
Review of the market for standalone landline telephone services

Evidence supporting the Statement

Redacted [§] for publication

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1. Evidence supporting this statement

- 1.1 This document sets out evidence we have drawn on in our review of the provision of residential standalone fixed voice (“SFV”) services in the UK (excluding Hull, unless otherwise stated). It updates evidence originally set out in our February Consultation¹, and provides new evidence that has become available since then (e.g. the results from the NMR residential survey), which we have relied on in our Statement of 26 October 2017.

An overview of fixed voice services

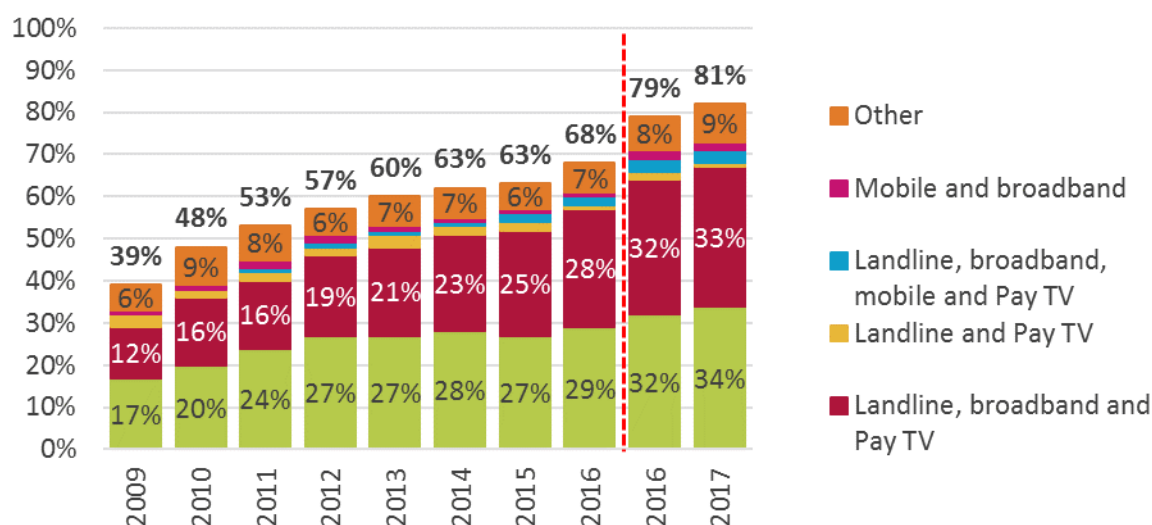
Trends in the bundling of retail services

- 1.2 Consumers have largely shifted away from purchasing communications services separately and towards purchasing bundles of services. Bundling describes the process of combining multiple telecommunications services as a single package from one supplier.
- 1.3 Figure 1.1 shows the proportion of households that take bundled services. In 2017, 70% of households reported that they purchased at least landline and fixed broadband from the same provider, and 81% reported buying at least two of their communication services in a bundle.²

¹ See Annex 8 (Supporting evidence), available here:

https://www.ofcom.org.uk/data/assets/pdf_file/0027/97812/Annexes-Review-of-the-market-for-standalone-landline-telephone-services.pdf

² The households not reflected on Figure 1.1 (approximately 19% of households in 2017) are made up of those who purchase their landline on a standalone basis and those who do not have a landline, some of whom live in a mobile-only home.

Figure 1.1: Take-up of bundled services³

Source: Ofcom, Technology Tracker. Data from Q1 of each year 2009 – 2014, then H1 2015-2017.

Notes: Revised methodology for 2016 data (right of the dotted line) as outlined in the footnote.

Trends in the volume of residential lines and calls

Line volumes

- 1.4 According to Ofcom's Quarterly Telecoms data updates, the total number of residential lines in the UK has increased by 13% since Q4 2009, from 23.4 million to 26.4 million in Q4 2016.⁴ This increase reflects the growth in household numbers and the take-up of fixed telephony.⁵
- 1.5 Whilst the number of BT residential lines has decreased, this has been more than offset by an increase in the number of residential lines supplied by other operators. This has translated into a decrease in BT's share of residential lines from 57% in Q4 2009 to 36% in Q4 2016.

³ The red dotted line marks a change in how we use Technology Tracker responses to estimate the proportion of households that bundle services. To the left of the dotted line, we report the proportion of respondents who indicated they bundle communications services. To the right of the dotted line, we report the proportion of respondents who indicated they purchase multiple services from a single provider. Analysis for 2016 and 2017 now includes those who pay line rental in addition to their broadband service as a bundle.

⁴ We estimate that approximately 1.65 million residential lines in the UK are purchased by SMEs. This estimate is based on the fact that around 30% of SMEs reported not having a business-specific contract in 2016 (31% for those with 1-9 employees, 10% for those with 10-49 employees, and 5% for those with 50-249 employees. See Figure 103 from the Jigsaw report on *SME experience of communications services*, available here: https://www.ofcom.org.uk/data/assets/pdf_file/0030/96348/Ofcom-SME-consumer-experience-research-2016-Report.pdf and that there were approximately 5.5 million SMEs in the UK in 2016 (see Paragraph 4.33 from Ofcom's Connected Nations Report 2016, available here: https://www.ofcom.org.uk/data/assets/pdf_file/0035/95876/CN-Report-2016.pdf).

⁵ The take-up of fixed telephony among households shows a fairly stable trend, fluctuating between 82% and 87% between 2009 to 2017.

Figure 1.2: Number of residential lines in the UK (millions)



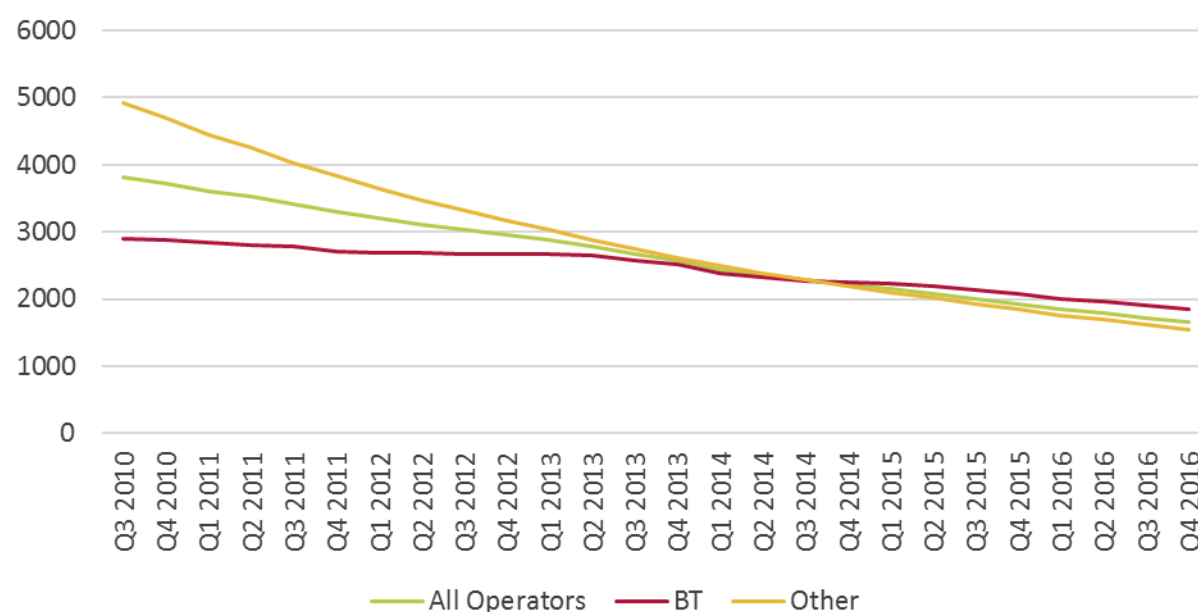
Source: Ofcom/operators⁶

Call volumes

- 1.6 Call minutes per residential line, i.e. including both bundled lines and standalone landlines, have decreased since Q3 2010, from 3.8 thousand minutes per line in the year up to Q3 2010 to 1.7 thousand minutes per line in the year up to Q4 2016 (a 57% fall). BT customers historically made fewer call minutes on average than customers of other Communications Providers (“CPs”).

⁶ See Ofcom’s Telecoms data updates here: <https://www.ofcom.org.uk/research-and-data/telecoms-research/data-updates>.

Figure 1.3: Call minutes per residential line per year in the UK (thousands)



Source: Ofcom/operators⁷

An overview of the customer groups

- 1.7 Customers who purchase SFV services can be divided into two distinct customer groups:
- Voice-only customers: these customers purchase an SFV service but do not take fixed broadband from any supplier; and
 - Split-purchase customers; these customers purchase an SFV service and a standalone fixed broadband service, i.e. they purchase these services separately and therefore do not derive any benefit from purchasing these services in tandem.
- 1.8 Split-purchase customers can be further divided into two sub-groups:
- Split-supply customers: these customers purchase an SFV service and a standalone fixed broadband service from two separate suppliers; and
 - Split-service customers: these customers purchase an SFV service and a standalone fixed broadband service from the same supplier; i.e. they do not bundle these services.
- 1.9 In the February Consultation we defined a single market for SFV customers and, therefore, presented much of the evidence in a consolidated manner.⁸ In light of our revised Statement position, we have presented the voice-only and split-purchaser groups independently where possible. We have also updated our analysis where new evidence is available.

⁷ See Ofcom's Telecoms data updates here: <https://www.ofcom.org.uk/research-and-data/telecoms-research/data-updates>.

⁸ Annex 8: https://www.ofcom.org.uk/data/assets/pdf_file/0027/97812/Annexes-Review-of-the-market-for-standalone-landline-telephone-services.pdf

- 1.10 We collected data from BT, Phone Co-op, Post Office, Sky, SSE, TalkTalk, and Virgin Media, have updated it since the February Consultation. We collected data on:
- the number of fixed voice lines purchased on a standalone basis (excluding lines purchased by split-service customers);
 - the number of fixed voice lines purchased by split-service customers, if any; and
 - the number of customers who purchase a standalone fixed broadband service.⁹
- 1.11 While BT and other providers could take steps to identify which of its SFV customers were voice-only, to date it has not done this. Therefore, communications providers were only able to provide the number of fixed voice lines they sell on a standalone basis (excluding lines purchased by split-service customers). This included both voice-only customers and split-supply customers.
- 1.12 We have used data on customers who purchase a standalone fixed broadband service in order to estimate the number of split-supplier customers. This is because the former will include all split-supply customers on the Openreach network (who need to pay a line rental in order to receive a broadband service). However, the number of customers who purchase a standalone fixed broadband service also includes customers on the Virgin Media network (who do not need to pay a line rental to receive a standalone fixed broadband service). Virgin Media advised that at the time of asking [X] of their customers purchased standalone broadband. We estimate that this means that [X] Virgin Media customers purchase a standalone fixed broadband service, and have no SFV service from any provider as at Q1 2017 given our estimate that [X] BT SFV customers are Virgin Media standalone broadband customers.
- 1.13 In addition to its own volumes, BT provided us with estimates of the number of its SFV customers who purchase a separate standalone fixed broadband service from other communications providers.¹⁰
- 1.14 Using a combination of the above data, we have estimated the breakdown of the voice-only and split-supplier lines.¹¹ Also, information on the number of customers and the number of lines indicates that the large majority of SFV customers have a single fixed line. Therefore, the line figures presented below can also be interpreted broadly as customer figures.

⁹ This data is based on the volume of customers not lines. We assume that each split-supplier customer purchases one SFV line.

¹⁰ Our estimates of the number of split-supplier lines include [X] (as at Q1 2017) BT standalone fixed broadband customers, who take a voice line from a non-BT supplier. These customers are distributed to CPs according to the total voice-only plus split-supplier market shares. We do not have s.135 data that would allow us to identify split-supplier customers who take neither their voice nor broadband service from BT and we assume that these customers are not material. One piece of evidence that goes against this is the 2017 SRB survey, which indicates that up to 18% of total split-supplier customers' fixed voice line could be supplied by a non-BT supplier. If we assumed that this 18% figure was in fact accurate, this would not have substantive implications for the conclusions we reached for split-purchase customers.

