers, a sector which is continuing to grow. This response has been prepared on behalf of the Fixed Service Providers Group within the Federation.

Overview

We welcome the opportunity of responding to this call for inputs to PhonepayPlus's 2014 Business Plan. PPP has made some impressive progress in the last 12 months, and continues to demonstrate a focused, inclusive and strategic approach to the task of regulating an ever-changing and evolving market place.

FCS is particularly impressed by the work PPP has undertaken to map and track the processes of over-the-top application fraud and other scams which may involve several different technologies, many of them unregulated, before finally monetising via a premium-rate number, as distinct from a credit card charge, unauthorised bank transfer or some other process beyond the scope of PhonepayPlus's remit. We believe PPP's experience in this area provides a valuable industry resource, which should be widely recognised and fully deployed in the context of the war on cyber crime.

But we are not convinced providing a front-end call-centre for unqualified consumer complaints is either a proper role for a regulator or the most efficient means to deliver customer service. We propose an alternative model be investigated, in which PPP gets involved only at the escalation and enforcement stage. This, we believe, might more efficiently use industry resources and more firmly satisfy the polluter pays principle.

Incoming consumer calls

FCS salutes the thrust of PPP's Vision and Values, but questions whether it is necessary to satisfy all of them purely from in-house resources. (Section 5.5).

It is important PPP is recognised as the industry authority on PRS. But this need not mean being the first port of call for frustrated consumers. Section 4.15 notes calls from consumers to the regulator have increased by 32% in the last two years. But PPP's own analysis suggests much of this increase has more to do with the shortcomings of service providers' customer service departments than with an increase in the number of genuine breaches of the Code.

PPP contends it is necessary to increase the budget this year to reflect an increasing volume of calls from members of the public which may be characterised as a first recourse conversation: consumers who may be confused and angry, who may not have all the facts at their disposal,

and who may often be calling in desperation after having failed to elicit a useful response from their first point of recourse . their billing providers customer service department. At this stage, there is no evidence that any offence has been committed, or even that any error has been perpetrated. So why is the Regulator incurring the costs of being involved at this level?

The escalation process for consumers who fail to gain satisfaction from their suppliers customer service desks sits with the Communication Ombudsman and CISAS, who between them run all the Telcos dispute resolution services. These organisations already deploy large numbers of telephone operatives, all skilled in calming frustrated customers down, ordering their minds and obtaining the necessary facts to allow an investigation to be scoped. They are, by definition, independent (1.5). And they possess existing systems by which the costs associated with dealing with an incoming call about such-and-such a Telcos bill can be automatically ascribed to that Telco. Thereby automatically satisfying the polluter pays principle throughout the process.

With so much of the necessary infrastructure already in place, FCS suggests it would be a comparatively small task for the ADR operators to broaden their remit to include receipt of incoming consumer telephone calls at an earlier stage in the dispute process, and to handle the unstructured inputs from customers complaining and querying their bills.

Telcos with poor customer service responses would expect to see their re-charges from ADR operators increase accordingly, precisely and proportionately. Those Telcos with high quality customer service operations will face accordingly fewer re-charges. There will be no question of Telcos with small numbers of complaints inadvertently subsidising the costs to the Regulator of dealing with Telcos for whom satisfied customers are a lower priority, because there will be no opportunity to roll these costs into PPP overheads.

The point at which PPP brings value is the point at which the Regulators judgment is needed, either to rule on a dispute or to escalate action in the event of a breach of the code. By involving third party ADR schemes, PPP will become involved only at the point where a detailed case file, containing all the relevant data, has been prepared by a conciliation professional.

FCS therefore submits that the whole area of handling incoming calls from members of the public should be subject to a root-and-branch review. The existing call-handling service (and especially the mechanisms by which the costs are re-charged to Telcos) should be benchmarked against the costs of out-sourcing to the Ofcom-approved ADR operators.

'Improving consumers' experiences'

FCS believes PPPs vision that anyone can use PRS with absolute confidence is correct. FCS also agrees the PRS market (and, indeed, every sector of the comms market) is undergoing rapid change and development. For this reason, FCS cautions the Regulator must constantly guard against mission creep

There is a distinction between people being able to use PRS with absolute confidence and people expecting the Regulator to act as a substitute for their service providers customer service department. Initiatives like PPP research into understanding the consumer journey (2.9 et seq) are justifiable only in the context of informing the Regulators understanding of the market.

It is one of the characteristics of rapidly changing and developing markets that new commercial dynamics and new performance benchmarks are constantly being generated. It should be expected individual Telcos and PRS providers will increasingly seek to differentiate themselves in a competitive market place, and customer satisfaction levels are a legitimate commercial differentiator. The market is always the most efficient generator of optimal customer journey experiences. Consumers have no shortage of blog-sites and social media vehicles available to them to post stories of sub-optimal consumer journeys. The Regulator should beware inadvertently embarking upon a course (at the industry's expense) which distorts the legitimate operation of competitive market forces.

Improved consumer experiences are not the purpose of regulation. They are a by-product of good regulation. Good regulation concentrates on ensuring a free and competitive market place where everybody obeys the same rules.

PPP Funding Model and Levy

FCS salutes PhonepayPlus's record of prudent corporate governance. It is very disappointing, therefore, to note that PPP's operating costs are set to rise ahead of inflation this year. Especially as the bulk of this increase is to do with increased staffing in front line consumer service roles. FCS members predominantly serve business customers, many of whom request PRN as a small part of a portfolio of services from their providers. We are concerned that costs which are incurred by PPP in response to shortcomings by a few, large Telcos, are expected to be borne by the industry as a whole. We regard this as inequitable. FCS suggests the maximum stakeholders should expect their PPP levy contribution to increase should be to 2013 levels plus RPI. Any increase above this should be apportioned solely among those companies whose customers are responsible for the increased call levels.

Section 7.4 notes last year's discussions on reviewing the funding model. In the light of the constantly changing market place, and given the four-year trend line in outpayment volumes, FCS suggests the time may have come to re-visit this discussion.

FCS agrees that at some stage it would be necessary to engage consultants to assist with re-modelling and consequential implementation issues. But that is one of the later stages in the review process, once a framework has been agreed against which that modeling work can take place.

The likelihood that consultancy fees might eventually be incurred at some future stage should not prevent industry stakeholders from undertaking a review. The industry has significant resources at its disposal, and a vested interest in securing an outcome in which anyone can use PRS with absolute confidence at the lowest possible cost to all parties consistent with Ofcom requirements. FCS therefore recommends the question of reviewing the funding model be re-opened

We hope the above feedback is helpful and would be happy to discuss any of the issues raised in the FCS response in more detail with the PPP team and the Industry Liaison Panel.