



Introduction and Summary

This briefing is to support the Westminster Hall debate. I will be attending, and will be happy to assist members in any way possible at any time.

In the comments that follow, we highlight firmly stated positions taken by the **fair telecoms campaign** and also certain **objectively recognised points**.

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Key Points

- 084 numbers impose a Service Charge on the caller to the benefit of the person called. This will have to be declared under the terms of Ofcom regulations shortly to be applied as part of the [Simplifying Non-Geographic Numbers project](#). Callers may also incur an Access Charge to the benefit of their telephone company, which will become regulated under the Ofcom measures.
- Where a Service Charge is applied on accessing a taxation-funded service, we refer to this as the [‘Telephone Tax’](#). We contrast a case with another that will be prohibited under the terms of forthcoming regulations implementing the [Consumer Rights Directive](#).
- 03 numbers, including [the 0300 range](#) reserved for use by public bodies and charities allow the benefits of non-geographic numbers without the imposition of the Telephone Tax.
- We believe that use of [080 numbers](#) needs more careful consideration than is commonly given by those proposing it.
- We hope that those speaking in the debate will demand that services on which the imposition of a Service Charge cannot be justified be immediately [migrated](#) from 084 to 03 numbers.
- We hope that the Minister replying to the debate will confirm the [support of the Cabinet Office](#) for the Ofcom intention that all Service Charges be declared by those who impose them. We see no reason why this declaration should have to wait for the imposition of regulations demanding this transparency from those with a lesser sense of public duty.

The present situation with the Service Charge and Access Charge bundled together, and BT subject to special unique regulations which will be lifted shortly, creates a very confusing picture. This must be recognised and understood, but **we urge members to focus on the essential and unchanging issue of the Service Charge / Telephone Tax and its validity**.





Simplifying Non-Geographic Numbers

The Ofcom project with this title provides essential context for this debate. Its final consultation phase has just been completed and the necessary regulatory provisions will be applied shortly. These will take effect following an implementation phase lasting around 18 months. For complete details see [this link](#).

The purpose of this project is to make transparent the situation which currently exists with all 084/087/09/118 numbers. The call charge paid when calling these numbers has two components, which are currently “bundled” together.

- **A “Service Charge” to the benefit of the person called, known as the “Service Provider”.**
This is paid on by the telephone company which originates the call to the telephone company which terminates it. This is firstly used to cover the costs of the facilities deployed to handle the (incoming) call, with any excess passed on to the person called, as “revenue share”.
- **An “Access Charge” to the benefit of the telephone company originating the call.**
At present this is whatever amount is retained by that company, out of the “bundled” charge which it sets. In future it will be regulated to be a single charge (rate) that applies to all such calls under the terms of each consumer tariff.

Under the “unbundled tariff” each charge will be declared by the party responsible and shown on bills. Wherever its number is given, the Service Provider will have to make a statement in the form “calls to this number cost x pence per minute plus your phone company’s access charge”.

The levels of the charges

Rates of **Service Charge** are, and will remain, as follows:

- 0845.....**2p per minute**
- 0844 / 0843typically (and up to) **7p per minute**
- 0871 / 0872 / 0873between 8p and **13p per minute**

These rates are known and fixed for all calls to these numbers, however originated, although they do not currently have to be declared. **We argue that they could, and should, be declared voluntarily in advance of the regulatory requirement** - see [The Big Question](#).

The present “bundled” charge for calls to 084 and 087 numbers goes as high as **41p per minute** (for Virgin Mobile) - i.e. an implicit Access Charge of up to **39p per minute**.

There is no information about the level at which the single **Access Charges** will be set in future.

BT is currently uniquely subject to regulation (which will be lifted) that prevents it from adding any Access Charge. This is why the cost of a call from BT is commonly quoted, and it is also one reason for BT being able to offer calls to 0845 numbers within most of its Call Plan bundles.

We dislike the idea of ever collecting the Service Charge from all subscribers to a bundle, as it weakens the understanding of its nature and can assist dishonest attempts to deny its very existence. Ofcom will however allow this practice to continue.



The 'Telephone Tax'

We use the term 'Telephone Tax' to refer to the imposition of a Service Charge for a service that is funded from taxation. *A public service that is "self-financing" from fees (e.g. Land Registry) may be able to justify the imposition of a declared Service Charge on phone calls.*

Those who pay this Telephone Tax may also incur an additional Access Charge to the benefit of their own telephone company; in some cases this is greater than the level of the tax itself.

BT collects the Service Charge on calls to 0845 numbers from all of its Call Plan subscribers, so there are many who pay the Telephone Tax, but do not use the services which it is helping to fund.