¹¹ We primarily rely on standalone broadband customer numbers provided by suppliers for our estimates of split-supplier customers, and make adjustments based on BT estimates where BT has identified another CP as providing standalone broadband to a BT SFV customer, but we do not have data directly from that CP, or BT has not specified the CP.

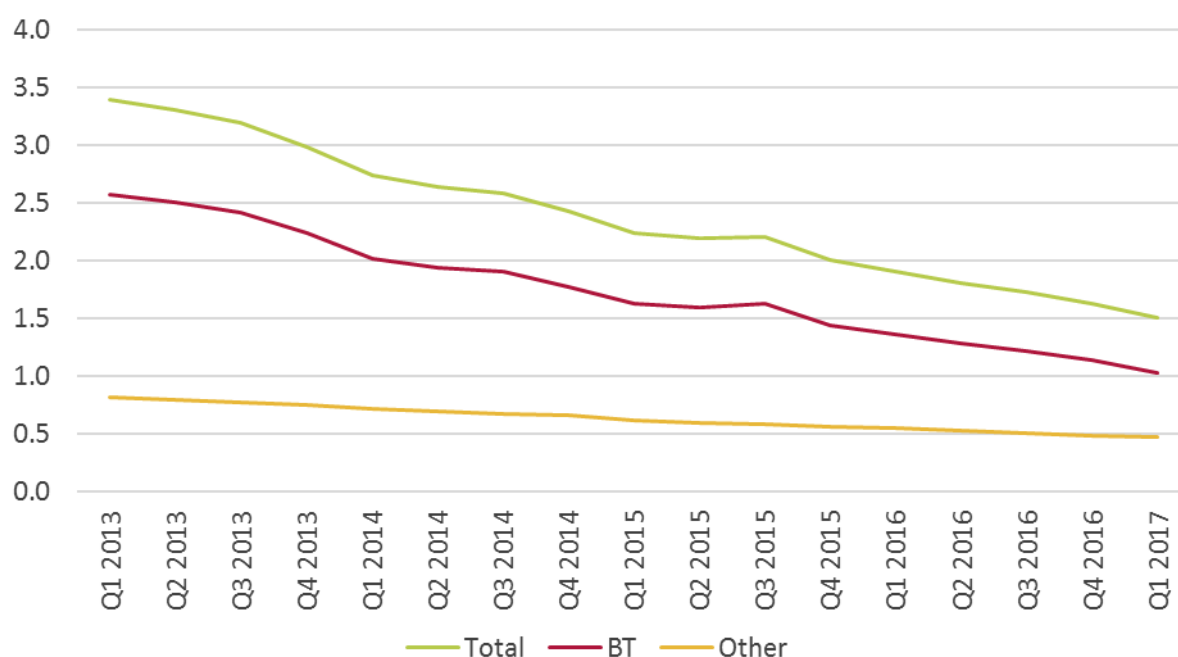
Trends in the volume of lines and calls

1.15 This section presents volumes data (number of lines and call minutes per line). Where possible, we have presented disaggregated data for voice-only and split-purchase customers, rather than aggregated SFV data.¹²

Line volumes

1.16 In Q1 2017 the total number of voice only lines were 1.5 million.

Figure 1.4: Number of voice-only lines in the UK (thousands of lines)

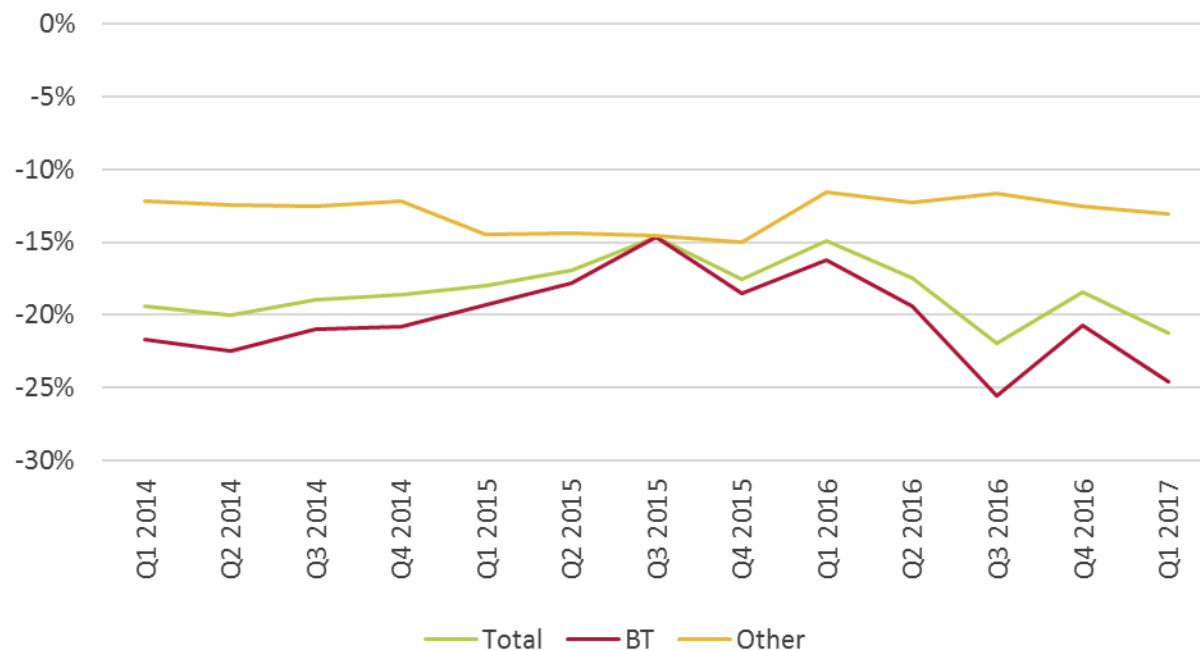


Source: s.135 responses

1.17 Figure 1.5 below presents the annual percentage rates of decline in the number of voice-only lines. The rate of decline for communications providers other than BT has remained fairly constant between 12-15%. BT has generally seen a faster rate of decline of around 20%.

¹² After the publication of the February 2017 consultation, SSE sent a correction to its response to a formal information request. SSE had incorrectly estimated its voice-only and split-supplier line volumes resulting in a significant overestimation of its actual customers. Whilst the impact on SSE data is significant, relative to the market the implications and impact on our analysis are negligible.

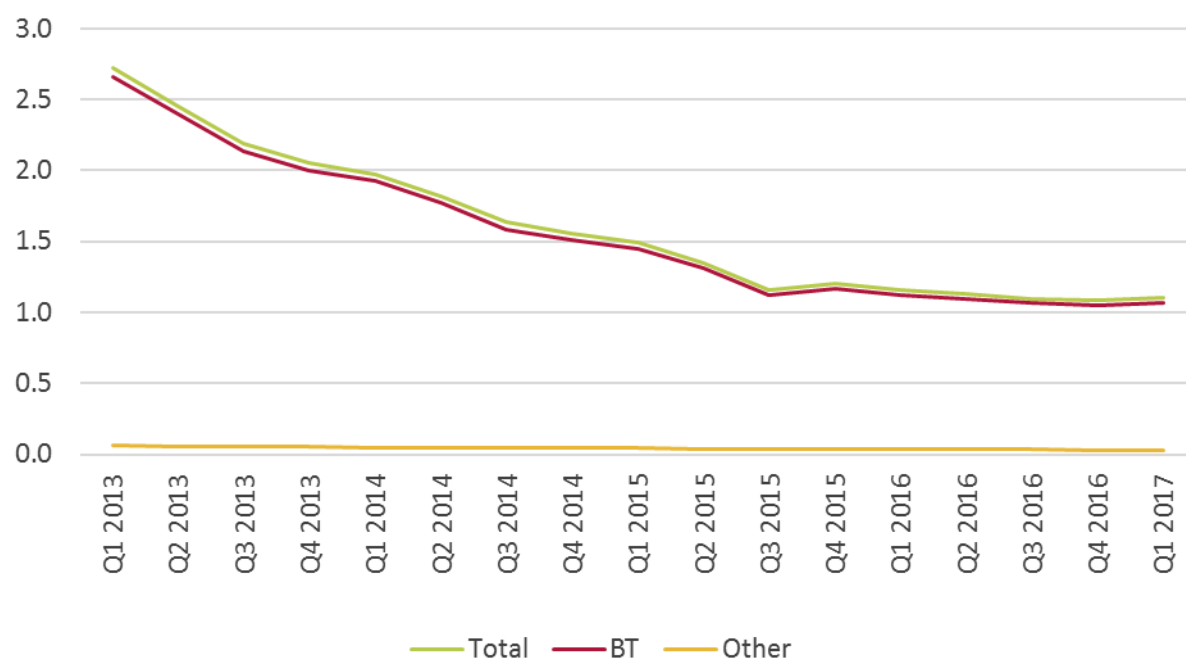
Figure 1.5: Rate of decline in the number of voice-only lines (% change against same quarter in previous year)



Source: s.135 responses

1.18 The total number of split-purchase lines has decreased since Q1 2013, from 2.7 million in Q1 2013 to 1.1 million in Q1 2017 (a 60% fall). BT accounts for virtually all the split-purchaser lines in the UK.

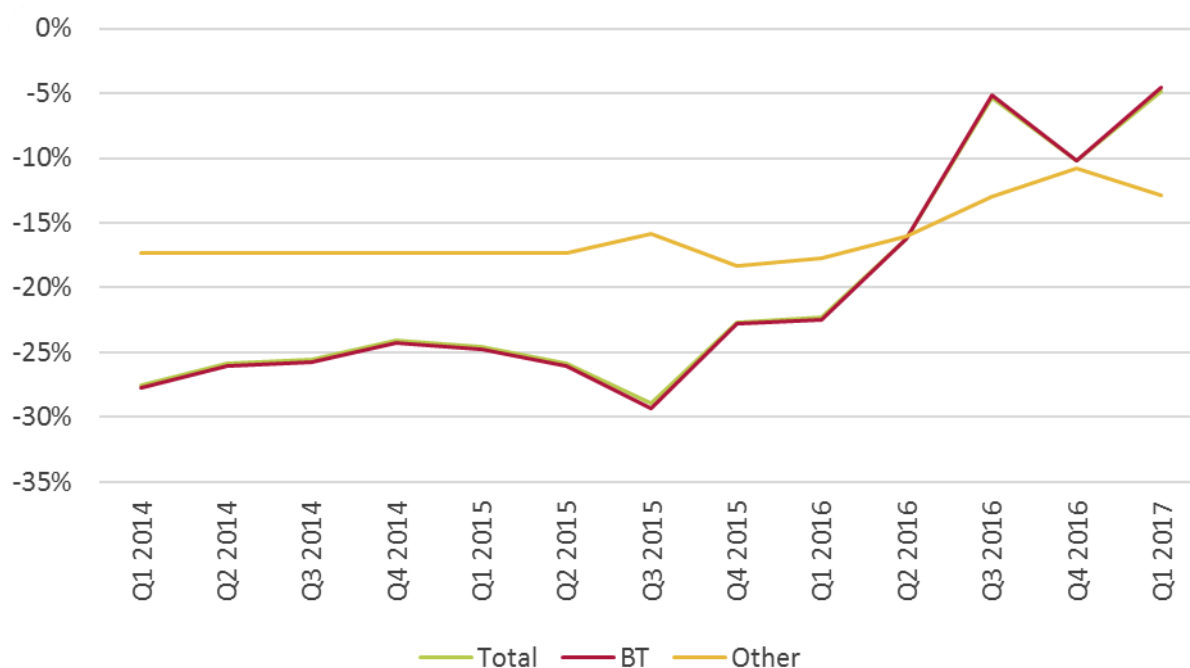
Figure 1.6: Number of split-purchaser lines in the UK (thousands of lines)



Source: s.135 responses

- 1.19 The figure below presents the annual percentage rates of decline in the number of split-purchaser lines. Note that only a very small proportion of split-purchase customers have a voice line from a provider other than BT.

