The Association for the Directory Information and Related Search Industry

About the EIDQ Association

The EIDQ Association is an association of member companies offering directory information and related search services across multiple channels including mobile, voice and online. Its members span the entire value chain including service providers, content suppliers, vendors and consultancies. It has 40 member organisations in 23 countries.

The mission of the Association is to promote and support the directory information and related search industry in helping customers to find people, businesses, products and services.

The scope of the Association includes commercial, technical, regulatory and operational issues within the directory information and related search services market, primarily in Europe. It is a non-profit organisation.

Response to Draft BEREC Report on Special Rate Services
January 2012

This position paper focuses on issues considered significant and relevant from the perspective of the directory information and related search industry. It does not necessarily reflect the official position of all EIDQ Member companies.

1. Context

This paper is being submitted by EIDQ as a supplement to its position paper entitled '*Mobile Mark-Ups*', which is also attached.

Unfortunately, the relatively short time allowed for responses to the BEREC draft report, combined with the EIDQ's voting procedures for approving formal positions, meant that there was insufficient time for the EIDQ to agree a detailed specific response to the draft report on Special Rate Services.

Therefore, the purpose of this supplementary paper is to draw attention to how the existing '*Mobile Mark-Ups*' position paper relates to BEREC's current draft report.

Secondly, EIDQ would like to highlight the fact that it represents **40 member organisations** in the directory information sector, across Europe. It is therefore a very significant stakeholder in the debate concerning Special Rate Services.

As BEREC will be aware, the vast majority of directory businesses (unlike network operators) do not have the scale and resources to participate directly in regulatory policy making themselves and so they rely on the EIDQ to undertake that work on their behalf. Consequently, few directory businesses are likely to submit their own responses to this draft report, in contrast to network operators, which have the resources to do so.

Therefore, in considering the responses which it receives, EIDQ would strongly request that BEREC does not simply compare the number of responses proposing a particular position and use that as a proxy for the strength or balance of opinion on certain options. Rather, we would ask it bear in mind that service providers will always be less likely than network operators to respond to consultations. But, the issues under consideration are nevertheless still of the most fundamental significance to their businesses and so the responses of their representative organisations should be given equal regard as those of the network operators.

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2. Problems and effects

The objective of EIDQ's '*Mobile Mark-Ups*' position paper is to highlight the problem of mobile network operators imposing a significant retail surcharge on the cost of directory calls and the harm which this causes both to consumers and to the directory businesses themselves.

The EIDQ position paper therefore strongly agrees with BEREC's characterisation of both the problem and the effects, as outlined in Chapter 3 of the draft report. In particular we agree that:-

- The problem is much more acute in mobile pricing than fixed pricing, as summarised by the statement in paragraph 24 that "*The OTR of mobile OOs is significantly higher than for fixed OOs and the difference cannot be explained solely by the fact that the cost of calling from a mobile in general is higher than for calling from a fixed line. The mobile OTR also seems to be considerably higher than the standard mobile retail call prices to national geographic and mobile numbers while the cost for originating is likely to be lower than the cost of a standard mobile retail call*".
- There is a particular difficulty with what the EIDQ position paper describes as 'bottom-up' charging (most directly correlating to the S' pricing model) in that the directory provider cannot control the end retail price and therefore has no incentive to develop lower priced services (paragraph 35 of the draft report)
- High mobile originated mark-ups leads to "*high prices of special rate services relative to standard services*" (paragraph 38) and therefore to a reduction in demand for special rate services

3. Pros and cons of different retail pricing methods

The EIDQ position paper outlines the two different pricing methods which most commonly apply to directory services. These are:-

- ***Top-down charging*** – the DQ provider chooses a retail price which consumers pay and the MNO subtracts its revenue share from that amount, leaving the DQ provider with the remainder. This correlates most obviously to the S and SfSm pricing models in the draft report.
- ***Bottom-up charging*** – the DQ provider sets its wholesale service charge and the MNO adds an additional mark-up to determine the price which consumers actually pay. This correlates most obviously to the S' pricing model in the draft report.

Although, EIDQ broadly agrees with the advantages and disadvantages of these pricing models which are included in the draft report, we believe that there are several additional disadvantages for each method, which we have outlined in our position paper, where we describe the "*adverse consequences*".

Clearly, EIDQ believes that the limited advantages of these existing pricing models are significantly outweighed by the disadvantages. Most obviously, they all allow the mobile operator to impose a significant retail mark-up beyond that which is applied to other services, artificially increasing the price paid by consumers, over which the directory provider effectively has no control, despite it providing all aspects of the service. That is the fundamental problem which must be addressed.

It is notable that the A+S and C+S model do not generally apply to directory services and so EIDQ has not described them in the position paper. However, they are both versions of "*a separation of access and service charge*" which the paper highlights as one possible remedy. EIDQ explains that the key advantages of this approach are that it would increase both competition and transparency in the interests of consumers.

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4. Possible regulatory approaches

As can be seen from the possible remedies proposed in its position paper, EIDQ agrees that ‘pure transparency measures’ alone are insufficient to address the problems which have been highlighted and therefore welcomes BEREC’s statement that the focus of its draft report is to go further.

As highlighted above, the EIDQ position paper criticises the S, SfSm and S’ pricing models as being responsible for high directory prices and a resulting reduction in calls being made. EIDQ objects to either being adopted or preferred as the basis for retail charging of directory services, because of the very significant adverse consequences for both consumers and directory providers’ own businesses. EIDQ believes that they are very much the problem and not the solution.

The position paper proposes “*a separation of access and service charge*” as a possible remedy and therefore endorses a version of the A+S and C+S pricing models. The paper does not specifically consider and compare their respective merits in the same way as the draft report. Therefore, EIDQ is unable to express a definitive preference between the A+S and C+S models. Nevertheless, EIDQ would naturally favour a model which minimises the ‘mobile mark-up’ (ie A or C component of the charge) as far as possible, which the draft report suggests would seem to gravitate towards the C+S model. However, either way, EIDQ is clear that both would be a significant improvement on the S, SfSm and S’ models.

5. Legal instruments

The EIDQ position paper does not consider possible legal instruments in any detail and so we are unable to express any definitive preference. However, we note that the draft report essentially describes the available options and highlights some of the advantages and disadvantages rather than recommending any single option. This is exactly the approach adopted by the EIDQ in considering possible remedies (because the situation in each member state will be different) and we therefore endorse it.

The position paper does refer to the possibility of SMP regulation and the likely resulting requirement to define a relevant market for SRS and EIDQ believes that it is certainly an option worth considering. However, it is clearly not the only means of imposing effective regulation and so EIDQ is open to the possibility that the other methods outlined in the draft report may be appropriate in some or all cases.

EIDQ’s key objective is to address the fundamental market failures that are caused by unregulated mobile mark-ups and we are content that NRAs should generally take their own view on the necessary legal instruments.