

# Review of the market for standalone landline telephone services

Tom Farmer

UKCN workshop on consumer remedies – 30 March 2017

# Summary of Ofcom presentation

This summary describes the presentation given by Thomas Farmer of The Office of Communications (Ofcom) at the third workshop of the UKCN Consumer Remedies project held at the CMA on 30 March 2017. This was a practical workshop focussed on the design, selection and testing of remedies.

This presentation provided an overview of Ofcom's review of the market for those customers who purchase only a landline or who purchase their landline separately from other broadband, TV, or mobile services.

Tom began by reviewing the basic structure of the market and the characteristics of the relevant customer segment. Tom then set out Ofcom's main provisional findings and its proposed remedies package, which included a price cap and four informational remedies. Tom explained that Ofcom had taken into account the specific characteristics of the relevant consumer segment, and the particular issues those characteristics may cause around engagement, in developing the informational remedies that it proposed to include within its remedies package. Tom also provided some insight into how Ofcom intended to test its proposed informational remedies. He finished by describing two remedies which Ofcom considered but was not minded to implement, namely, introducing a default tariff and creating a database of relevant customers.

## Disclaimer

- This presentation describes some of the content of Ofcom's consultation on the review of the market for standalone landline telephone services (published 28 February 2017)
- The purpose of this presentation is to provide a case-study to form the basis for a general discussion of engagement remedies as part of this UKCN workshop
- Ofcom's consultation proposals do not represent Ofcom's final position and are subject to the outcome and analysis of consultation responses
- This is not an Ofcom consultation event, and this presentation does not form part of Ofcom's consultation process
- Views expressed in this presentation and subsequent discussions are my own

## Some consumers have not benefited from the strong competition in bundled services

Around 3m standalone fixed voice consumers don't bundle landline and broadband services

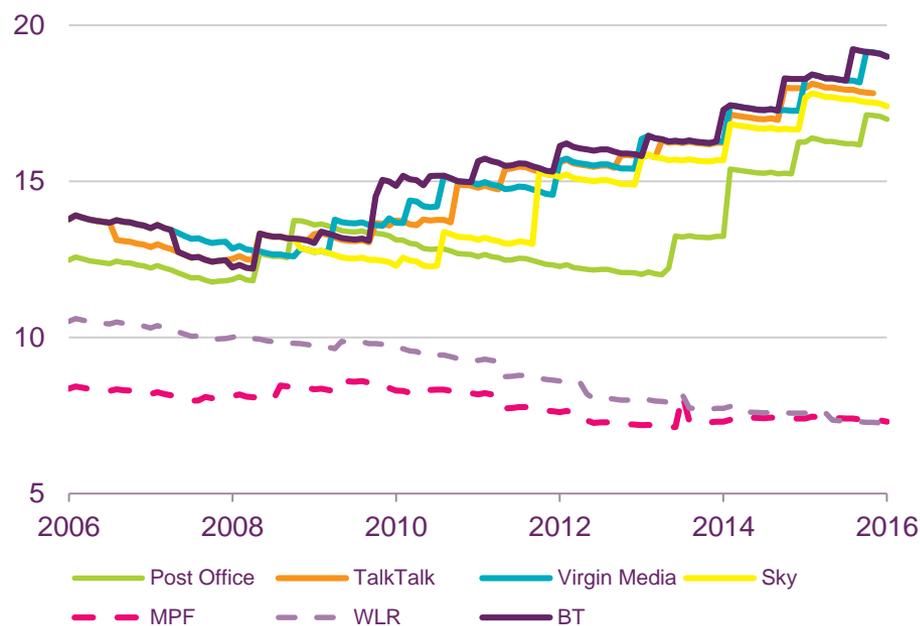
1.7m consumers buy landline services but do not purchase fixed broadband