As a campaigning principle, we argue that any unjustified Service Charge is a rip-off. We cannot see any situation in which the Telephone Tax (as defined) is justified.

We see this particular point as being the likely focus for the debate.

Use of non-geographic numbers (by government)

All non-geographic telephone numbers provide a number of technical benefits, in addition to the obvious geographic anonymity which can be valuable for a nationally focussed service.

When there were distinct local and national rates for telephone calls, the 0845 range offered calls at the "local rate". **That distinction has not existed since 2004, so whilst one may refer to a "local call", the term "local rate" is meaningless and serves only to mislead.**

080, **084**, **087** and **09** numbers cause the normal arrangements with charging to be modified. **080** numbers cause the person receiving the call to meet the full cost of a landline originated call - under the Ofcom proposals this will be extended so that the cost of mobile originated calls also have to be met. **084**, **087** and **09** numbers impose a Service Charge on the caller, who thereby meets costs incurred at the other end of the line, in addition to the cost of originating the call.

All **03** numbers enable the technical benefits of non-geographic numbers to be utilised, but without a Service Charge, or other interference with the normal rule that the caller pays only for the origination of the call. All calls to all 03 numbers are charged on the same basis as calls to 01/02 numbers - at what is now known as **geographic rate**. This applies to all sources of calls and covers the terms of inclusive plans and bundles. The user of the 03 number meets all of its costs.

Unless the Service Charge can itself be justified (along with the consequential Access Charge), we can see no justification for use of 084/087/09 numbers, by anyone.

Migration to 03 (by government)

For new numbers the **0300** (or 0303) range is preferred, as the 030 ranges are identified as being for public services. The **034** and **037** ranges may however be suitable for those with many different numbers to migrate. These ranges are reserved for the exclusive purpose of migration from the equivalent 084 and 087 numbers. It may be more convenient to declare that the second digit of the number is changed from a "**8**" to a "**3**", rather than publishing a long list of old/new numbers.

Many organisations have already migrated from 084 / 087 to 03. We expect many more to follow.





080 numbers

All landline and most contract mobile tariffs now include calls to geographic rate numbers. The number of minutes and period covered may be limited, but consumers are well advised to ensure that their chosen arrangement covers their pattern and volume of calling, as the penalty charges for “out of plan” calls are severe. It is understood that, in general, consumers do choose wisely.

Figures to show just how few calls which could be made within plans are made outside their terms are not available and are proving very hard to obtain. **Although we cannot cite specific hard evidence, we are prepared to maintain that the normal (marginal) cost of a call to a geographic rate (01/02/03) number is zero.** There are, of course, exceptions to this.

When considering use of a 080 number, it must be recognised that every incoming call will be paid for in full, including all of the origination costs. When the arrangement is extended to cover mobile calls, both the average cost and the volume of calls received may be expected to increase. **In cases where the caller could have called a 03 number at zero marginal cost, use of a 080 number is, in effect, simply bonus revenue to the telephone companies.**

Where public services are provided without a charge on the user, the citizen may well incur incidental third party costs in accessing the service. We commonly cite the bus fare to attend an appointment, the stamp on a letter and the apportioned cost of a computer and internet access to use an online facility. There may be particular circumstances where it is right for these costs to be met from the public purse, but this is not a general principle.

We therefore strongly recommend use of 080 numbers to be limited to cases where it is imperative that no user incurs any third party expense in accessing the service.

Depending on the state of the public purse, one could be generous in the interpretation of the word “imperative”, or perhaps substitute something less severe.

We therefore do not share the view that 080 is the ideal, with 03 as a compromise. **Either 080 or 03 numbers should be chosen - because they are right for the particular purpose.**

The role of the Cabinet Office

It is of interest that a Cabinet Office Minister will be replying to the debate. The Cabinet Office has had an important role to play in these matters and could have an important role to play in future.

Currently

We understand that the Cabinet Office holds a **strongly neutral** position on use of telephone services by the public sector. The [Government Digital Strategy](#), which it promotes and enforces, implicitly demands that telephone contact be discouraged. This is on the basis of cost alone, disregarding possible benefits delivered by “avoidable” interactive human contact by voice.

One may understand a reluctance to be seen to be actively promoting such discouragement! A failure to act to remove the inequity and impropriety of the Telephone Tax could however be seen as a policy of “**Discouragement by Default**”, in support of the policy of “**Digital by Default**”.





