

Independent Radio New Ltd – DQ Service Provider on 118 212, 118 312 and 118 412

IRN believes the research findings published in this report do not conclusively provide enough evidence of consumer harm at a level to merit such a severe market intervention as Ofcom are proposing, for the following reasons:

- The overall sample size is too small at just 326 DQ users, particularly in demographic sub-sectors, e.g. over 65 group is just 150, and those who say they have been financially affected by DQ call charges is just 26 people. The reason for this is DQ callers are now just 2% of the population but it is more concerning that we are considering a price cap intervention for this market when in comparison to other areas is actually less likely to cause bill shock.
- When asked at the beginning of the survey in question 1A: *“In the last 12 months, have you spent more than you had expected for any telephone services, and if so, for what reason was this?”* Out of an effective base of 9684 people only 35 people (0.4%) said yes, due to calling directory enquiry services. In comparison 194 people (2%) said yes, due to calling abroad/using my phone abroad, 165 people (2%) said yes, due to making a higher than average number of calls and 45 people (0.5%) said yes, due to using premium rate services such as text competitions.
- The survey results have been interpreted largely to support the belief that consumer harm is being done generally on the basis of a relatively small number of complaints. Our belief is that this is overstated for two reasons: firstly, bill shock is much lower when considered in the context of telecoms services generally (question 1a); and despite everything reported, a key piece of evidence against a price cap is customer satisfaction amongst DQ users is very high (71%). These two findings have not been emphasised enough in our opinion but in general are more in keeping with our own Service Provider experience since 2003.
- Instead the paper glosses over the finding from question 1a – where just 35 people and 10% of the DQ callers in the sample said they had experienced bill shock – to emphasise 39% bill shock derived from questions 17/18b where the DQ callers are prompted to think about their last DQ calls. Ofcom then extrapolates this to 450,000 who have experienced bill shock in the UK. However the research company advises that the 10% bill shock figure should not be dismissed and has merit, which if emphasised more by Ofcom would extrapolate to a much lower 115,000 in the country having experience bill shock – just 0.2% of the population.
- In any case the higher 39% bill shock figure also includes 10% who said their DQ call cost “a little more than expected” – which arguably does not sound like bill shock.
- Furthermore, given the relatively infrequent nature of DQ calling – half of respondents made just one call in the last 12 months – DQ users may struggle to recall or have knowledge of the specific details of their call, particularly if it occurred twelve months ago.
- Many of the respondents appear in fact to not be bill payers since 35% “don’t know about the payment of their telephone services” and so surely these should have been excluded since if you’re not a bill payer it is questionable whether you are able to recall the specifics of the DQ calls.
- The survey doesn’t reliably demonstrate that DQ users had no alternative sources available at the time of calling a DQ number, since the survey is relying on respondents being able to remember whether there were alternatives for a call that could have been made twelve months ago – and what these alternatives were without any prompting.
- The data does indicate clearly that the DQ user demographics are fairly consistent with population demographics, with the exception that younger people don’t use DQ. In other

words, not all users are older or vulnerable people, which Ofcom has over-emphasised in order to build a case for consumer harm.

IRN believes a price cap as proposed is too great an intervention in such a small and declining market used by just 2% of the population, with half of users making just one call a year and just 10% reporting bill shock, representing just 0.2% of the population.

- On the surface the proposed cap also appear to be discriminatory towards the DQ sector, not least since bill shock is caused by other telecom services also, including premium rate services, such a text competitions, which according to the responses to question 1A is 28% more likely to cause bill shock than directory enquiries.
- Indeed many 09 premium services (PRS) are considerably more expensive than DQ services – due to the lengthy nature of some 09 calls – but Ofcom accepts that there is a good level of consumer protection provided that information requirements are in place but does not accept that enough information is in place to protect callers to DQ services. This is despite DQ providers complying with the PRS code for promoting price information clearly on all advertising and websites.
- If some DQ callers, having been given the price information choose not to consider this in any detail, or if they miscalculate the cost of a call due to its length, then this should not be taken that an informational remedy is insufficient.
- Furthermore, the legal basis for the proposed price cap is not clearly defined, particularly given that EU law requires competition in DQ markets and such a cap in the end might reduce competition but also Ofcom’s powers to regulate prices is generally taken to be a remedy of last resort and only to be imposed on providers who have significant market power.
- Ofcom is getting around this issue by using its powers to place conditions on the use of certain numbers through modifying the Numbering Plan – but it could be argued that this power was originally intended as a means of defining a number range, e.g. 0800 free numbers, and not as a means of regulating prices generally.
- In setting the proposed price cap Ofcom has noted the price of the leading 118 services in April 2013, the time of their last review, but it has not taken into account that wholesale pricing has increased since then due to wholesale DQ providers exiting the market.
- Furthermore, our records show the price for a call to 118 118 in April 2013 was £0.79 ppc and £1.79ppm, with whole minute billing, therefore the price paid for a 90 second call was £4.37 and not £2.76 from a BT landline.
- The consultation paper also notes that consumer bad debt from 118 numbers has decreased as a share of revenue since 2011/12, when it might be expected that this would have increased with the increase in 118 retail prices. This is an argument therefore against the need for a price cap.

IRN recognises that there might be a case to enhance existing informational requirements for DQ service providers and would therefore support a more objectively justifiable and proportionate response and so proposes the following remedies as an alternative to a price cap.

- The existing call cost cap of £20 per call by BT’s 118 500 has apparently reduced bad debt as a share of revenue, when compared to bad debt in 2011/12. TNUK has also implemented a call cost cap and IRN would be prepared to do the same if it is made available by our wholesaler BT.

- IRN would also support a short standard industry pre-call announcement – subject to agreeing with our wholesale provider BT – to direct callers to a generic website where the prices of all 118 numbers could be found: this ought to improve price awareness for those callers who need to know. Not least given the infrequent nature of calling patterns and therefore the possibility that attention to advertised price messages is also relatively low.
- Misuse could be addressed by updating the PSA code of compliance on price advertising to include in-call 118 number promotions whether by an operator or by a recorded voice. Failure to comply should result in the misuse companies being stripped of their numbers. Furthermore the notion that the misuse that has been reported would be corrected by a price cap is not proven, it might continue but at a lower price but still resulting in complaints.