

**Public Accounts Committee Inquiry -  
Customer service lines across Government**

This briefing, individually and on behalf of the **fair telecoms campaign**, is to support the Public Account Committee in its inquiry covering the **NAO** report "Charges for customer telephone lines".

It presents a number of specific points which may be of value to the Committee in its considerations and the questioning of witnesses. We will be pleased to assist with further information, both in support of, and in addition to, that which follows.

## Summary of Points

### Ofcom and the unbundled tariff

- ◆ The **Ofcom**-proposed "unbundled tariff" does little more than add transparency to the current situation, exposing the **Service Charge** and **Access Charge** components of the present bundled charge for calling 084/087/09/118 numbers, **confirming 03 as the "cost neutral" option**.
- ◆ **The Service Charge is fairly designated as The Telephone Tax** when imposed for accessing a service funded by taxation
- ◆ **Ofcom's** progress is being impeded by the telecoms industry - notably **EE**.

### The BT anomaly

- ◆ For a variety of reasons, **BT** call charges are unusual and highly unrepresentative of the calls market as a whole, of which **BT's** share is less than 25%.
- ◆ **BT** should not be used as the general case. **"BT rates may vary from those of other providers"**.

### The cost of a normal telephone call

- ◆ Those who will be considering the necessary move to 03 numbers need a clear view of the saving to callers that will be achieved. (The **NAO** report figure is little more than indicative.)
- ◆ **DWP** currently argues that there will be no saving!
- ◆ The **Cabinet Office** needs to lead the work that has to be done to determine a fair figure for the average / normal cost of calling a geographic rate (01/02/03) number.

### 03 vs. 080

- ◆ We argue that 080 ("freephone") numbers should only be used when it is accepted that their use may be providing an unearned bonus to telephone companies.

### Customer Service Lines - Consumer Rights Directive

- ◆ Forthcoming regulations will prohibit businesses from using 084/087 numbers for customer service lines for businesses, but they will not apply to the public sector.
- ◆ **DWP** and **Citizens Advice** have pointed out that they do not need to consider this regulation.
- ◆ Is the government (along with its agencies and contractors) keen to be seen to be doing to its customers what it prohibits businesses from doing to theirs?

### HMRC as a positive example

- ◆ Following much campaigning effort, **HMRC** has accepted that the **Telephone Tax** is improper and withdrawn it, delivering this benefit to tax-payers ahead of those in "vulnerable groups".





## Ofcom and the unbundled tariff

It is important to understand that **Ofcom's** proposal for the "unbundled tariff" represents nothing more than what is necessary to bring transparency to the situation that has always existed for with the number ranges covered - 084, 087, 09 and 118.

Charges for calls to these numbers consist of two elements:

### SERVICE CHARGE

To the benefit of the person called,  
paid via their telephone company

### ACCESS CHARGE

To the benefit of caller's telephone  
company, retained by them

When "unbundled", each will be declared separately by the respective party.

03 numbers will remain as the only non-geographic numbers charged at the geographic rate (i.e. that for calls to 01 / 02 numbers - distinct rates for "local" and "national" calls being long gone.)

We believe that a **Service Charge** (imposition of which is a consequence of choosing a 084/087 number) is only acceptable where it is declared and justified. When it is imposed by a provider of services funded by taxation, we refer to it as the "**Telephone Tax**".

## Level of Telephone Tax

**Ofcom** confirms that the present levels of **Service Charge / Telephone Tax** are equivalent to the following (VAT inclusive) amounts:

- All 0845 numbers - 2p per minute
- 0844/3 numbers - up to 7p per minute (according to the particular number)
- 0871/2/3 numbers - up to 13p per minute (according to the particular number)

The 0870 range currently has no Service Charge associated with it, however **Ofcom** proposes for this to return.

The 03 range will continue to be free of Service Charge. It will remain under regulation ensuring that calls are subject to no greater charge than that for calling a geographic (01/02) number, including the terms of inclusive packages and bundles.