Figure 1.7: Rate of decline in the number of split-purchaser lines (% change against same quarter in previous year)



Source: s.135 responses

Call volumes

- 1.20 Per line call minutes from SFV lines have decreased slightly. Annual SFV call minutes for all operators fell from 2.3 thousand minutes per line in the year up to Q1 2014 to 2.1 thousand minutes in the year up to Q1 2017 (i.e. a 6.1% fall). [X]

Figure 1.8: Call minutes per SFV line per year (thousands)

[X]

Source: s.135 responses.

- 1.21 Figure 1.9 below presents the change in call volumes per line for SFV lines and for all residential lines. [X]
- 1.22 Generally, in comparison to SFV customers, the call minutes per line of all residential customers have declined at a much greater rate than that of SFV customers. Whilst call minutes per line for all residential lines have consistently decreased, call minutes per line for SFV customers have fluctuated between periods of growth and decline.

Figure 1.9: Rates of change in call minutes per line per year¹³

[X]

Source: Ofcom/operators¹⁴ for all residential lines and s135 responses for SFV lines.

- 1.23 As explained in paragraphs to 1.11 to 1.14, we have used standalone broadband lines to estimate the breakdown of SFV lines into voice-only and split-purchaser lines. However, we have little further basis on which to base any breakdown of SFV calls and so have not presented voice-only and split-purchaser calls separately.

Estimates of market shares

- 1.24 We calculate shares based on the average volumes at the end of each quarter for each year, and present the years 2013-2016. We also have data for Q1 2017. There is no major change between the first quarter of 2017 and previous years presented.
- 1.25 We exclude lines sold to BT Basic customers and calls originated on these lines. We also exclude BT Basic from access and calls revenue shares. We received data for September 2016 from Direct Save Telecom, Plusnet (BT's value brand) and Utility Warehouse on their number of SFV lines, which imply each of these communications providers has an immaterial share of lines. In light of this, and in absence of time series data, these suppliers have been excluded from the analysis.
- 1.26 With regards to access, we have estimated Virgin Media's voice-only and split-supplier line volumes for January – December 2013 since Virgin Media were only able to provide this data from January 2014.¹⁵ We have also estimated a subset of BT's split-service lines from January 2013 to October 2014 as this data was incorrect.¹⁶ This small group refers to customers who purchase both a voice-only line and a bundle which includes a voice service.
- 1.27 We collected both information on the number of customers as well as the number of lines. As before, we have presented data based on the number of lines, however, the number of customers and lines for each CP is very similar, such that there is essentially no difference in the market shares between customers and lines.

Voice-only access

- 1.28 Figures 1.10 and 1.11 below show that BT is the largest supplier of lines to voice-only customers. In 2013, BT's share was 76%. This has been declining, and was 5 percentage points lower in 2016, at 71%. As discussed in paragraph 1.38 below, we undertook a

¹³ The evidence on call minutes per line was presented incorrectly in Figure A8.7 of the February 2017 consultation, and has now been corrected.

¹⁴ See Ofcom's Telecoms data updates here: <https://www.ofcom.org.uk/research-and-data/telecoms-research/data-updates>

¹⁵ We estimated this using the average monthly growth rate calculated from the data it has been able to provide.

¹⁶ We estimated this using the average monthly growth rate calculated from the data it has been able to provide.

number of sensitivity checks under which BT's market share of voice-only lines remained high (over 65%).

- 1.29 To the extent that market shares have been changing over the past four years, the evidence indicates that this is mainly due to providers' customer bases declining at differing rates (as shown in Figure 1.5), rather than customers switching between suppliers, as discussed below in paragraphs 1.32.
- 1.30 TalkTalk has a market share of less than 10%. However, TalkTalk only supplies voice-only services to legacy customers, rather than making them available (or competing) for new customers.

Table 1.10: Shares of lines to voice-only lines by CP (in ranges)

	BT	Post Office	TalkTalk	SSE	Virgin Media	Sky	Phone Co-op	Total non-BT
2013	76%	10% - 20%	< 10%	< 5%	< 5%	< 1%	< 1%	24%
2014	73%	10% - 20%	< 10%	< 5%	< 5%	< 1%	< 1%	27%
2015	73%	10% - 20%	< 10%	< 5%	< 5%	< 1%	< 1%	27%
2016	71%	10% - 20%	< 10%	< 5%	< 5%	< 1%	< 1%	29%
Q1 2017	68%	10% - 20%	< 10%	< 5%	< 5%	< 1%	< 1%	32%

Source: s.135 responses

Table 1.11: Shares of voice-only lines by CP (exact figures)

[X]

Source: s.135 responses

- 1.31 All major communications providers' SFV line volumes have been in decline for all periods in which we have data, with the exception of Sky, whose voice-only customer base grew in 2014. The rates of decline vary between communications providers. For example, BT's volume of voice-only lines declined by approximately 21% between Q1 2016 and Q1 2017, whereas across the same period [X] experienced a somewhat smaller [X]% decline whilst [X] experienced a somewhat greater [X]% decline.
- 1.32 Meanwhile, switching appears to have had a limited effect on shares. For example, gross customer additions reported by other communications providers suggest that switching could account for at most a small proportion of gross customer losses reported by BT. We have estimated gross customer losses of BT's voice-only customers is, on average, [X] per month over the period we have this data (November 2014 to May 2017).¹⁷ Given that split-

¹⁷ The gross customer addition and loss data we have is for voice-only and split-supplier customers combined, and we have not attempted to break this down. The average ratio of net customers losses to gross customer losses is [X]% and we

purchase customers are almost exclusively customers of BT, we have conservatively assumed that all gross customer additions data we have for other communications providers is for voice-only customers.

1.33 At most, acquisitions by the next three largest suppliers can account for only a small proportion of BT's losses. [X]¹⁸ [X]¹⁹ [X]

1.34 We have also estimated voice-only access revenues for BT, Post Office, SSE, TalkTalk, Virgin Media, and Sky for four financial years (2013/14, 2014/15, 2015/16, and 2016/17). This is calculated by multiplying each communications provider's average line rental by the average number of voice-only lines in the months within each financial year.²⁰ We have then calculated each communications providers' share of total voice-only access revenues.

1.35 BT's and Other communications providers' shares of voice-only access revenue are set out in Tables 1.12 and 1.13, below.

Table 1.12: Shares of voice-only access revenue by CP (in ranges)

[X]

Source: s.135 responses and Pure Pricing UK Broadband Updates

Table 1.13: Shares of voice-only access revenue by CP (exact figures)

[X]

Source: s.135 responses and Pure Pricing UK Broadband Updates

1.36 [X] consistently had the second largest market share of voice-only access revenue across the financial years. Its share has increased approximately 2 percentage points a year from [X]% in 2013/14 to [X]% in 2016/17, a gain greater than that lost by BT. It believes that this is because the decline in its SFV customers (which are almost exclusively voice-only) has been slower than the market average.

Split-purchaser access

1.37 Split-service customers are almost exclusively BT customers, with the exception of a negligible number of customers with TalkTalk. To the nearest percent, BT has 100% of split-service customers.

1.38 On the basis of s.135 responses, we estimate that BT supplies almost all SFV lines to split-supply customers. There is a small proportion of split-supply customers who purchase standalone fixed broadband from BT and an SFV line from other CPs. As outlined above, we

have applied this ratio to BT's net voice-only customer losses to estimate voice-only gross customer losses of [X] per month.

¹⁸ [X].

¹⁹ [X].

²⁰ This methodology overestimates access revenue because some CPs include a call allowance with the line rental (e.g. BT includes weekend calls). We are of the view, however, that this is unlikely to materially affect our access revenue estimates.

have no clear evidence of split-supply customers who purchase neither their SFV service nor standalone fixed broadband services from BT, and we have assumed that the number of such split-supply customers is not material. Where there is uncertainty from using an estimate from BT of its competitor overlap, we have conducted sensitivity checks regarding the number of these standalone broadband customers. Under a range of sensitivities, BT's market share in the split-supply segment remains high (>90%).²¹

1.39 Our market share best estimates of split-purchaser lines are presented in Table 1.14 and 1.15 below.

Table 1.14: Shares of split-purchaser lines by CP (in ranges)

	BT	Post Office	TalkTalk	SSE	Virgin Media	Sky	Phone Co-op	Total non-BT
2013	98%	< 3%	< 1%	< 1%	< 1%	< 1%	< 1%	2%
2014	97%	< 3%	< 1%	< 1%	< 1%	< 1%	< 1%	3%
2015	97%	< 3%	< 1%	< 1%	< 1%	< 1%	< 1%	3%
2016	97%	< 3%	< 1%	< 1%	< 1%	< 1%	< 1%	3%
Q1 2017	97%	< 3%	< 1%	< 1%	< 1%	< 1%	< 1%	3%

Source: s.135 responses

Table 1.15: Shares of split-purchaser lines by CP (exact figures)

[X]

Source: s.135 responses

1.40 We have also estimated split-purchaser access revenues for BT, Post Office, SSE, TalkTalk, Virgin Media, and Sky for four financial years (2013/14, 2014/15, 2015/16, and 2016/17). This takes the same approach as before, by multiplying each communications providers average line rental by the average number of voice-only lines in the months within each financial year.²² We have then calculated each communications providers' share of total split-purchaser access revenues. BT's and Other communications providers' shares of split-purchaser access revenue are set out in Tables 1.16 and 1.17 below.

²¹ We note that a piece of evidence that contradicts this is the 2017 NMR residential survey which suggests that BT has 82% market share of split-supplier customers. We are of the view that this estimate is less reliable than those discussed above (i.e. >90%) because the former is based on consumer responses rather than industry data. However If we assumed that this 18% figure was in fact accurate, this would not have substantive implications for the conclusions we reached for split-purchase customers.

²² This methodology overestimates access revenue because some CPs include a call allowance with the line rental (e.g. BT includes weekend calls). We are of the view, however, that this is unlikely to materially affect our access revenue estimates.

- 1.41 BT had by far the largest share of split-purchaser access revenue in all financial years for which we have data.

Table 1.16: Shares of split-purchaser access revenue by CP (in ranges)

[X]

Source: s.135 responses and Pure Pricing UK Broadband Updates

Table 1.17: Shares of split-purchaser access revenue by CP (exact figures)

[X]

Source: s.135 responses and Pure Pricing UK Broadband Updates

SFV calls

- 1.42 As we do not have any evidence on which to break down SFV calls into calls made by voice-only customers and those made by split-purchaser customers, we present shares of SFV calls as a whole.
- 1.43 We have estimated call volumes where communications providers have not been able to provide data. We have estimated BT split-service call volumes for January 2013 – October 2014²³; Post Office SFV call volumes for January 2013 – October 2014; TalkTalk from January 2013 – July 2015; and Virgin Media for 2013.²⁴ For the periods for which we have data from communications providers, we did not estimate any call minutes.
- 1.44 Table 1.18 shows that BT is the largest supplier of SFV calls.

Table 1.18: Shares of SFV call minutes by CP (exact figures)

[X]

Source: s.135 responses

- 1.45 As a proxy for SFV calls revenue we have estimated SFV non-access revenue for BT, Post Office, SSE, TalkTalk, Virgin Media and Sky for four financial years (2013/14, 2014/15, 2015/16, and 2016/17). We have done so by subtracting our estimate of SFV access revenue from the SFV total revenue within each financial year. We are aware that SFV non-access revenue is an overestimate of SFV calls revenue given that some revenues which are neither from access nor calls (e.g. charges for paper billing and ancillary services) would be included. However, in our view non-access revenue is a reasonable proxy for actual calls revenue for the purpose of calculating each CP's market share of SFV calls revenue. Table 1.20 below, sets out communications providers' market shares of SFV non-access revenue.

²³ We estimated BT's volume of split-supplier calls by applying the average minutes per line from voice-only and split-supplier lines for each month between January 2013 – October 2014. We applied this average to our lower bound estimate of split-service lines between January 2013 and October 2014 to estimate the total volume of minutes originated on split-service lines.

