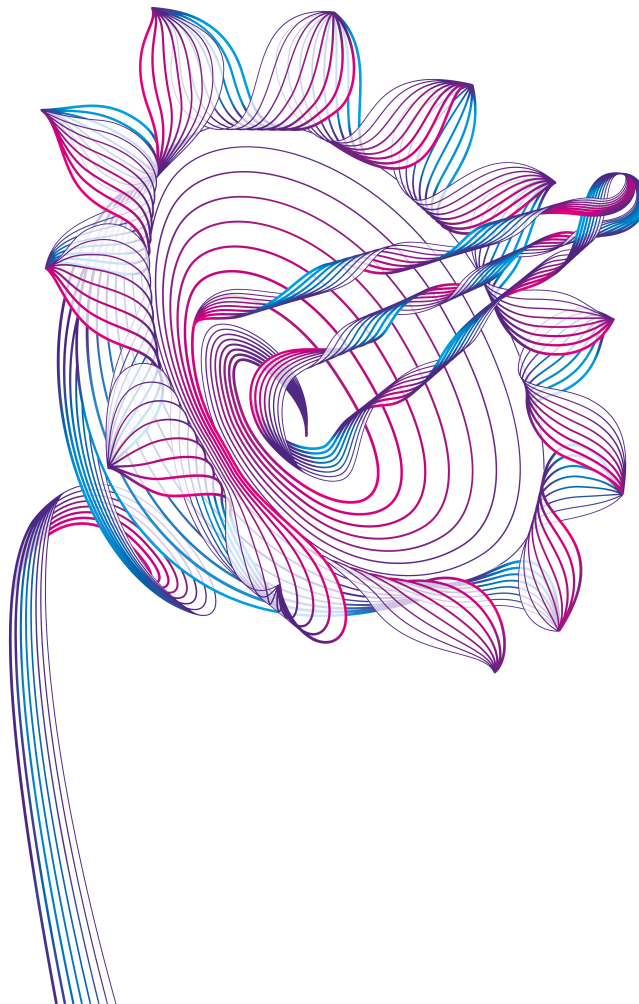


Billing Practices for Fixed Telecommunications Services

C&W's response to document CICRA 12/47

16 November 2012



Overview

Cable & Wireless Guernsey Limited (“C&W”), also trading as Sure, is submitting this document in response to CICRA Consultation Document number 12/47 “Billing Practices for Fixed Telecommunications Services”, which was issued on the 23 October 2012.

Before providing responses to the specific questions raised in the Consultation Document C&W would like to make some more general comments and observations.

The Consultation Document, whilst purporting to be a pan-island consultation, is clearly biased against C&W in Guernsey. There are only a couple of references to the practices of Jersey Telecom in Jersey, but we do not accept – as has been suggested in the press by JT – that this is because it does not engage in similar billing practices. Indeed, our detailed responses below highlight that in many instances the situation in Jersey is less favourable than in Guernsey. For example, JT give customers a shorter time period to pay their bills, charges customers a fee for any payment method other than Direct Debit (even including, it would seem, payments made by cash or in person), and also charges customers a fee if their Direct Debit is rejected. This is given scant attention in the Consultation Document.

We are also puzzled as to why CICRA has confined its enquiries to the telecommunications sector, when other utilities in the Channel Islands adopt similar practices. It may seem cynical to suggest that CICRA has decided not to turn the spotlight on any States’ owned utility for political reasons, but that is the impression that C&W is left with when it reads the Consultation Document. We accept that both the GCRA and JCRA have duties to protect consumers in the respective Bailiwicks, but given the similarity in billing practices across sectors, if there is a real concern then surely the GCRA and JCRA should be looking at this more widely?

We do believe, however, that the number of customers that are actually impacted by specific billing charges is quite small. The vast majority of C&W customers pay their bills on time and do so using the cheapest and safest method of payment, namely through Direct Debit. It therefore seems unfair that these customers should be subsidising the minority of customers who choose to pay using a more expensive payment method, or who are persistently late in settling their bills. We accept that some customers are experiencing financial hardship and as we explain in more detail below, we already do as much as we can to help those customers get through such difficulties.

Where we have recently introduced charges for specific payment methods, such charges are set at a level that recover our additional costs and no more. We have already provided detailed evidence to GCRA to support this, some of which is reproduced within this response (and the associated Confidential Annex) and we note that the Consultation Document accepts that we should be entitled to recover our reasonably incurred costs.

We are concerned about some of the misinformation that is contained in this Consultation Document, especially in terms of the suggestion that C&W produces inaccurate bills, which is completely without foundation. Similarly, it is incorrect to suggest that by agreeing to pay by Direct Debit the customer effectively hands control of his or her bank account to the C&W. This is simply not true and it seems irresponsible for a regulatory body to be reproducing such inaccurate statements without any making any attempts to correct them.