History

Ofcom's decision to introduce the 03 range of numbers in 2007 (with the 0300 range reserved for use by the public services and charities) came, in part, out of the work of Sir David Varney, which led to the publication of the Cabinet Office report "[Service transformation: A better service for citizens and businesses, a better deal for the taxpayer](#)" in December 2006.

Paragraph [7.27](#) of the report (which is now out of date in some respects) refers to the opportunity offered by the 0300 range to implement "*a clear tariffing strategy across government*". The associated flawed utopian concept of a numbering strategy to cover all public services sadly prevented serious progress towards the more important objective of removing what we now know as the Service Charge / Telephone Tax.

Varney's work in this area was carried forward by the Contact Council, established within the Cabinet Office. This produced a valuable initial report on the call charging issue "[Clarification Statement on Telephone Number Ranges](#)". Before this work could be completed, it was suspended (by the previous government). The Contact Council has now been abolished.

Future

For the "*unbundled tariff*" to be effective, Ofcom will require support in the implementation of the enforceable requirement for "Service Providers" to declare their Service Charge. Ofcom's statutory powers do not extend to imposing and enforcing telephone call cost declaration requirements on Her Majesty's Government and its Departments.

As it proceeds to implement the "unbundled tariff", Ofcom will need to work with many bodies to ensure that the most effective regulatory and enforcement mechanisms are in place across the board, so that a consistent position is seen by citizens and consumers. We understand that work is already underway with the Cabinet Office to this end; however there has been no formal public statement to this effect.

As stated above, the level of Service Charge applicable to each telephone number is already known, so there is no sound reason why users of 084 / 087 numbers could not declare these in advance of the formal implementation of the "unbundled tariff". *The levels of "Access Charge" are far more variable than they will be and they are not directly declared, although for any particular case it may be derived by subtracting the Service Charge from the declared "bundled charge".*

We would be delighted to hear the Minister responding to the debate confirm that the Cabinet Office will be issuing directions to apply enforcement of the "unbundled tariff" call cost declaration requirements.

This must be done on the point of final implementation, however we see no reason why any honest and open body needs to hold back from telling the truth until it is compelled to do so.

The role of the National Audit Office

The National Audit Office comments about HMRC and its 0845 numbers ([see point 13](#)) were probably partly responsible for the fact that HMRC is currently in the course of [switching to 03](#).

There is also [a further study](#) underway. This is expected to report before the Summer Recess.





The Consumer Rights Directive

Draft regulations will shortly be published outlining the measure that will be introduced to implement the provisions of Article 21 of the [Consumer Rights Directive 2011/83/EU](#).

Article 21 states:

"... where the trader operates a telephone line for the purpose of contacting him by telephone in relation to the contract concluded, the consumer, when contacting the trader is not bound to pay more than the basic rate."

In [our response to the BIS Consultation](#) we highlighted the vital importance of defining the term "basic rate" to equate with the Ofcom definition "geographic rate", which will be formally put in place shortly. This, or some other device, must be used to simply prohibit the imposition of a Service Charge on telephone calls that fall within the scope of the provision.

We argue that when the government prohibits businesses from imposing a Service Charge on their customers, it will find it hard to justify users of its own services (sometimes known as customers) enjoying lesser rights.

I offer two relevant cases to highlight the situation:

Citizens Advice

Consumers complaining about a breach of their rights, under this provision, would be likely to contact the [Citizens Advice Consumer Service](#) (formerly known as "Consumer Direct"), which is provided on behalf of the government.

When doing so by telephone they would currently call **08454 04 05 06**, incurring an undeclared Service Charge of 2p per minute, plus a (valid) Access Charge to the benefit of their telephone company of up to 39p per minute. **Is this the worst example of the 'Telephone Tax'?**

One could go into detail about the false and misleading information about non-geographic numbers that is published by Citizens Advice, its propagation of further confusion by offering multiple numbers for access to the same service (a principle we generally oppose), its imposition of Service Charges on those contacting its Bureaux, or its declared opposition to the Ofcom proposals.

TSO

Implementation of the provisions of the Consumer Rights Directive will be undertaken in parallel with the Consumer Rights Bill, which was [published in draft](#) on 12 June 2013.

The first page of [the pdf file](#) shows the back cover of the printed document including the text:

" Published by TSO (The Stationery Office) ...

*"Order through the Parliamentary Hotline Lo-Call: **0845 7 023474** "*

The term "Lo-Call" means that the Service Charge applied is one of the **Lowest** - for what that is worth! The regulations arising from implementation of the Consumer Rights Directive will prohibit businesses from imposing such charges on their customers. These will not apply to either the Government or Parliament, but they will cover the **Williams Lea Group**.