²⁴ We estimated Post Office, TalkTalk and Virgin media's call volumes by calculating a weighted average minutes per line, from Phone Co-op, Sky and SSE data, for each month. We then applied this to the relevant months for Post Office, TalkTalk and Virgin media, to estimate the volume of total SFV lines.

Table 1.19: Shares of SFV non-access revenue by CP (exact figures)

[REDACTED]

Source: s.135 responses and Pure Pricing UK Broadband Updates

SFV total revenue

1.46 We estimate each suppliers' total annual revenue generated through SFV lines by applying each suppliers' average revenue generated through voice services (from both line rental and calls) to the average volume of SFV lines for each financial year. This is the sum of the SFV access and non-access revenues presented above.

1.47 Table 1.20 below shows that BT has the largest share of SFV total revenues. [REDACTED]

1.48 [REDACTED]

Table 1.20: Shares of SFV total revenue by CP (exact figures)

[REDACTED]

Source: s.135 responses

Notes: asterisk indicates that the average revenue was calculated using SFV revenue. Other suppliers' average revenue was calculated using total voice revenue.

Communications providers' views of the market

1.49 BT provided internal documents with information about its SFV customer base in the context of meetings with Ofcom and in response to s.135 notices. These documents include results from market research conducted or commissioned by BT over the past three years. The following points summarise the content of BT's internal documents with information about its voice-only and split-purchase customer base. We have split these points into those we presented in the February 2017 consultation, and new points that complement the points presented in the February 2017 consultation.

1.50 Points in BT's internal documents presented in the February 2017 consultation:

- [REDACTED].^{25 26}
- [REDACTED].²⁷
- [REDACTED].²⁸
- [REDACTED].²⁹
- [REDACTED];³⁰ [REDACTED].³¹

²⁵ [REDACTED] (response dated 18 November 2016 to question 1 of the 1st BT s.135).

²⁶ BT presentation to Ofcom 30 November 2016, slide 3.

²⁷ BT presentation to Ofcom 30 November 2016, slide 10.

²⁸ BT presentation to Ofcom 8 February 2017, slide 5.

²⁹ Response dated 18 November 2016 to question 1 of the 1st BT s.135.

³⁰ [REDACTED] (response dated 18 November 2016 to question 1 of the 1st BT s.135).

³¹ BT presentation to Ofcom 30 November 2016, slide 4.

- [redacted].³²
- [redacted].³³ [redacted]³⁴ [redacted].³⁵
- [redacted].³⁶

1.51 Other communications providers also provided internal documents with information about their SFV customer base in response to s.135 notices, and/or verbally expressed their view of the SFV customer base in meetings with Ofcom. The documents provided include results from market research conducted or commissioned by these communications providers over the past three years. The following points summarise the content of the internal documents provided by communications providers other than BT and the views they expressed verbally in meetings with Ofcom.

1.52 Points in Other CP's internal documents that were set out in the February 2017 consultation:

- Post Office mentioned that it has three acquisition channels for voice-only customers: online (20%), call centre (40%) and in-branch (40%). It described customers as inert and noted that despite regular contact (in Post Office branches) Post Office struggles to gain much traction. It considered that inertia seems to come from concerns about the switching process even though the potential savings from switching are significant for some customers. However, it said it had successfully reached some of BT's SFV customers by launching various marketing campaigns.³⁷
- Post Office ran an introductory offer to incentivise BT's SFV customers to switch. The offer entailed paying a 12-month contract at a price of £14.99 a month instead of the full monthly price of £16.99. At the end of the contract, the customer pays the full monthly price. Post Office marketing material also shows that they try to alleviate customer's concerns about the switching process. For example, in the marketing material for the new offer, the Post Office noted that the end user will keep the same phone line so no engineer will need to visit their home, they can keep the same phone number that everyone knows and there will be no break in service as the switch takes place.
- [redacted].³⁸
- [redacted].³⁹
- TalkTalk no longer offers SFV access services to new customers [redacted].⁴⁰
- [redacted].⁴¹

³² BT presentation to Ofcom 30 November 2016, slide 4.

³³ [redacted]. See BT presentation to Ofcom 30 November 2016, slide 6.

³⁴ BT presentation to Ofcom 30 November 2016, slides 5-9.

³⁵ BT presentation to Ofcom 8 February 2017, slide 4.

³⁶ Response dated 18 November 2016 to question 1 of the 1st BT s.135.

³⁷ Notes of phone conversation with Post Office on 20 October 2016.

³⁸ Response dated 29 November 2016 to question 1 of the 1st Post Office s.135.

³⁹ Notes of phone conversation with SSE on 01/12/2016.

⁴⁰ TalkTalk email to Ofcom, November 2016.

⁴¹ Notes of phone conversation with Virgin Media on 01/11/2016.

- [REDACTED].⁴²
- [REDACTED].⁴³
- [REDACTED].⁴⁴
- [REDACTED].⁴⁵
- [REDACTED].⁴⁶
- [REDACTED].⁴⁷

1.53 New points in Other communications providers' internal documents that complement the points presented in the February 2017 consultation:

- [REDACTED].⁴⁸
- [REDACTED].⁴⁹
- [REDACTED].⁵⁰
- [REDACTED].⁵¹
- [REDACTED].⁵² [REDACTED].⁵³

Communications providers' views on engagement of SFV customers

1.54 Several communications providers provided accounts of their experiences with attempts to engage SFV customers in the market, either through responses to formal information requests or through correspondence with Ofcom following the February Consultation:

- [REDACTED].⁵⁴
- [REDACTED].⁵⁵ [REDACTED].⁵⁶
- [REDACTED].⁵⁷

Evidence on wholesale market prices

1.55 Suppliers use different access and call services at the wholesale level in order to provide access and calls to SFV customers at the retail level. When they buy these inputs they pay wholesale market prices.

⁴² Notes of phone conversation with Sky on 15 November 2016.

⁴³ Notes of phone conversation with Sky on 15 November 2016.

⁴⁴ Notes of phone conversation with Sky on 15 November 2016.

⁴⁵ Notes of phone conversation with Direct Save on 21 November 2016.

⁴⁶ Notes of phone conversation with Direct Save on 21 November 2016.

⁴⁷ Notes of phone conversation with Direct Save on 21 November 2016.

⁴⁸ Response dated 28 July 2017 to the 3rd Post Office s.135.

⁴⁹ Response dated 28 July 2017 to the 3rd Post Office s.135.

⁵⁰ SSE letter to Ofcom, August 2017

⁵¹ Response dated 28 July 2017 to question 5 of the 2nd TalkTalk s.135; TalkTalk email to Ofcom, 15 August 2017.

⁵² Response dated 2 August 2017 to question 3 of the 2nd Sky s.135

⁵³ Sky email to Ofcom, 22 August 2017.

⁵⁴ Response dated 28 July 2017 to question 1 of the 3rd Post Office s.135.

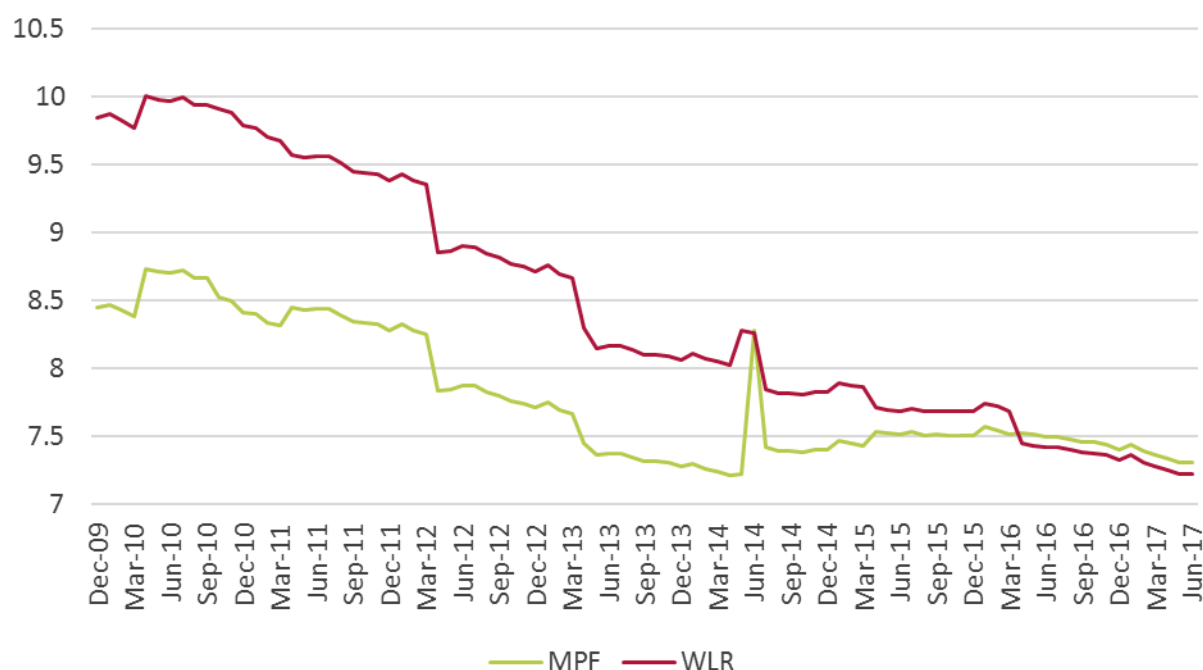
⁵⁵ SSE call with Ofcom, 15 June 2017.

⁵⁶ SSE letter to Ofcom, 11 August 2017.

⁵⁷ TalkTalk email to Ofcom, 15 August 2017.

- 1.56 Regarding access inputs, suppliers that rely on BT's copper network pay Openreach (BT's wholesale access division) for Wholesale Line Rental (WLR) or Metallic Path Facility (MPF). WLR allows only the provision of voice services, while MPF allows both voice and broadband services to be provided. Suppliers, such as Virgin Media, that have their own network may use it to provide access to its SFV customers.⁵⁸
- 1.57 Between December 2009 and June 2017 BT's WLR and MPF prices decreased significantly. WLR prices fell 34% in real terms between 2009 and 2016 (MPF prices fell 14%).

Figure 1.22: BT's WLR and MPF prices (£/month in June 2017 prices)



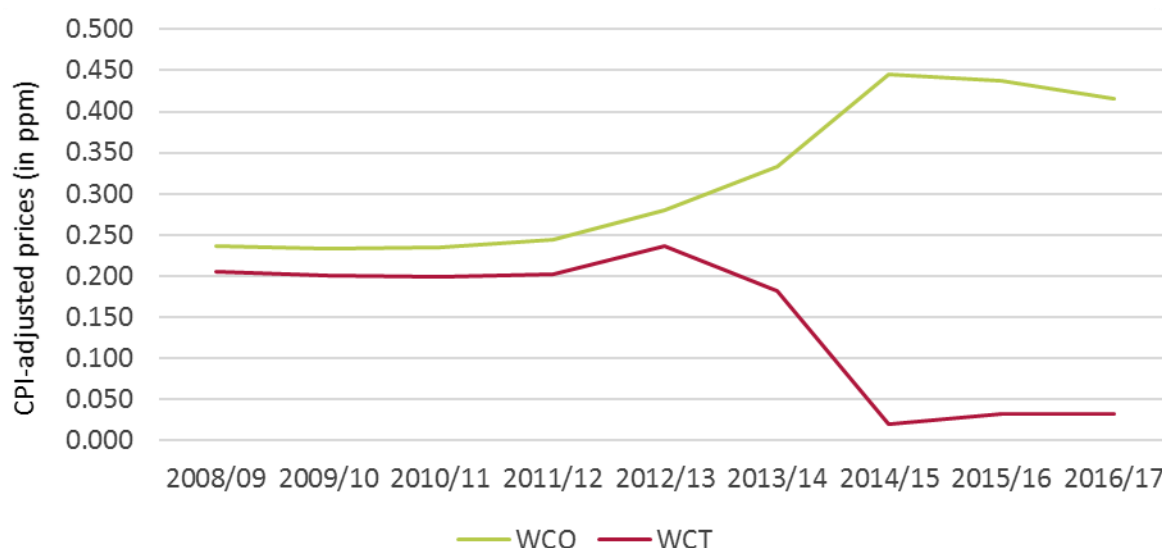
Source: BT Openreach

Notes: Y-axis starts at £7/month

- 1.58 Regarding call inputs, providers most commonly purchase Wholesale Call Origination (WCO) from BT, and Wholesale Call Termination (WCT) from either BT or other communications providers. WCO is a service that enables SFV customers to make calls over their lines, while WCT enables these customers to terminate their calls to geographic numbers (a number starting 01 or 02).
- 1.59 Between 2008/09 and 2016/17 BT's WCO and WCT prices have changed significantly in real terms, as shown below.