Legislative and Licensing Background

C&W recognises that both the Guernsey Competition and Regulatory Authority (GCRA) and the Jersey Competition and Regulatory Authority (JCRA) have a duty to protect consumer interests in the respective Bailiwicks. Further, that the Licences held by C&W in both jurisdictions – and indeed by all operators - contain conditions relating to consumer protection.

C&W does not agree with the GCRA, however, that Condition 31.2 of its Licence in Guernsey extends to charges that relate to the costs of administering different payment methods, or conducting its credit control and debt recovery functions. The charges do not relate to any specific Licensed Telecommunication Service, whereas Condition 31.2 quite specifically refers to the maximum charges that the Licensee may apply for Licensed Telecommunications Services in markets in which the Licensee has been found to be dominant. Indeed, we had first discussed the possible introduction of charges for different payment methods several years ago with the previous Director General of the OUR (now GCRA), and we were told there was nothing in our Licence that would prevent us from introducing such charges. It was a surprise to us therefore when the GCRA raised concerns when we finally did introduce these charges, as it had not given us any indication that it had changed its view on this point.

Lack of fixed competition

C&W notes that the Background section of the Consultation Document highlights the fact that Sure and JT remain the dominant providers of fixed line services in Guernsey and Jersey respectively. We do not dispute this, but we must highlight that C&W has been working proactively with both the GCRA and JCRA for over two years as part of the Channel Islands Wholesale Access Project (CIWAP), to try to introduce fixed line competition in both jurisdictions. C&W has been nothing but supportive of this initiative and is extremely disappointed that there has been no progress on the CIWAP for some time, when it is entirely within the GCRA and JCRA's hands to introduce fixed line competition on both islands.

We believe that the introduction of products such as Wholesale Line Rental would provide far more significant and lasting benefits to the majority of Channel Islands' customers than any changes that may come out of this current consultation, which would only affect a small minority of customers. It therefore seems a shame that CICRA has decided to devote its limited resources to billing issues, rather than focusing on trying to introduce more competition that would bring benefits to the majority of customers.

Question 1: Are respondents of the view that the payment deadlines in Sure's and JT's Consumer Codes of Practice give customers enough time to pay their fixed line bills?

C&W's standard billing cycle operates on a monthly basis. Bills generally contain two elements – recurring rental charges and prior month usage (based on each customer's activity). Bill values are calculated during the first few days of the month, in preparation for the creation of bills by C&W's printers. These are then delivered by Guernsey Post. The whole process takes a number of days to

complete and in recognition of the slight delays encountered in two recent months C&W's payment due date has been re-confirmed as the last day of the month.

C&W has provided a Direct Debit ("DD") payment option for a number of years, with the commitment that a minimum of 10 working days notice is provided before payment is taken. Using the latest billing month (November 2012) as an example, the following shows the notice period provided to our fixed line customers:

Date (Nov. 2012)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Working days notice												14	13	12	11	10			9	8	7	6	5			4	3	2	1	0
							Bill Date						Online bills available	Paper bills delivered													Deadline for DD cancellation			Direct debit taken

As can be seen, 13-14 working days notice has been provided prior to the DD being taken. Should any customer query their bill and/or choose not to have their DD claimed they have until 28th November to request a payment stop. DD customers therefore have control over their choice to pay, right up until two days prior to the due date.

The vast majority of bills are paid by Direct Debit, but CICRA appears quick to suggest that C&W provides short billing notifications to customers. We would argue that they are no less generous than those of our competitors:

Payment type	Operator	Notice period provided
Direct Debit	C&W (Sure)	At least 10 working days
	Airtel (mobile)	At least 10 working days
	JT	At least 5 working days

For non-Direct Debit customers the methodology for payments made beyond the end of the month is described later in this document.

We would also like to clarify a point made by CICRA in relation to the 'rental in advance' charging mechanism. In our November 2012 billing example above the rental element of a customer's bill relates to November and was shown as 'rental from 01 November to 30 November 2012' when they received their bills on 12th/13th November. However, by the time the bill is due (30th November) the rental service has been provided in its entirety. Our rental in advance could therefore be considered as 'current month's rental'.

We have reviewed a JT Jersey bill, which was received in October 2012. It shows a billing date of 28th September 2012, with usage charges up to that date and rental charges to 28th October 2012. JT does not even state on the bill when the Direct Debit will be taken, but it does show that the previous month's DD was taken on the 20th of the month. If that is JT's standard DD date then firstly, this appears to be confirmation that JT provides less notice to its customers of DD payments (when taking into account the delays for bill printing and postage) and secondly, that eight days of JT's rental charges still relate to rental in advance, once the Direct Debit has been taken.