## Level of Access Charge

At present, the level of **Access Charge** may be derived by subtracting the **Service Charge** from the "bundled" rate given under the tariff. This gives a wide variety of rates. Under the "unbundled tariff" telephone companies will have to set and declare a single rate of **Access Charge** for each tariff across all number ranges (084/087/09/118).

Whilst **Access Charge** levels are significant for many landline call providers, the greatest levels are seen from mobile providers. In many cases there is a single bundled rate for calls to all 084/087 numbers, set at 35p, 40p and 41p per minute for some leading providers.

This means that the **Access Charge** on some calls to 0845 numbers is 39p per minute.





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Implementation of the "unbundled tariff"

Ofcom is currently preparing a response to its consultation on firm proposals for the regulatory measures to implement the 'unbundled tariff'. Once this is complete, the regulations will be put in place, with a 18 month implementation timetable.

Ofcom's progress continues to be impeded by extensive objections raised by some telephone companies - most notably Everything Everywhere. Many of us see these objections as largely spurious, being based on a desire to continue to profit from a lack of transparency and the consequent consumer confusion.

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The BT anomaly

Whilst BT remains as the largest single provider of telephone call services, it only operates in the landline market (less than 50% of the total) and now has a share of only around 40% of that market.

BT still however remains subject to regulation of its charges for calls to 084/087/09/118 numbers. This regulation effectively prohibits it from adding any Access Charge. For this reason, it is commonplace for the charges levied by BT to be quoted, with the comment "others may vary". Because other providers are able to add an Access Charge, the BT rates are guaranteed to be the lowest (barring those who may offer such calls at a loss).

Because BT rates for calls to geographic numbers are unregulated, there are cases where the unregulated cost of call to a geographic number is greater than that of an equivalent call to a 084/087 number. This applies in cases where a caller incurs a "penalty charge" for making a weekday daytime call under the terms of a Call Plan which covers only Weekend and perhaps Evening calls. (Only the highest rated two groups of "Premium Rate Service" 087 calls are now more expensive than an "out of plan" weekday daytime call to a geographic rate number.)

Yet further confusion arose in January 2009 when, perhaps on misreading Ofcom's future intentions, BT began collecting the Service Charge on calls to 0845 numbers from all call plan subscribers, so as to make these calls inclusive. This was done alongside the same move in respect of 0870 calls, however Ofcom's intention to abolish the Service Charge for 0870 was completed in August 2009.

There are many complex points to discuss around the issue of BT and 0845 calls. The essential point with this, as with the other points made here, is that the case of BT is highly anomalous. When considering call charges in general it is fair to reverse the common phrase - "BT rates may vary from those of other providers".

It is perhaps worth noting that the special regulation of BT's charges, known as "the NTS retail condition" will not exist under the "unbundled tariff".

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## The cost of a normal telephone call

We are very concerned at the amount of debate and policy work that is being undertaken without a clear shared understanding of what “people” actually pay to make particular types of call.

Published tariffs are used to give ranges of costs that may be incurred, however these give no indication about where the “norm” lies. There are some published figures about the volumes of broad categories of call handled by various providers, but these are not precise enough to enable meaningful estimates of average / normal costs to be derived.

Some years ago **Ofcom** commissioned work on the “Flow of Funds” associated with calls to non-geographic numbers, however this is admittedly incomplete and focussed on a number of internal industry issues. Most significantly this did not address calls to geographic numbers, so as to provide the comparison that many seek.

The **NAO** report which prompts this inquiry attempts to suggest an amount that would be saved by callers on a move from 084/087 to geographic rate (03) numbers. There is however no clear published basis for the figures given, so as to enable a meaningful determination to be made for a particular case.

### **Most calls from both landlines and mobiles to ‘geographic rate’ numbers incur no call charge.**

Both landline and contract mobile telephone services are provided with call inclusive “plans” or “bundles”. These may be limited by time of day or volume, however the penalty charges incurred for exceeding these limits ensure that consumers select only an appropriate plan and “**generally**” remain within its terms. (The word “generally” needs some clear understanding.)