⁵⁸ We are also aware that generally CPs that have their own network may still rely on BT's copper network to provide voice – not many CPs use their own LLU network to provide voice-only services.

Figure 1.23: BT's WCO and WCT prices (June 2017 prices)



Source: BT Regulatory Financial Statements

Evidence on retail pricing

Retail line rental prices

- 1.60 This section analyses price data collected by PurePricing which monitors the line rental prices of the main suppliers of broadband services. We analyse BT, Virgin Media, TalkTalk, Sky, and Post Office's line rental prices.⁵⁹ Line rental charges are paid by all SFV customers for access to a fixed voice line.⁶⁰ Some calls may be included in the price of line rental, however these inclusions vary across suppliers.⁶¹
- 1.61 Up until 2006, BT was subject to retail price regulation. In 2006, Ofcom⁶² decided to allow retail price controls to lapse, though the market remained regulated until 2009.⁶³ As Figure 1.25 below shows, line rental prices were generally decreasing in real (i.e. inflation adjusted) terms across this period. All line rental prices fell by between 4% and 9%, in real terms, from December 2006 to December 2009, with the exception of Post Office, which increased its line rental prices by 9%, in real terms.

⁵⁹ The prices of other suppliers, including SSE, have not been tracked by PurePricing. A more exhaustive list of current SFV prices is in Table 1.26 below.

⁶⁰ The line rental component of a dual-play service is no longer advertised as a distinct price following the ASA's ruling. Some CPs now state that they do not charge a price for line rental, however the overall bundled price will still provide fixed voice access.

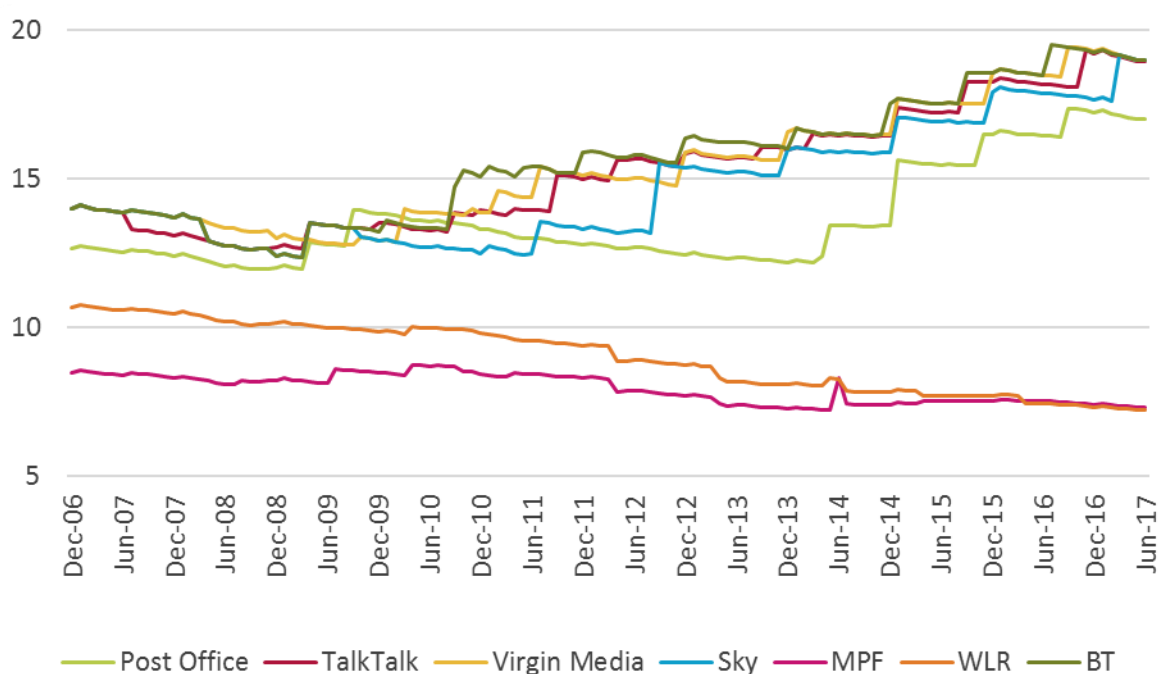
⁶¹ For example, some suppliers such as BT include free weekend calls with their line rental. Due to restricted available data, these differences are not reflected in our analysis. A detailed list of current market offerings is provided in Table 1.26 below. We take into account that some CPs include some free calls with their line rental when we estimate the market shares of non-access revenue as a proxy for the market shares of calls revenue, see paragraph 1.98.

⁶² Ofcom replaced Oftel as the regulator with responsibility for electronic communications markets from 29 December 2003.

⁶³ Ofcom, *Retail Price Controls*, Statement of 19 July 2006 ("2006 Retail Price Control Statement"), https://www.ofcom.org.uk/data/assets/pdf_file/0012/42114/rpcstatement.pdf

- 1.62 However, since deregulation of the retail narrowband market in 2009, line rental prices have generally been increasing, in real terms, despite decreasing wholesale access prices. Line rental prices have increased, by between 23% and 47% depending on the provider, in real (i.e. inflation-adjusted) terms between December 2009 and June 2017. Since December 2009, BT has offered the single most expensive line rental price in the market for 40 out of the 91 months, and for a further 31 months it was jointly most expensive with Virgin Media. Since September 2016, Virgin Media's line rental price has been the most expensive in the market at £19.00 per month, although this is only one penny more expensive than BT. Line rental prices have converged to some degree in recent years, having diverged after 2009. They have converged mainly due to significant increases in price by Sky and Post Office.

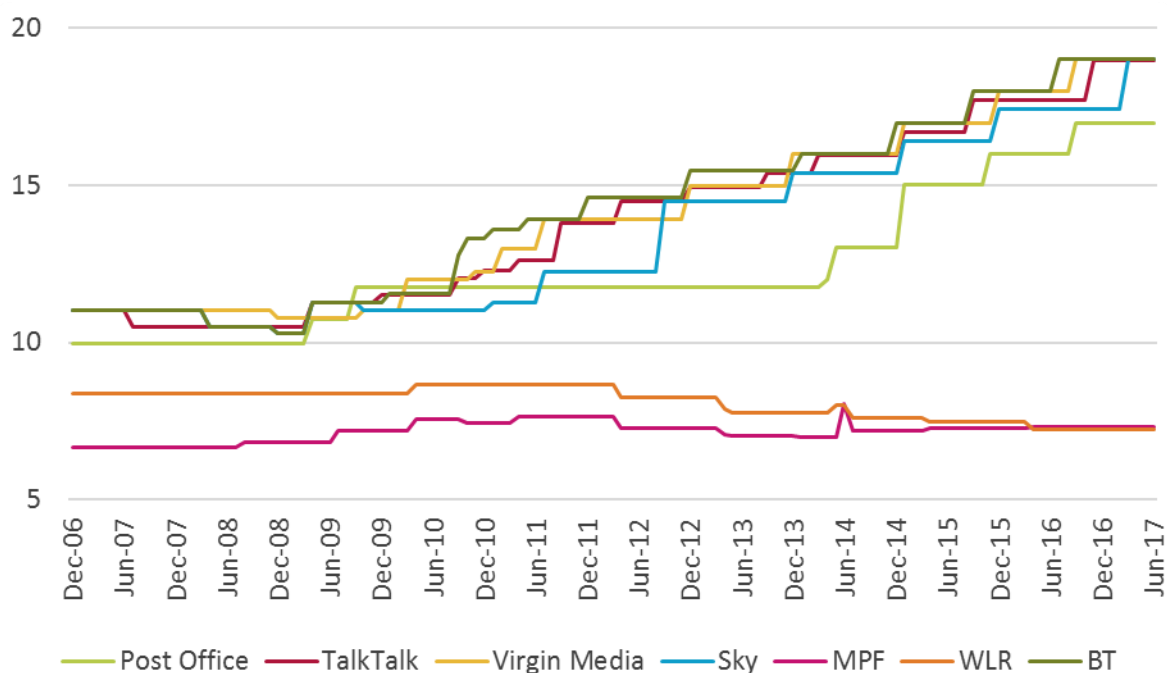
Figure 1.24: Wholesale and retail line rental price movements (£/month in June 2017 prices)



Source: Ofcom/PurePricing UK Broadband Updates

Notes: Adjusted for CPI. Excludes line rental saver pre-payment tariffs. Y-axis starts at £5/month.

- 1.63 Figure 1.26 below shows the line rental prices in nominal terms, i.e. without adjusting for inflation, since December 2006. These are the line rental prices and changes that would have been visible to consumers in the market.

Figure 1.25 Wholesale and retail line rental price movements (£/month)

Source: Ofcom/PurePricing UK Broadband Updates

Notes: Excludes line rental saver pre-payment tariffs. Y-axis starts at £5/month.

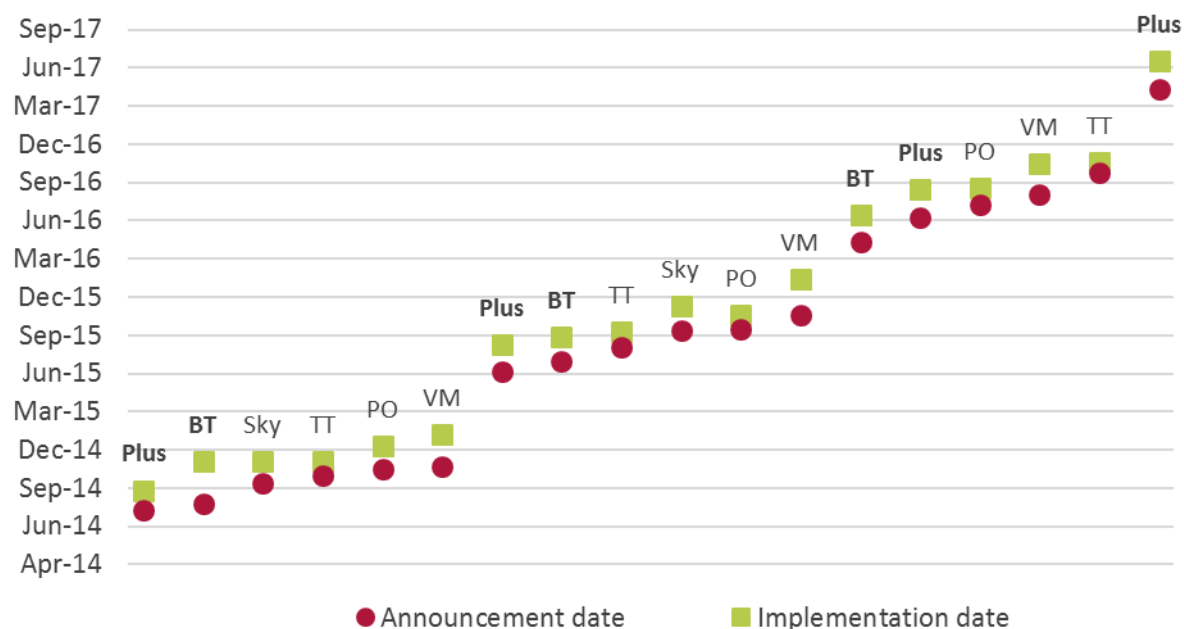
Timing of line rental price increases

- 1.64 We outline the timings of communications providers' announcements, and implementation, of line rental price increases. The price increases discussed here relate to prices charged to communications providers existing customer bases, rather than prices offered to new customers.⁶⁴ The announcement and implementation dates were collected from ispreview.co.uk, an independent internet service provider review website which publishes articles informing readers of telecoms price increases. Where the announcement date of the price increase is not stated in the article, we have used the publication date of the article as a proxy for the announcement date. Where possible, we have checked these dates and/or months against (a) internal pricing documents we received from BT, Sky and TalkTalk and (b) other press sources of price increases. Information from these sources is consistent with the price increases and dates from ispreview.co.uk.
- 1.65 Figure 1.26 below shows the announcement and implementation dates of line rental price increases across the main communications providers, with each pair of data points for announcement and implementation dates relating to a supplier and a pound value increase. We have labelled the data points for implementation dates with an abbreviation

⁶⁴ In a small number of instances, suppliers implement the price increases to new customers 2-3 months prior to the price increase for existing customers.

of the name of the supplier that implemented the increase. The labels are in bold fonts for BT and Plusnet.