1.2m consumers buy landline and broadband outside of a bundle

43% of standalone landline customers are at least 75 years old

70% have access to a mobile

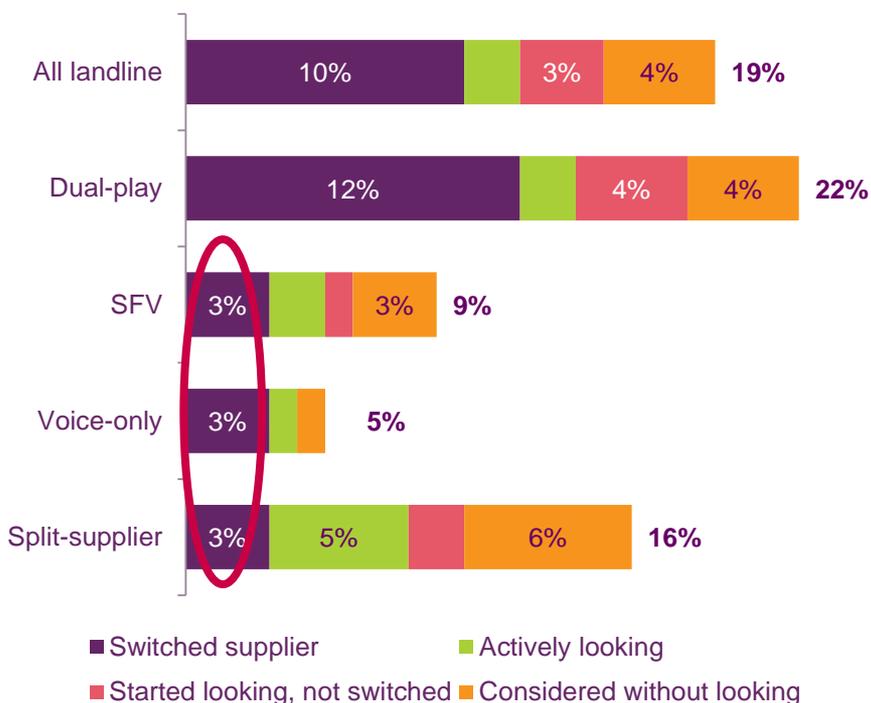
Retail line rental prices have increased, while wholesale costs have fallen



£/month in December 2016 prices (CPI adjusted)

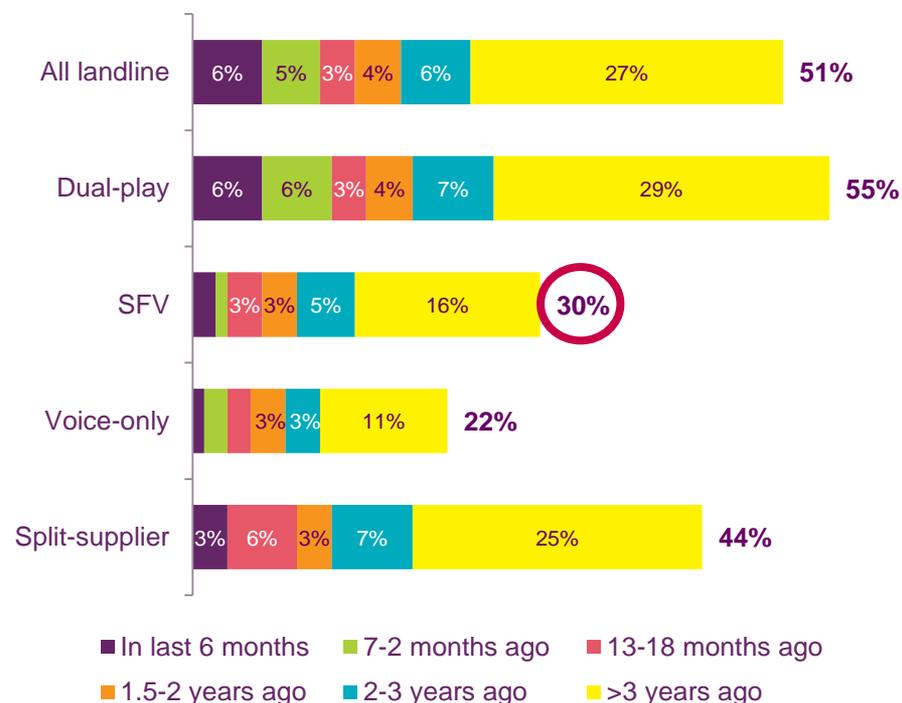
# Standalone voice customers have low levels of engagement

Just 3% have switched in the last 12 months...