**BT** confirms that its “Unlimited Anytime” call plan is the most widely used. Its “penalty charge” for a non-inclusive weekday daytime call to a geographic rate number has doubled over the last 4 years - confirming these calls as exceptional. The same trend may be observed for other providers. Even regular subscribers on PAYG mobile packages now typically benefit from a bundle of calls. The distinction between “pre-paid” and “post-paid” no longer applies to calls to ordinary numbers.

It may be fairly argued that any individual inclusive call is “free”; it is certainly free of a call charge.

**Sadly, there is no specific evidence to show what proportion of calls made are inclusive**, as against those which are subject to a penalty charge - because the terms of a plan or bundle are being exceeded, or those made under the terms of a tariff without any inclusive calls.

The **Cabinet Office** is currently focussed on securing good deals for migration to 03 numbers. If however Departments and others are to make this move, they must be convinced of the benefit which this will provide to callers. **DWP** has long argued that it would be of no benefit!

We see it as essential that there is strong evidence to show the extent of the saving to be achieved by callers on migration to 03, to set against whatever cost may be incurred as a result of the loss of the subsidy obtained through the **Telephone Tax**. We believe that this may be best achieved by the **Cabinet Office** working with **Ofcom** and the telephone companies to obtain the relevant data and produce some meaningful **aggregated** figures, respecting commercial confidentiality.

Having previously worked with the **Contact Council** and currently being engaged helping **NHS England**, we have offered to assist the **Cabinet Office** in this work.





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03 vs. 080

Under Ofcom’s proposals, all calls to 03 numbers will continue to be charged at the same rate, if any, as calls to 01 / 02 numbers. In most cases this means that there is no call charge.

The present option to charge for calls to 080 numbers (assuming that a pre-call announcement is made) will be removed. In effect, this will mean that users of 080 numbers will bear the full cost of all calls made, including those from mobiles. (DWP already does this, by special arrangement.)

We believe that, in normal circumstances, it is reasonable for a telephone caller to meet the normal costs associated with using the telephone, in the same way that someone accessing an online service meets the costs of a broadband connection and owning a suitable device. Calls to 03 numbers are included in the Call Plans and bundles, which represent the way in which normal call costs are generally covered. Users of 03 numbers do not meet any of the costs incurred by callers.

We believe that there are some services for which it is imperative that the caller incurs no call charge in any situation, e.g. when on a PAYG tariff, or calling outside the terms of their selected call plan. If a 080, rather than 03, number is used to meet this requirement, in cases where the caller could have called a 03 number at no charge, their telephone company is benefitting at the expense of the public purse, whereas there is no benefit to the caller.

We believe that this effect should be recognised and accepted only in important cases, by use of 080 numbers. In general we argue for use of 03, where a non-geographic number is required.

Informed decision making on this point again requires the understanding referred to in the point above. It is vital to have a fair idea of what proportion of calls to a 03 number are free of charge.

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Customer Service Lines - Consumer Rights Directive

On 6 August BIS published draft regulations which will implement provisions of the Consumer Rights Directive.

Under the provision covering numbers used for customer service lines, businesses will only be able to use basic rate and freephone numbers. Use of 084/087/09 numbers will be prohibited. Certain business sectors may be excluded from these provisions (BIS is taking comments on this), but they will not cover government and other public sector services.

We note that DWP and Citizens Advice have both commented that because they are not covered by these regulations, they need have no regard for them. We argue that it may be seen as improper for a government to prohibit businesses from doing to their customers what it is content to do to those it calls its “customers”, and allow its agencies and contractors to do the same.

It would be somewhat ironic if someone were to call the Citizens Advice consumer helpline (operated under contract to the government) to complain about a business using a 0845 number for a customer helpline, in breach of this regulation. To do so they would call 0845 4 04 05 06!