Looking at other Channel Islands utilities, Guernsey Electricity, Jersey Electricity and Jersey Water (unmetered) all charge rental in advance and at least in the case of Guernsey Electricity, they charge *quarterly* rental in advance.

We therefore believe that C&W acts more fairly in relation to rental charges than most other Channel Islands utilities.

Question 2: Respondents' views are sought on how late payment penalties and reconnection fees might be set by Sure and JT. For example, should these be proportionate to the size of the outstanding amount, or a fixed penalty?

Late payment fees exist to cover administrative costs - primarily the staff time, printing & postage costs involved in chasing up late payers. Such costs are often unaffected by the size of debt and so we believe that it would be inappropriate to, for example, make a charge based on a fixed percentage of the outstanding debt. From a billing perspective it would be very difficult to implement a proportionate late payment fee, based on the value of the bill. In reality it would add an additional manual element to the process, which would incur further costs that C&W would seek to recover.

C&W's current fixed penalty charging mechanism is considered to provide:

- An appropriate value balance between penalty and incentive to pay the outstanding amount
- A recognition of the costs incurred by C&W (staff time, systems and billing/postage costs)

When business and corporate customers default on bill payments the amount of work required to manage the related back-office processes for the range of services affected is larger, hence the increased charges for those two customer types. Again, we do not consider it appropriate to charge such late payment fees on a fixed percentage basis. It is not the underlying cost driver for the costs incurred by C&W.

As background to the process of the application of late payment fees the following might be considered useful:

In the days following the due date shown on a C&W bill a reminder is sent to non-Direct Debit customers, which requests payment within seven days. If the bill remains unpaid at the end of that period the account will appear on a potential disconnection report. Our staff carry out a manual review of each account to ensure there are no payment agreements, disputes, Piper Lifeline services or users of the Telephone Assistance Scheme. If none of these categories are applicable then the customer's services are suspended. This results in changes having to be made to our billing and customer care systems, along with the suspension of the service(s) on our engineering platform.

Following suspension of service, if payment is still not received C&W sends a 'final demand' letter, which advises that payment is required to avoid the service being permanently disconnect. The letter also reaffirms our offer of assistance, should the customer be experiencing financial difficulties. If the bill is not paid (or a payment plan agreed) then the service is permanently disconnected and legal proceedings are instigated.

As part of the permanent disconnection process C&W sends a 'Petty Debts Action' letter. This advises of the intention to proceed with a Petty Debt action if the full amount is not paid within a final seven days.

When a service that has been permanently disconnected is required to be re-provisioned (once payment has been made or terms agreed) a £30 reconnection charge is applied. This covers the staff time and system costs involved in the re-provision of the service(s). For the avoidance of doubt, reconnection fees are entirely separate to late payment fees.

C&W does not view it as appropriate to make allowance for late payers within the monthly rental charge for a service, as it is not right to penalise the majority of customers who pay on time. During the 12 month period to September 2012 a total of 58 customers were disconnected more than twice which highlights the minority of customers who are persistent late payers.

By having separate late payment and reconnection fees these also act as deterrents to customers paying late and thereby assists in minimising the amount of bad debt accruing for an operator. It also encourages customers to use Direct Debit, which reduces time and expense on both the customer and operator's part.

Question 3: What alternatives are open to Sure and JT to address persistent late payers?

C&W believes that the costs incurred by our business in the collection of outstanding charges should be closely aligned to the specific customers that have created those charges for our business. The use of late payment fees supports that view.

To assist in the consideration of persistent late payers it may be beneficial for CICRA to scope and define the criteria, which would then allow for consistent treatment of such customers on a pan-islands basis. They may, for example, be defined as customers who, due to non payment, have been disconnected from service more than three times in a 12 month period.

C&W employs a consistent methodology for the treatment of persistent late payers, but allows scope to deviate from these procedures in extenuating circumstances. For some persistent late payers, where penalties do not appear to provide a sufficient deterrent, consideration could be given to a requirement for a security deposit, which could be used to offset any future charges that a customer may be unwilling to pay. In cases of financial hardship there are mechanisms to help customers to avoid late payment and reconnection charges and we particularly encourage supplementary benefit recipients to make use of the Telephone Assistance Scheme. It is in the best interests of C&W to provide assistance and guidance wherever possible, so as to minimise payment issues.

We always encourage customers to pay by Direct Debit and as discussed above, it provides the customer with full control with regard to the payment being taken, right up to two days prior to the end of the month.

