



**Consumer  
Focus**  
Campaigning for a fair deal

# **Consumer Focus response to Ofcom consultation on simplifying non-geographic numbers**

**March 2011**

# About Consumer Focus

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Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

# Our response

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Consumer Focus welcomes the opportunity to respond to Ofcom's consultation, *Simplifying Non-Geographic Numbers*. We believe that the current market in non-geographic calls is failing consumers in general, with particular detriment specific to vulnerable consumers.

We welcome Ofcom's desire for, and proposed approach to, regulatory reform. Well-informed consumers have a central role to play in a properly functioning market for non-geographic calls. A clearly devised strategy around consumer information will be crucial given the scope of the changes that are being proposed.

Ofcom's proposals to designate the 0800 number range as genuinely free-to-caller stand to benefit consumers, particularly in mobile-only households. The regulator must ensure that the effectiveness of the policy is not diminished in practice by unintended and unhelpful consequences.

## Consumer detriment

Consumer Focus supports Ofcom's assessment that 'the current operation of the market leads to significant market failures that generate substantial consumer detriment, particularly with respect to the most vulnerable.'<sup>1</sup>

The response submitted by Consumer Focus in May 2010 to Ofcom's call for inputs highlighted various aspects of this consumer detriment, which are reiterated here:

- The high cost of calling non-geographic numbers from mobile phones, compared to fixed-lines, is leading consumers to over-spend on these calls. Not only are consumers paying more, but the variation in charges between communication providers is eroding the (albeit limited) recognition of number ranges designated by cost, such as 0800 being 'freephone'
- There is a correlation between vulnerable low-income consumers and those able to access non-geographic numbers only using the most expensive means. This is based on the greater occurrence among low income consumers of both mobile-only households and pre-pay mobile users<sup>2</sup>; not only do mobile users pay more for non-geographic calls than fixed-line users, but pre-pay mobile customers also tend to be charged either as much or more than contract customers for these calls
- 'Downstream' impacts can have an impact on consumers unable to access essential services delivered via non-geographic numbers. Consumer Focus' response to Ofcom's call for inputs gave the example of financial problems, stress and anxiety that could arise as a result of cost barriers to resolving problems with services administered by HM Revenue and Customs using a non-geographic number

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<sup>1</sup> Consultation paper p.73

<sup>2</sup> 31 per cent of consumers with incomes up to £11,500 are in mobile-only households, compared to 15 per cent across the general population. 75 per cent of consumers with incomes up to £11,500 are pre-pay mobile users, compared to 55 per cent across the general population. (Ofcom Consumer Experience Report 2010, pp.20,22)

- High levels of consumer confusion persist around the cost of non-geographic calls. Ofcom's findings in relation to consumers' lack of knowledge over the cost of calls from mobiles to non-geographic numbers mirror omnibus survey data compiled for Consumer Focus by ICM in April 2010:
  - Less than half of respondents were aware they would be charged for 0800 calls from mobiles
  - Only 57 per cent were aware that they were charged for 0845 calls from mobiles
  - Less than a third of consumers knew that they would be charged for calls to 03 numbers
- The communication of information to consumers about the cost of non-geographic calls has generally been poor. Consumer Focus's call for inputs response highlighted the failure to effectively promote the 03 number range as the primary reason for consumers' lack of awareness of it. Subsequently, Consumer Focus published indicative research on mobile network operators' failings in relation to consumer information on the cost of calling participation TV services<sup>3</sup>. This research suggested that even when consumers actively seek out pricing information from their mobile network operator, they are frequently given incorrect information

## Regulatory proposals

As stated above, Consumer Focus welcomes Ofcom's intention to reform the regulation of non-geographic numbers. This response comments below on the specific proposals for unbundled tariffs and maximum pricing in the 0800 number range.

### Unbundled tariffs

Consumer Focus believes that Ofcom's proposal to unbundle tariffs is the most attractive policy option put forward in this consultation, provided the implementation of this policy is accompanied by a comprehensive consumer information strategy.

Put across in a way that is straightforward and understood by consumers, unbundled tariff information could be a considerable improvement on the complex, confusing situation that currently exists. Clear information on the cost of non-geographic calls would enable consumers to better control their spending, which would particularly benefit those on low incomes. Consumers would also stand to gain from the competition between both originating call providers and service providers that clearer pricing information would generate.