Ofcom switching tracker Jul-Aug 2016, activity in last 12 months

...and only 30% have ever switched



Ofcom switching tracker Jul-Aug 2016, ever changed landline provider

# Provisionally conclude BT has SMP, and propose two types of remedies on BT

## Retail price control

Price cut on standard line rental of between **£5-7 per month**

This price reduction is set at a level consistent with promoting competition

Subsequent control on line rental, calls and ancillary services – limiting price rises to CPI

Apply to all BT customers using standalone landline telephone contracts

## Requirement to trial – and implement – engagement remedies

Identified potential barriers to engagement, and six types of engagement remedy that could address these

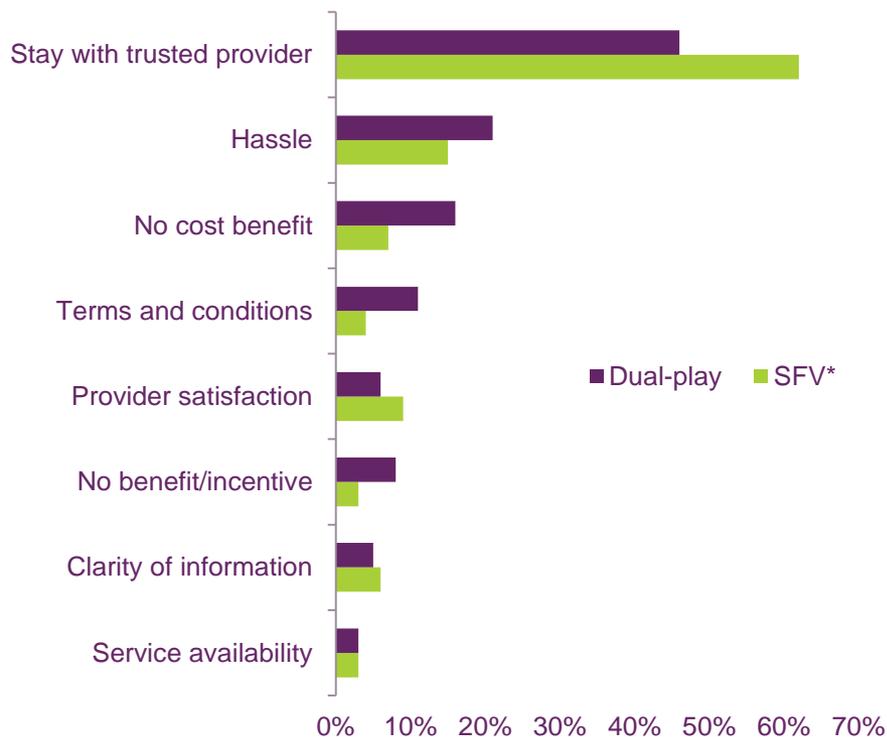
Propose to take forward development and trialling of four, focussed around improving consumer information

Help customers understand what they are buying and what alternatives they have to get better value for money

## Barriers to engagement may be substantial for these customers

Non-switchers focus on trust and hassle as key reasons

Consumers face several potential barriers to engagement



Perceptions of **low potential gains** from switching or costs of the switching process

Concerns about the **reliability of alternative** providers

**Few triggers** to engage: little marketing of SFV services, and consumers typically outside a minimum contract period

**Accessing information** on competing offers in the market may also be difficult, given lack of marketing and lower levels of internet access.

Ofcom switching tracker Jul-Aug 2016, reasons for not switching or not considering switching

# Propose 4 types of information remedies to improve consumer communication

J Smith  
123 Fake Street  
A12 3BC

If you switched to ABC comms, you could save up to £Z/month

Switching is easy; in many cases you don't need to contact your old provider, and you can keep your number if you aren't moving home

Last year you spent **£X** on your landline, this year we predict you will spend **£Y** if you don't switch

Yes, I wish to receive more information from ABC about switching

Signed: *J. Smith*

**Information on savings:** from changing tariff within BT, or switching to another provider

**Information on switching process:** including number portability and gaining-provider led process (available for many)

**Decision point:** Prompting an active decision – e.g. an annual communication, with summary of past and future spend

**Increasing the ease of responding:** request BT to make the suggested change to my tariff, or request more information from the identified alternative provider on switching to them

## Not proposing to take forward other two options discussed in consultation

### Default tariff

Requirement for BT move its consumers to its best available tariff given their recent usage – with potential to opt out

E.g. a change in call plan, or replacing separate phone and broadband services with a bundled dual-play tariff

### Disclosure of information on BT's inactive customers

Creation of a database to make it easier for competing firms or third parties to identify and contact these consumers

Reduce costs of targeting these customers, and enable bespoke offers reflecting current tariff and usage

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Did not propose to take these forward, risks of adverse consequences

And risks associated with these remedies are particularly acute because there are potentially a large number of vulnerable citizens among the consumers concerned