Figure 1.26: Line rental price increase announcement and implementation dates, 2014-2017.⁶⁵



Source: *ispreview.co.uk, moneysavingexpert.com*

- 1.66 In the past three years, price increase announcements have typically clustered within a four to five-month period, followed by at least a five-month period of no price increases (with implementation following within months of the announcement).
- 1.67 BT has typically announced and implemented its line rental price increases before any other supplier over the past three years. Other suppliers then appear to follow BT in the subsequent months.⁶⁶ Communications providers typically increase their line rental by the same amount (usually by £1.00 per month) on an annual basis.
- 1.68 In January 2017 Sky announced it was increasing the line rental price by £1.59 to £18.99. Sky also announced that this price increase will not apply not apply to SFV customers, who will continue to pay a price of £17.40. This is the case for both existing and new SFV customers with Sky.
- 1.69 In December 2016 SSE announced it was going to increase the total rental cost (i.e. line rental and package fees) of several of its packages.⁶⁷ However, it did not specify how much of the increase corresponded to line rental and therefore is not included in the chart above.

⁶⁵ BT and Post Office recently froze the cost of line rental for their customers (BT in January 2017, while Post Office in July 2017).

⁶⁶ The exception to this is Plusnet's announcement and implementation. However, BT Group has owned Plusnet since 2007. [3<].

⁶⁷ See <https://sse.co.uk/help/phone-and-broadband/price-changes/february-2017#item1>

A description of current market offers

1.70 This section summarises the current market prices for SFV services, including line rental and call plan prices offered by active suppliers of SFV services. We also provide details on BT Basic, BT Home Phone Saver 2020 and Virgin Media Talk Protected.

Current standard line rental and call plan prices

1.71 Table 1.27 summarises the current prices for SFV services: monthly line rental (including annual pre-payment) and call plans.

Table 1.27: Prices for SFV services: line rental and call plans (per month)

	Monthly line rental	Annual line rental pre-payment	Weekend calls (in addition to line rental)	Evening and weekend calls (in addition to line rental)	Anytime calls (in addition to line rental)
BT	£18.99	£17.40	Inclusive	£3.80	£8.99
Phone Co-op	£17.00	£15.00	-	£3.00	£7.00
Direct Save Telecom ⁶⁸	£15.95	£14.50	-	£2.95	£7.65
Post Office ^{69 70}	£15.00*	-	Inclusive	£3.00	£8.00
Sky ⁷¹	£17.40	-	-	£4.00	£8.00
SSE ⁷²	£16.00	-	-	£2.00	£5.00
Utility Warehouse	£16.50	-	-	£3.00	£9.00
Virgin Media	£19.00	£16.33	£1.00	£5.00	£8.00

Source: Operator websites (accessed 16 August 2017).

Notes: asterisk indicates a promotional price.

⁶⁸ Direct Save Telecom also offers line rental on a rolling 28-day contract at £16.95/month.

⁶⁹ The price currently offered by Post Office was a promotional price, offered until 17 September 2017. This promotional price applied to a 12-month contract, after which customers would pay the standard price for line rental with inclusive weekend calls of £16.99.

⁷⁰ In the previous version of this table, Fuel was included. Since we published our February consultation, Fuel has left the market and Post Office has acquired their customers.

⁷¹ All Sky customers, except those customers who only had a voice service as of 1 March 2017, pay the new line rental price of £18.99.

⁷² SSE since 16 August increased its price to a minimum of £19.

BT Basic

- 1.72 BT offers an SFV service called BT Basic, which is a tariff for vulnerable consumers. BT offers a separate service called BT Basic + Broadband, which is a dual-play variant of the SFV BT Basic service. To qualify for BT Basic, a customer must be receiving one of the following benefits:
- Income Support;
 - Income-based Job Seekers Allowance;
 - Pension Credit (Guaranteed Credit);
 - Employment and Support Allowance (income related); and
 - Universal Credit (and are on zero earnings)
- 1.73 The line rental price for BT Basic customers is £5.10 per month (27% of BT's standard monthly line rental of £18.99), which includes a call allowance of £1.50 which would allow a customer to make around ten one-minute calls or one thirteen-minute call in a month.^{73 74} Calls beyond this allowance can be made at an additional cost, which has a monthly cap of £10, subject to a Fair Use policy.⁷⁵
- 1.74 There are around [] SFV lines supplied to BT Basic customers.^{76 77}

Home Phone Saver 2020

- 1.75 BT offers a product called Home Phone Saver 2020, which bundles line rental, calls and additional features together in a package.⁷⁸ This is a standalone service, i.e. it is not offered as part of any bundle with broadband from BT. This product is offered at a price of £21.99 per month, which is fixed until 2020.⁷⁹ Table 1.27 below compares Home Phone Saver 2020 with the individual prices of the products and features included in Home Phone Saver 2020.
- 1.76 In June 2017, there were around [] lines supplied to Home Phone Saver customers, accounting for []% of BT's SFV lines (excluding BT Basic).⁸⁰
- 1.77 Home Phone Saver 2020 includes:
- monthly line rental;
 - unlimited calls to UK landlines at any time, for up to one hour;
 - inclusive calls to 0845 and 0870 numbers at any time, for up to one hour;

⁷³ <http://btplc.com/inclusion/ProductsAndServices/BTBasic/Whatdoyouget/index.htm> [accessed 23/10/2017]

⁷⁴ BT Basic line rental does not include free weekend calls.

⁷⁵ If a customer exceeds the call allowance, they are charged 11.3 pence per minute (plus 3.3 pence for each phone call) for all calls to UK national and local numbers. They are charged 11.6 pence per minute (plus 3.3 pence for each phone call) for calls to UK mobiles.

⁷⁶ BT estimated that there are around a further [] BT Basic + Broadband customers (*source: BT presentation to Ofcom, 30/10/2016*).

⁷⁷ Source: s. 135 response data.

⁷⁸ There are a number of iterations of Home Phone Saver, signalled by the associated date.

⁷⁹ Source: Operator website (accessed 16 August 2017).

⁸⁰ Source: s. 135 response data.

- 1000 free minutes to BT Mobiles (excluding BT Business Mobile);
- BT Privacy Caller Display (opt-in only);
- Call Minder with enhanced BT Call Protect (opt-in only);
- International Premium Rate Call Barring (opt-in only);
- up to 7 additional calling features, (opt-in only); and
- free 1471 Call Return.

Table 1.28: Comparison of Home Phone Saver 2020 with individual product prices

	BT Home Phone Saver 2020	Individual standard prices
Line rental	Included	£18.99/month
Unlimited Anytime Calls ⁸¹	Included (for up to an hour)	£8.99/month
Inclusive calls to 0845 and 0870 numbers at any time	Included (for up to an hour)	Included
1000 free minutes to BT Mobiles (excludes BT Business Mobile)	Included	Included with Unlimited Anytime Calls, otherwise 16p/minute
1471 call returns	Included	27.5p charge plus the cost of the call
BT Privacy with Caller Display	Included (when you opt-in)	£1.75/month
Call Minder	Included (when you opt in)	£4.50/month
BT Call Protect	Included (when you opt in)	Included (when you opt in)
Anonymous Call Reject ⁸²	Included (when you opt-in)	£6.05/month
Up to 7 additional Calling features	Included (when you opt in)	£11.75/month ⁸³
Total	£21.99/month	£52.03/month⁸⁴

Source: Operator website (accessed 21 August 2017).

- 1.78 A customer purchasing these SFV services at standard prices could make substantial savings by taking up Home Phone Saver 2020. A customer who purchases standard line rental and unlimited anytime calls from BT could save £5.99/month by switching to Home

⁸¹ Calls to non-BT phone mobile numbers incur a charge of 8 pence per minute in the Unlimited Anytime Calls package, compared with 16 pence per minute under Home Phone Saver 2020.

⁸² Provided when BT Call Protect is not available at a customer's exchange.

⁸³ Based on the cost of a package of 5+ calling features (BT Consumer Price Guide, http://www.productsandservices.bt.com/assets/pdf/BT_PhoneTariff_Residential.pdf, accessed 21 August 2017)

⁸⁴ Sum of all monthly costs (per minute and per call costs not included).

Phone Saver 2020. A customer who purchases all of the products included with Home Phone Saver 2020, on an individual basis at standard prices could save up to £30.04/month by switching to Home Phone Saver 2020. However, for customers purchasing line rental and weekend calls, Home Phone Saver 2020 is more expensive than their current plan, while for those purchasing line rental, evening and weekend calls, Home Phone Saver is 80p cheaper per month (assuming no out-of-plan calls).

- 1.79 Home Phone Saver 2020, launched in April 2017, has had additional features added to it compared to Home Phone Saver 2019. The potential ‘maximum’ savings from Home Phone Saver 2020 compared to Home Saver 2019 has increased to £30.04/month from £13.05/month. The main reason is the addition of “Call Minder” and “Up to 7 additional Calling features”.

BT Line Rental Saver

- 1.80 BT offers an SFV product called Line Rental Saver, which offers BT customers 12 months’ line rental for the price of 11 when paying the entire sum up front. Therefore, instead of paying the monthly rate of £18.99 for 12 months (£227.88 per annum) Line Rental Saver customers pay a single (non-refundable) instalment of £208.80 (which equates to £17.40 per month).⁸⁵ Line Rental Saver is not compatible with Home Phone Saver, i.e. the annual price of Home Phone Saver cannot be paid up front in order to receive a discount.

Virgin Media Line Rental Saver

- 1.81 Virgin Media offers SFV customers the option to take its Line Rental Saver package, whereby customers are able to pay £196 up front for a year’s line rental. Customers who do this save £32 per annum, paying £196 instead of £228 in 12 monthly instalments. This equates to £16.33 per month for line rental instead of the usual £19.

Virgin Media Talk Protected

- 1.82 In December 2016 Virgin Media announced it would be launching a new product called Talk Protected, which freezes its line rental price at the previous rate £17.99, for elderly and disabled customers. This became available to new qualifying customers on 1 January 2017, and existing eligible customers were automatically upgraded to Talk Protected after 10 January. To qualify for Talk Protected a customer must be identified as being over 65, or have additional accessibility needs including limited hearing, sight, speech and mobility. Customers signed up to this product receive additional benefits, such as inclusive evening and weekend calls to UK landlines and mobiles and inclusive voicemail and caller display, among other benefits.

⁸⁵ We note that previously BT’s Line Rental Saver offered a 10% reduction in the cost of a year’s line rental. This new version of Line Rental Saver offers an 8.3% discount.

Comparisons of prices

1.83 In this section we compare the prices voice-only and split-purchase customers are paying for their services with the prices of dual-play services.

SFV prices comparison with dual play prices

1.84 Table 1.29 below compares the SFV access price (line rental) with the cheapest available dual-play price. Therefore, it shows the incremental broadband price.

