

## **Comments:**

Square1 is a UK Service Provider and Network Provider of Premium rate and NGN services. We have been running services in the UK for many SME's and media groups for the past 7 years and we employ five members of staff directly with many sub contractors and agents reliant on the business. We work closely with PPP and are members of AIME. If there is a 220% increase in the levy this will cripple our end clients and many have already informed us that should this take place they will no longer be able to continue in business and the result of this would be that our business would have to close with the loss of jobs. We feel a full impact assessment is required and would urge OFCOM to look closely at the damage this would have on the industry and the substantial loss of jobs across the sector.

**Question 1: Do you agree that RPI is the best inflation index for the proposed charge control?:**

**Question 2: Do you agree that an RPI-X control is the appropriate form of charge control for NTS Retail Uplift?:**

**Question 3: Do you agree that a four year duration for the proposed NTS Retail Uplift charge controls is appropriate?:**

No

**Question 4: Do you agree that there should be a single price control basket for all NTS calls including freephone calls?:**

**Question 5: Do you agree that a glide path, rather than a one-off adjustment at the outset of the control, is appropriate?:**

**Question 6: Do you agree that CCA FAC for NTS calls drawn from BT's regulatory accounting system is the appropriate cost basis for setting the proposed charge controls?:**

**Question 7: Do you agree with how we have proposed to adapt the cost recovery principles we established in our 2005 Statement to current circumstances? :**

**Question 8: Do you agree with the way in which we convert BT's mean capital employed into an annualised cost?:**

**Question 9: Do you agree with the way we propose to handle retail costs to freephone calls? :**

**Question 10: Do you agree that we should use NTS call volumes to forecast costs and our forecast for these traffic volumes?:**

**Question 11: Do you agree with our proposed approach to efficiency?:**

**Question 12: Do you agree that we should assume a Cost Volume Elasticity of 0.25?:**

**Question 13: Do you agree with the way in which we have forecast ?normal? bad debt, in particular that it is reasonable to apply a CRR of 1 and no efficiency adjustment?:**

**Question 14: Do you agree that we should retain the PRS Bad Debt Surcharge in its current form to recover bad debt specific to PRS calls?:**

Whilst this may well have had value in the days of a BT monopoly in the telecom market, this necessity is now redundant. PhonepayPlus regulatory requirements within the PRS sector offer all callers to Premium Rate numbering a simple and effective refund policy and this also operates within the NGN sector with all legitimate service providers. It is simply nonsense that the service provider should have a bad debt cost levied on all its calls simply because BT cannot be bothered or are incapable of managing their own bad debt.

In the instance of bad debt on any service not regulated by PhonepayPlus on a number owned by a non originating network BT should withhold the unpaid amount from the revenue payment to that network rather than levying the debt carte blanche across the whole industry sector. This could be effected using realtime data and implemented either monthly or quarterly in arrears.

**Question 15: Do you agree that a four year duration for the PRS Bad Debt Surcharge is appropriate?:**

No

**Question 16: Do you agree with approach for the PRS Bad Debt Surcharge and in particular use BT's own bad debt and retail revenue information to inform our proposal?:**

No We feel the data used by BT is inaccurate and out of date. We insist that OFCOM wait for results from any investigation into the validity of BT's data before any decisions are made. The data used by BT is out of date and the services that made this up no longer operate for example ; Dialler traffic, quiz TV which had caused so many issues for BT.

**Question 17: Can you supply any evidence or other insight about the incidence of bad debt on PRS calls and in particular whether the incidence of PRS bad debt has risen substantially in recent years?:**

In the past seven years we have seen our minutes and revenue grow year on year and have NOT seen an increase in bad debt on PRS across our services. In fact with all of the additional regulations and safe guards in place instigated by OFCOM and PPP we have seen a huge decrease in refunds and complaints. It must also be said that over 90% of billing complaints to PPP relate to mobile sms billing and NOT fixed line PRS.

**Question 18: Do you agree that in these circumstances that a one-off adjustment to the PRS Bad Debt Surcharge at the outset of the control, rather than phasing it in over time is appropriate?:**

We feel that the PRS surcharge / Levy should be abolished and that BT should be responsible for their own debt collection from their own client base. If they have a bad debt issue with a specific network that they are originating calls for then they should have specific agreements for credit with these companies. It should not be an issue that is paid for by the industry as a whole but should be one that is specific to the network causing the issues.