



ICSTIS LEVY ANNOUNCEMENT

1 APRIL 2007 – 31 MARCH 2008

ICSTIS has announced that its levy for 2007/08 will be 0.34%.

The levy, which applies to all outpayments to service providers, has been set following extensive consultation with the industry and other stakeholders.

INDUSTRY CONSULTATION

Our consultation document, published on 3 November 2006, invited replies by close of business on 5 December 2006. The document was sent to all members of the ICSTIS Industry Liaison Panel (ILP) and to a wider circle of key stakeholders, including those with consumer interests and those registered for our online alerts. The proposed budget was also the subject of a specially-convened meeting of the ILP.

INDUSTRY RESPONSES

Responses to the consultation highlighted the following:

- industry support for ICSTIS' philosophy and investment plan
- industry support for the prevention of problems through early engagement and efforts to 'design-in' compliance
- industry support for the continued use of key performance indicators
- the premium rate market is flat or decreasing
- the broadcast/participation TV sector is strong.

MARKET TRENDS

As part of our business cycle, we asked network operators for data on their actual outpayments for the first half of 2006/7. This information was measured against their original forecasts, which were used as the basis for the calculation of the 2006/7 levy.

The information received suggests the market is stable, or slightly reduced in size, but not changing in ways that give deep cause for concern.

REVIEWING THE PLANNED BUDGET

In response to the consultation, we reviewed and reduced our proposed budget, taking the following issues into consideration:

- **Costs attributable to future regulatory activities**

Research, project management, legal and other enforcement costs associated with assuming responsibility for 0871 services from early 2008 have been excluded from the budget. These costs will be ring-fenced and met from a separate contingency reserve.

- **Possible additional savings from our new philosophy and structure**

We plan to increase staff mobility within job bands to develop broader skills and to allow better use of resources. We are also de-regulating, by removing licensing/prior permission requirements for lower-risk categories of service. We believe it is also possible to reduce the operating hours of our public Contact Centre without damaging our overall quality of service.

- **Possible savings, beyond those identified, in planned investments**

The revised budget assumes further savings in our telecommunications costs, in stakeholder management and in our general overheads. Additional savings might also be possible in relation to Information Services and other consultancy work, and we will be working to maximise opportunities in this area. Clearly these are subject to developments in the market and the level of complaints and enquiries received.

In highlighting where savings have been made, we would also re-state our conviction that investment is essential in any organisation providing public and industry services. We have received strong support for our web-based products and the smart use of technology to deliver better services and more effective protection. We believe that having a server-based system for dealing with mobile/text enquires and complaints, and for monitoring and recording marketing activity, is precisely the type of investment that a strategic regulator should be making.

On completion of our consultation and subsequent review, we submitted and received approval from Ofcom for our 2007/8 operations budget of £4,016,400 (an increase of 0.67% on 2006/7). In real terms, this is a budget decrease for the second year running.

We have £1.8 million available at the end of 2006/07 to go towards the funding requirement for 2007/8. This is made up of past levy payments, fines, administrative changes and interest earned on savings. This means that, with a budget of £4.016 million, we are looking to set a levy that will generate the balance of £2.2 million. The latest market information leads us to assume that outpayments in 2007/8 from network operators to service providers will be around £650 million. On this basis, we have set the levy at 0.34%.

In response to an industry request, this Statement also contains a notional balance sheet for the year ending 31 March 2007.



George Kidd
Chief Executive, ICSTIS



ICSTIS LTD

PROJECTED BALANCE SHEET AT 31 MARCH 2007

	£ (000s)
Tangible Fixed Assets	
Net book value	<u>283</u>
Cash At Bank	4,274
Debtors	
Trade debtors	875
Prepayments and others	228
	<u>1,103</u>
Current Assets	<u>5,377</u>
Creditors Due Within One Year	
Income received in advance	(1,959)
Trade creditors	(100)
Refund due to networks 2006/07	(600)
Accruals, other creditors and tax	<u>(506)</u>
	<u>(3,165)</u>
Net Current Assets	<u>2,212</u>
Total Assets Less Current Liabilities	<u>2,495</u>
Long-Term Creditors Due Within More Than One Year Payable To Network Operators	
Winding up reserve	1,995
Spike reserve	<u>500</u>
	<u>(2,495)</u>
Net Assets	<u><u>0</u></u>

Assumptions:

1. Refunds due to network operators for 2005/06 have been repaid.
2. From previous levy collection, fines and administrative charges, a net figure of £1.8 million is available for offset against the 2007/08 levy.