Table 1.29: Line rental and promotional and standard dual-play prices

	(1) Monthly line rental price	(2) Cheapest promotional dual-play price	(3) Cheapest standard dual-play price	(2) – (1) Difference to promotional dual-play price	(3) – (1) Difference to standard dual-play price
BT	18.99	24.99	34.99	6.00	16.00
Phone Co-op	17.00	22.00	27.00	5.00	10.00
Post Office	15.00 ⁸⁶	20.00	28.00	5.00	13.00
Sky	18.99	20.00	28.99	1.01	10.00
SSE	16.00	26.00 ⁸⁷	26.00	10.00	10.00
TalkTalk	18.95	19.95	27.00	1.00	8.05
Virgin Media	19.00	27.00	40.00	8.00	21.00
Weighted average	18.18	24.01	33.11	5.83	14.93

Source: Operator websites (accessed 21 August 2017)

Notes: Averages are weighted by the estimated number of voice-only customers with each CP as at Q1 2017. Promotional prices generally apply to 12-month contract periods with the exceptions of an 18-month contract period for Post Office, and a 24-month contract period for TalkTalk. Cheapest dual-play prices are for speeds of 17Mbit/s, i.e. ADSL, except for Virgin Media (50Mbit/s – the lowest speed offered), and BT whose 38Mbit/s package with a 30Gb data allowance was cheaper than its 17 Mbit/s package which is only available with unlimited data.

⁸⁶ This is a promotional price. The standard price for line rental with the Post Office is £16.99 a month.

⁸⁷ SSE did not offer a promotional price at the time of access. However, we note that it has previously had a promotional price of £19.50 a month.

- 1.85 Below we compare the price of line rental and calls, which we refer to as SFV services, against dual-play prices using data from Simplify Digital from Q1 2013 to Q1 2017. The prices of SFV services are averaged across BT, Post Office, SSE, and Fuel.⁸⁸ ADSL dual-play refers to a dual-play bundle with standard broadband with headline speeds of <30Mbit/s. We use average standard (non-promotional) ADSL dual-play prices and average prices including promotions.⁸⁹ These prices include an average call subscription fee. The average prices for ADSL dual-play are based on prices offered by BT, Sky and TalkTalk, the three largest providers in the ADSL market.
- 1.86 Table 1.30 below compares the price of SFV services and ADSL dual-play prices in real (inflation-adjusted) terms, presenting data at yearly intervals from Q1 2013 to Q1 2017. From Q1 2013 to Q1 2017, the price of SFV services increased by 16% (£3.02). Across the same period, the standard (non-promotional) price of ADSL dual-play increased by approximately the same percentage (19%, or £6.30), while average speed increased. The price including promotions decreased slightly by 1% (£0.31). Figure 1.30 presents these relative price changes indexed against the price at the start of Q1 2013.⁹⁰
- 1.87 Figure 1.30 also compares the price difference between SFV services and ADSL dual-play. The average price difference between SFV services and standard ADSL services has increased by 22% (£3.28) between Q1 2013 and Q1 2017. However, the average price difference between SFV services and ADSL prices including promotions has decreased by 34% (£3.33) across the same period.

⁸⁸ And “other packages”. These are prices advertised to new SFV customers.

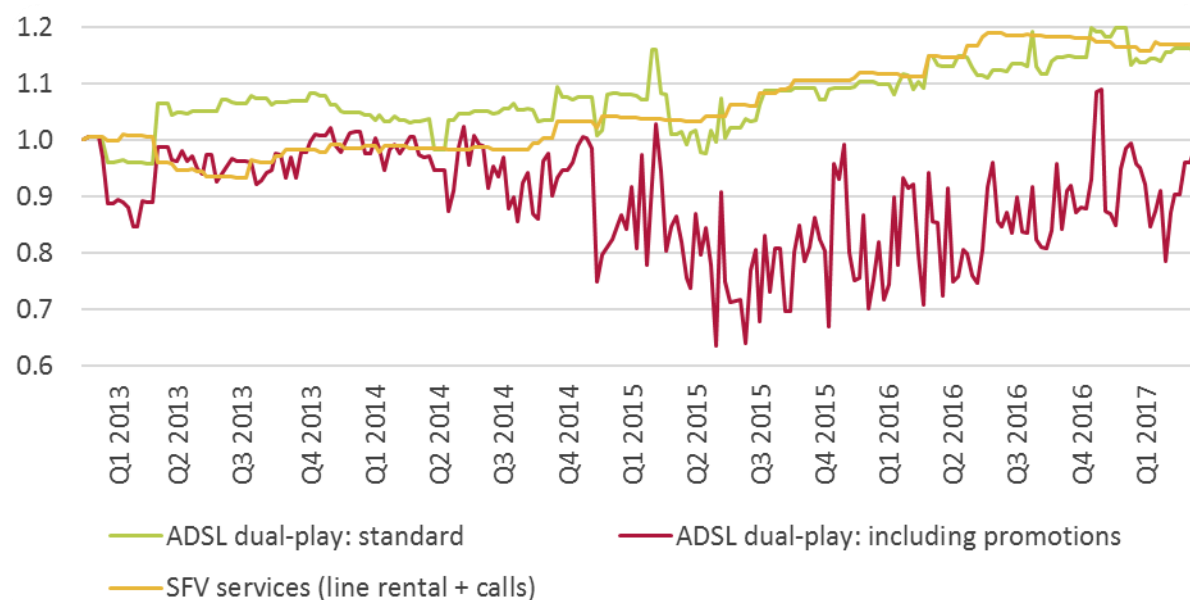
⁸⁹ This price is averaged across all tariff types, i.e. standard and promotional, not exclusively across promotional tariffs.

⁹⁰ This presents prices at all points in time tracked by Simplify Digital. This is usually 4-5 times a month.

Table 1.30: Prices of SFV services and ADSL dual-play bundles (£/month, June 2017 prices)

	Q1 2013	Q1 2014	Q1 2015	Q1 2016	Q1 2017	% change (2013-2017)	£ change (2013- 2017)
(1) SFV services (line rental + calls)	18.89	18.57	19.55	20.99	21.91	16%	3.02
(2) ADSL dual-play price: standard	33.67	35.97	37.54	38.03	39.97	19%	6.30
(3) ADSL dual-play price: including promotions	28.81	31.07	27.45	25.60	28.50	-1%	-0.31
Difference to SFV services							
(2) - (1) ADSL standard prices	14.78	17.40	17.99	17.04	18.06		
(3) - (1) ADSL promotional prices	9.92	12.50	7.89	4.61	6.59		

Source: Simplify Digital

Figure 1.31: Indexed prices of SFV services and ADSL dual-play bundles (£/month, June 2017 prices)

Source: Simplify Digital

Notes: All prices indexed to the earliest data point available at the start of Q1 2013.

SFV prices and standalone broadband prices comparison with dual play prices

- 1.88 We have collected data from BT, Plusnet, PostOffice, Sky, and TalkTalk, on the prices paid by their standalone fixed broadband customers and the number of customers on each tariff. We have used this information to estimate each CP's average standalone fixed broadband price weighted by the number of customers on each tariff.
- 1.89 [38].^{91 92} In total, over 80% of standalone fixed broadband customers, supplied by BT, Sky and TalkTalk, Plusnet receive a standalone fixed broadband with a speed of 17Mb.⁹³
- 1.90 The table below shows the price for each 17Mb standalone broadband service (in terms of speed and usage limit) provided by BT, Sky and Talktalk. We present average price weighted by the number of customers on each usage and price combination for each standalone fixed broadband service. In some instances, customers receiving the same service are paying different prices.
- 1.91 It shows that on average customers purchasing 17Mb standalone broadband pay £23.73 and £18.99 for line rental.⁹⁴ Compared to average dual-play prices which split purchasers would pay if they bundled these services, they are paying an average of £17.83 more per month compared to promotional dual-play prices or £7.87 more per month compared to standard dual-play prices. However, this variation depends by operator as shown below.

⁹¹ We exclude customers who receive a standalone fixed broadband service from BT (a) free of charge, and (b) where the price and service combinations are provided to fewer than 100 customers.

⁹² We exclude Sky customers who take a 17Mb/2Gb service and a 6Mb/Unlimited service, since there is no closely comparable dual play product, in terms of speed/usage combinations.

⁹³ Approximately 85% of these customers had unlimited usage, whilst 15% have a capped usage.

⁹⁴ We use a line rental price of £18.99, since we estimate that the majority of split purchasers take their line from BT.

Table 1.32: Standalone fixed broadband prices, and promotional and standard dual-play prices

		(1)	(2)	(3)	(4)	(5) = (3)–(2)	(6) = (4)–(2)
	Download speed / Data usage cap	Standalone fixed broadband weighted average price (Q1 2017)	Standalone fixed broadband + Monthly line rental (£18.99)	Cheapest promotional dual-play price	Cheapest standard dual-play price	Difference to promotional dual-play price	Difference to standard dual-play price
BT	17Mb / 12Gb	32.89	51.88	24.99	34.99	-26.89	-16.89
BT	17Mb / 25Gb	25.44	44.43	24.99	34.99	-19.44	-9.44
BT	17Mb / Unlimited	33.79	52.78	24.99	34.99	-27.79	-17.79
Sky	17Mb / Unlimited	15.16	34.15	20.00	28.99	-14.15	-5.16
TalkTalk	17Mb / Unlimited	22.71	41.70	19.95	27.00	-21.75	-14.70
Weighted average	Various	23.73	42.72	24.89	34.85	-17.83	-7.87

Source: S135 response data; dual-play promotional and standard prices from operator websites (accessed 21 August 2017)

Notes: For BT 17Mb / 25Gb we use the promotional and standard price of a 17Mb/12Gb service as a proxy for 17Mb/25Gb, since this usage limit is no longer available.

- 1.92 Table 1.33 also compares the price difference between SFV services and Standalone Broadband and ADSL dual-play since 2015. The price of ASDL dual play including promotions has been £13-£14 cheaper. However when a simple average of dual play ASDL standard prices is taken the difference is less pronounced.

Table 1.33: SFV services plus Standalone Broadband and ADSL dual-play bundles (£/month, June 2017 prices)

	Q2 2015	Q2 2016	Q1 2017	% change (2015- 2017)	£ change (2015- 2017)
(1) Standalone fixed broadband + line rental	38.51	38.91	42.72	11%	4.21
(2) ADSL dual-play price: standard	35.02	39.09	39.97	14%	4.95
(3) ADSL dual-play price: including promotions	25.15	25.18	28.50	13%	3.35
	Difference to standalone fixed broadband + line rental				
(2) - (1) ADSL standard prices	-3.49	0.18	-2.75		
(3) - (1) ADSL promotional prices	-13.36	-13.73	-14.22		

Source: Simplify Digital for ADSL and line rental prices, and s135 responses for standalone fixed broadband prices.

Estimates of revenue per line

1.93 In this section we estimate the revenue per line, across communications providers from 2013/14 to 2016/17.

1.94 Figure 1.34 presents SFV total revenue per line figures, calculated by dividing SFV total revenues by the number of SFV lines for BT, Post Office, SSE, TalkTalk, Virgin Media, Sky, and the Phone Co-op.

Figure 1.34: SFV total revenue per line (£/month, June 2017 prices)

[X]

Source: S135 responses

1.95 SFV total revenue per line has been increasing for some communications providers and decreasing for others. [X]

1.96 Figure 1.35 below, presents the access revenue per SFV line by operator (in real terms). This is equivalent to the line rental price.

Figure 1.35: Access revenue per SFV line (£/month in June 2017 prices)

[X]

Source: S135 responses

1.97 [X] had the highest access revenue per line in the seven financial years between 2010/11 and 2016/17.

1.98 Figure 1.36 below presents non-access revenue per SFV line by operator per month in real terms. Non-access revenues are a proxy for revenues across all call types.⁹⁵ To calculate non-access revenue we subtract total access revenue from total SFV revenue, divided by the number of SFV lines.