The option of termination of service for unpaid bills is only considered as a last resort.

CICRA's additional questions:

CICRA is also seeking answers to questions it wishes to raise specifically with Sure in Guernsey and JT in Jersey, namely:

a) Whether outstanding bills have increased over the past three years to August 2012, in terms of the number of bills paid late and the total outstanding amount owed by late payers?

Whilst the volume and balance of outstanding bills may not have increased, the amount of effort required on our part to recover those outstanding amounts has. The chasing of unpaid bills is a manual, labour intensive activity, which diverts resource from more efficient process-driven customer interactions.

b) What reasons explain these changes, if any?

C&W can deduce no clear reasons for the issues surrounding outstanding debt and the occurrences of it. We can therefore only make assumptions as to the possible reasons that may lead certain customers to withhold payment for the services that C&W provides them.

Potentially, the global recession may be impacting customers' ability to pay, or at least affecting their consideration as to what types of bills they choose to pay. They may, for example, decide to pay utility and other bills in the order in which they consider that action or penalty may occur and with a view to the detrimental effect it may have on them or their household. Some may well consider that C&W is more lenient with regard to the speed with which services would be disconnected for non-payment, compared to other utility and service providers.

Question 4: Do respondents take the view that Sure and JT should continue to provide payment methods other than direct debit?

Although C&W's preference (and the most efficient means of payment) is Direct Debit, we have no immediate plans to limit our payment terms solely to that method. We recognise that a minority of customers currently prefer to pay by other means. We offer payment via the various island post offices, payment by debit/credit card, payments in our stores or by cheque through the post. Each payment type incurs its own administrative and back-office cost (including payments to third parties in most cases). We note that only this week a letter appeared in the Jersey Evening Post from Jersey Electricity, explaining that since June 2012 it had ceased [accepting credit cards for electricity bills due to the costs of processing](#). Their brand manager explained that "In effect customers who did not use credit cards were subsidising those who did, so rather than follow the low cost airlines model of charging for their use we simply no longer accept them."

Over the coming months a new payment option, 'Payzone', is being rolled out, which will enable customers to pay their bills at numerous other locations across the islands. As the availability of Payzone outlets increases we may choose to limit certain other payment types, with the aim of streamlining the back-office systems required to support bill payment.

Question 5: Do respondents agree that customers who choose a method of payment different from direct debit should pay the additional cost incurred by Sure or JT in providing this particular payment method?

As indicated in our response to Question 4, C&W provides a variety of payment methods. Each incurs a different cost to our business, ranging from approximately 3p to £1.66. It would seem unfair to penalise customers who incur a minimal payment cost to C&W by making them pay a proportion of the additional costs incurred by C&W through the choice of other customers who decide to pay by more expensive means. The service industry norm, particularly with regard to debit and credit card transactions, is that the user pays. C&W chooses to apply its own charges in exactly the same way and considers this to be entirely appropriate.

Additional charges for paying via Credit cards to recover external charges are common in many utility and service industries. By way of a local example, Guernsey Water customers paying via the Post Office or at Sir Charles Frossard House are subject to 1.8% and 2% surcharge respectively.

Question 6: Do respondents agree that Sure and JT should accept electronic transfers from customers who prefer this payment method to the use of direct debit?

C&W has considered the implementation of a facility for electronic transfer on more than one occasion, but has yet to view it as a viable alternative to any of the payment methods currently in place. Our concern centres on the manual checking of accounts that would be required to guarantee billing accuracy. High administration costs continue to deter us from providing such a service, particularly when we know that Direct Debit offers significantly better features and safety within the payment process.

The types of customer that currently pay for services by cheque are unlikely to fully represent those who might consider paying by electronic means. The latter are equally likely to consider Direct Debit as a viable alternative to a cheque, particularly as such transactions can be readily viewed through any online banking services that they may have.

In summary, C&W has no plans to offer a facility for bill payment by electronic transfer in the foreseeable future.

Question 7: Respondents' views are sought on the quality and accessibility of information regarding what customers pay according to the payment method they choose and the costs of falling behind with their payments

C&W is always pleased to receive suggestions as to how it can enhance the information it provides to its customers and we are grateful to CICRA for highlighting that some of the billing related information on our website (<http://support.surecw.com/guernsey/billing/>) was not as clear as it could be. A review of that information had already been planned, but as an interim measure we are pleased to confirm that the following data should now be more readily accessible:

- The charges that apply, depending on the customers' choice of payment method
- The charges relating to late payments
- The reconnection charge applicable after a service has been disconnected

We have also updated Section 4.0 of our Consumer Code of Practice to explain that the payment method used by a customer may incur additional fees and that the value of these fees can be found in the Support pages of our website.