However, without substantial thought and planning as to its implementation, there is a clear danger that a policy of unbundling tariff information could add to the consumer confusion that already exists around non-geographic calls. It appears self evident that replacing one price with two is counter-intuitive to the notion of simplifying information; it is a proposal that requires full and clear explanation.

Thought needs to be given to how both the Service Charge and the Access Charge are communicated to consumers. The former may be more straightforward in some cases, such as where pricing information is presented in the form of a specified Service Charge plus an Access Charge that varies depending on the communication provider.

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<sup>3</sup> Consumer Focus report, Strictly Unclear: research into information on the cost of TV voting (Sept 2010)

In this case, however, the value of the information will be largely negated if the Access Charge itself is not known to the consumer.

At paragraph 6.79, Ofcom recognises the potential for multiple Access Charges within a single tariff package. Consumer Focus' view is that more than one Access Charge within a given tariff could seriously jeopardise the objective of improving consumer awareness of the cost of non-geographic calls.

Ofcom's approach to communicating these changes must be driven by a comprehensive and detailed strategy. Publicity for the changes should be high-profile, across multiple platforms and over a sufficiently lengthy period to allow consumers to adjust. Consumer Focus welcomes the initial thought that has gone into the presentation of information, such as in the examples at Annex 9, but much more detail on an overall communication strategy must clearly be forthcoming.

Ongoing monitoring of consumers' knowledge of non-geographic number costs should take place, to enable accountability in relation to the implementation of these proposals. Surveys of consumer knowledge carried out by Ofcom for this consultation<sup>4</sup> should be repeated and published annually in Ofcom's Consumer Experience report, to measure the success of the policy in creating better-informed consumers.

### Maximum pricing in the 0800 number range

Consumer Focus believes Ofcom is correct to seek to designate 0800 as a genuinely free-to-caller number range, but would like to see a full impact assessment of the proposed policy carried out before any changes are taken forward.

For consumers, there are clear economic benefits that come with having a number range that is free-to-caller, irrespective of the originating communication provider. Such an arrangement would be an important step in addressing the effect on mobile-only households, disproportionately common among low-income consumers, of the disparity between the cost of fixed and mobile costs to non-geographic numbers.

Despite the merits of the policy, Consumer Focus has some concerns about the potential unintended consequences of setting maximum prices at zero in the 0800 range. Ofcom outlines some of these in the consultation paper, such as service providers migrating away from the 0800 range, or refusing to accept calls from mobiles, due to the impact of reimbursing the cost of call origination.

While Consumer Focus supports the policy, it would nevertheless be prudent to undertake a full impact assessment before this proposal is taken forward, to mitigate concerns about possible detrimental outcomes. This should look specifically at the likely behaviour of providers of essential services currently using the 0800 number range<sup>5</sup>; it would be concerning to see these service providers moving to other non-geographic number ranges. It should also look at the broad consumer impact to assess, for example, the likelihood of communication providers recouping lost revenue through higher retail prices for other services.

Where appropriate, agreement or guarantees should be sought to preserve current standards of consumer experience. These should be monitored to ensure adherence following the potential implementation of a fully free-to-caller 0800 number range.

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<sup>4</sup> Such as fig.4.3 on p.47 of the consultation paper, measuring consumer awareness of the cost of calls to a given number range.

<sup>5</sup> Ofcom states at paragraph 6.139 that there may be a need to consider separately the impact of increased origination charges on helplines offering public services.

## Conclusion

Consumer Focus believes that Ofcom's consultation, Simplifying Non-Geographic Numbers, represents a positive step towards better regulation of non-geographic call services. Ofcom has rightly identified widespread and substantial consumer detriment in the current marketplace, and has clearly established the case for regulatory reform.

With regard to Ofcom's preferred policy option of unbundled tariffs, Consumer Focus believes this has the potential to significantly improve the market for consumers. The success of the policy will depend on Ofcom's approach to communicating effectively the changes it plans to make, however, and Consumer Focus look forward to seeing more detailed proposals on Ofcom's strategy for doing this.

The setting of maximum prices at zero in the 0800 number range, making it genuinely free-to-caller, is also a policy Consumer Focus supports. As outlined above, however, it would be appropriate to carry out a full impact assessment of the proposals to avoid as far as possible any unintended consequences that may result.



## **Consumer Focus response to Ofcom consultation on simplifying non-geographic numbers**

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