Figure 1.36: Non-access revenue per SFV line (£/month in June 2017 prices)

[X]

Source: S135 responses

1.99 All communications providers' non-access revenue have fallen over 2013/14 to 2016/17, but by significantly different amounts. [X]

1.100 Figure 1.37, below, presents the annual non-access revenues per minute by operator for the past four financial years.⁹⁶

Figure 1.37: Non-access revenues per minute (pence per minute, June 2017 prices)⁹⁷

[X]

Source: s.135 responses

Consumer characteristics

Survey evidence introduction

1.101 This section presents some of the characteristics of SFV customers based on three consumer research studies:

- The 2017 NMR residential survey,⁹⁸
- The Ofcom Technology Tracker, H1 2017;⁹⁹ and

⁹⁵ Non-access revenue is an overestimate of call revenue because non-access includes revenues which are neither from calls nor access (e.g. charges for paper billing and ancillary services).

⁹⁶ The figures presented in the February 2017 consultation were calculated using an average of the number of minutes in each month rather than a sum. This significantly overestimated the non-access revenues per minute, however, all CPs were out by approximately by the same factor (depending on the relative rate of decline in calls) and so the analysis is not affected. The corrected figures are presented here.

⁹⁷ In the February 2017 consultation, non-access revenues per minute were mistakenly calculated using the average number of calls over the financial year rather than the total number of calls. There is no impact to the analysis as all numbers were overstated by approximately the same factor.

⁹⁸ Run by Saville Rossiter-Base on behalf of Ofcom to understand the choices that residential consumers make regarding their use of fixed telecoms services, and to explore how they might react to hypothetical changes in the prices of their services. This is part of wider research also looking at business consumers to support the 2017 Narrowband Market Review. Detailed results can be found here: <https://www.ofcom.org.uk/consultations-and-statements/category-1/narrowband-market-review>

⁹⁹ Run by Saville Rossiter-Base on behalf of Ofcom to track the attitudes and behaviour of the general public with respect to the residential telecommunications market as well as broadcasting more generally.

- The Ofcom Switching Tracker, 2016.¹⁰⁰
- 1.102 The evidence set out from the 2017 NMR residential survey is an update to the previous 2015 Jigsaw Research Survey (which is not presented in this document). The Ofcom Technology Tracker H1 2017 is an update to Ofcom Technology Tracker H2 2016 which was presented in the February Consultation. Evidence from Switching Tracker is replicated from the February Consultation.
- 1.103 In the context of consumer surveys, isolating the split-service customer segment is problematic.
- 1.104 In the Technology Tracker and Switching Tracker, the number of customers who reported that they do not bundle landline and broadband was unreliaibly high, and therefore not comparable with more reliable s.135 data. This may be due to respondents either (a) not realizing that the line rental component of a dual-play bundle equates to bundling voice services with fixed broadband, or (b) not acknowledging that they bundle landline and fixed broadband when they pay the same supplier for both of these services.
- 1.105 The 2017 NMR residential survey corrects for this by instead asking respondents who receive landline and broadband services from a single provider whether they receive a single bill, or separate bills for their services. The results from this survey are in a more realistic order of magnitude¹⁰¹ but the number of respondents only totalled 83. Given the small sample size, and to provide consistency with the other surveys we have not isolated this split-service customer segment.
- 1.106 We believe split-supply customers to be a reasonable proxy for split-purchasers as we estimate that split-supply customers account for around 80% of split-purchasers, with the remaining 20% being split-service customers.
- 1.107 For these reasons, we have defined the groups outlined below in Figure 1.38 for our analysis of consumer survey evidence.

Table 1.38: Groups used for consumer survey evidence

Group name	Definition
Voice-only	Landline, no fixed broadband
Split-supply	Landline and fixed broadband, with different suppliers
Dual-play	Landline and fixed broadband with the same supplier ¹⁰²

¹⁰⁰ Run by Saville Rossiter-Base on behalf of Ofcom to monitor the general public's switching and engagement behaviour with communications services.

¹⁰¹ Although still overestimated by a factor of between 2 and 3.

¹⁰² This group will contain an immaterial number of split-service customers, which does not affect our analysis of this group within our analysis of survey evidence.

Demographics of SFV customers

1.108 This section presents evidence on SFV customer demographics broken down into voice-only and split-supplier customers in terms of age, socioeconomic grade, working status, and income. The sources of this data are the 2017 NMR residential survey and the Ofcom Technology Tracker (H1 2017).

Evidence on age¹⁰³

1.109 The 2017 NMR residential survey and Technology Tracker collected information on age for voice-only, split-supply, and dual-play customers. These are presented in Table 1.39 (2017 NMR residential survey) and Table 1.40 (Technology Tracker) below. Both figures also include information on age for the overall UK population for comparability purposes.

Table 1.39: Information on age (2017 NMR residential survey)

	Voice-only customers	Split-supply customers	Dual-play customers	UK population
Unweighted base	266	282	2,223	53,257,957
16-24	3%	4%	11%	14%
25-34	9%	12%	22%	17%
35-54	19%	35%	37%	33%
55-64	11%	22%	14%	14%
65-74	18%	20%	11%	12%
75+	41%	7%	7%	10%

Source: 2017 NMR residential survey, and ONS (mid 2016)

¹⁰³ In the February Consultation we presented data on the distribution of SFV customers by age group based on s135 responses. We have not replicated this data here.

Table 1.40: Information on age (Technology Tracker)

	Voice-only customers	Split-supply customers	Dual-play customers	UK population
Unweighted base	450	157	2,672	53,257,957
16-24	4%	19%	14%	14%
25-34	4%	12%	18%	17%
35-54	12%	38%	38%	33%
55-64	14%	13%	15%	14%
65-74	23%	12%	11%	12%
75+	43%	5%	5%	10%

Source: Ofcom Technology Tracker (H1 2017), and ONS (mid 2016)

Evidence on socioeconomic grade

1.110 The 2017 NMR residential survey and Technology Tracker collected information on socioeconomic grade for voice-only, split-supplier, and dual-play customers. These are presented in Table 1.41 (2017 NMR residential survey) and Table 1.40 (Technology Tracker) below.

Table 1.41 Information on socioeconomic grade (2017 NMR residential survey)

	Voice-only customers	Split-supplier customers	Dual-play customers
Unweighted base	266	282	2223
AB	16%	41%	29%
C1	17%	27%	28%
C2	31%	12%	22%
DE	35%	20%	20%

Source: 2017 NMR residential survey

Table 1.42: Information on socioeconomics grade (Technology Tracker)

	Voice-only customers	Split-supplier customers	Dual-play customers
Unweighted base	450	157	2672
AB	14%	26%	31%
C1	19%	28%	28%
C2	27%	31%	21%
DE	40%	16%	20%

Source: Ofcom Technology Tracker, H1 2017

Evidence on working status and household income levels

1.111 The 2017 NMR residential survey and Technology Tracker collected information on working status and household income for voice-only, split-supplier, and dual-play customers. This is presented in Tables 1.43 and 1.44 below.

Table 1.43: Information on working status (2017 NMR residential survey)

	Voice-only customers	Split-supplier customers	Dual-play customers
Unweighted base	266	282	2223
Working	30%	54%	63%
Not working	70%	47%	36%
	Income		
Under £10,399	15%	5%	6%
£10,400 - £15,599	15%	13%	10%
£15,600 - £25,999	11%	18%	15%
£26,000 - £36,399	5%	16%	16%
£36,400+	3%	31%	22%
No response	49%	18%	32%

Source: 2017 NMR residential survey

Table 1.44: Information on socioeconomics grade (Technology Tracker)

	Voice-only customers	Split-supplier customers	Dual-play customers
Unweighted base	450	157	2672
Working	21%	63%	64%
Not working	79%	37%	36%
	Income		
Under £11,500	16%	3%	4%
£11,500 - £17,499	14%	6%	7%
£17,500 - £29,999	8%	11%	10%
£30,000+	6%	15%	22%
No response	56%	65%	58%

Source: Ofcom Technology Tracker, H1 2017

Landline and mobile usage

Mobile usage

- 1.112 The 2017 NMR residential survey suggests that a considerably lower proportion of voice-only customers (72%) have access to a mobile phone, compared to 92% of split-supplier customers. Dual-play customers are slightly more likely to have access to a mobile phone, with 97% of respondents stating they do.
- 1.113 This is supported by the Technology Tracker, which indicates that 65% of voice-only customers have access to a mobile phone, much lower than split-supplier customers and dual-play customers (96% and 98% respectively).¹⁰⁴
- 1.114 9% of voice-only customers reported that they had access to mobile broadband (through a USB modem or 'dongle', rather than fixed broadband). This percentage is similar to dual-play and split-supplier customers (8%).

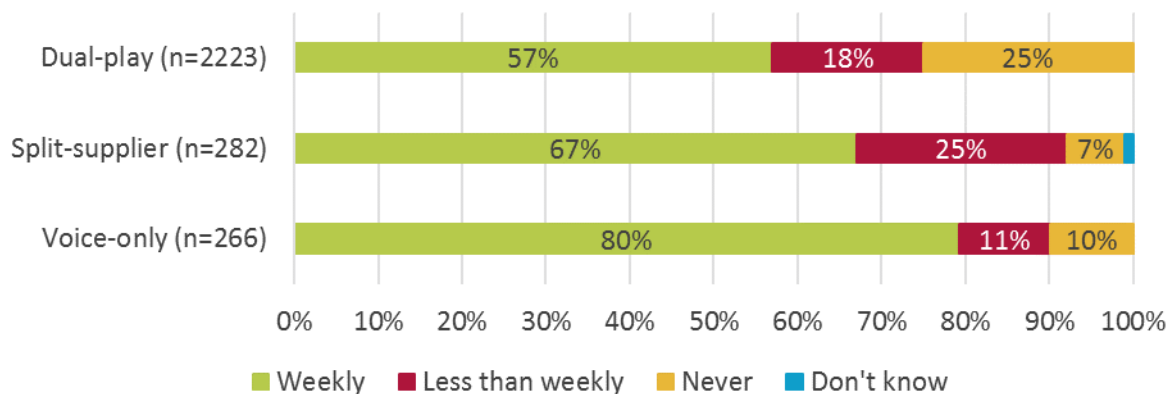
Landline usage

- 1.115 Overall, a similar proportion of voice-only and split-purchase customers use their landline to make calls at all (91% and 92% respectively), compared to 75% of dual-play customers.

¹⁰⁴ Ofcom, Technology Tracker, H1 2017.

However, voice-only customers are more likely to make landline calls on a weekly basis (80%) than the other two groups.

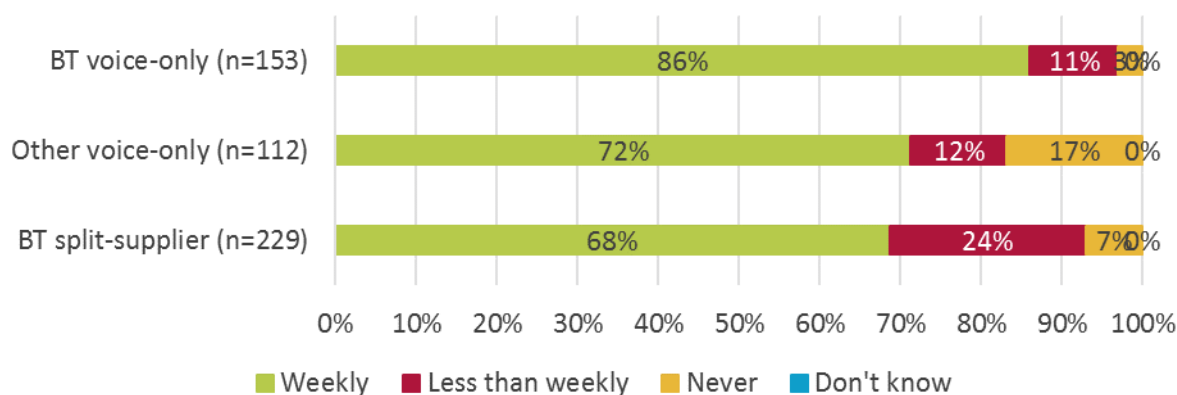
Figure 1.45: Frequency of making landline calls



Source: 2017 NMR residential survey

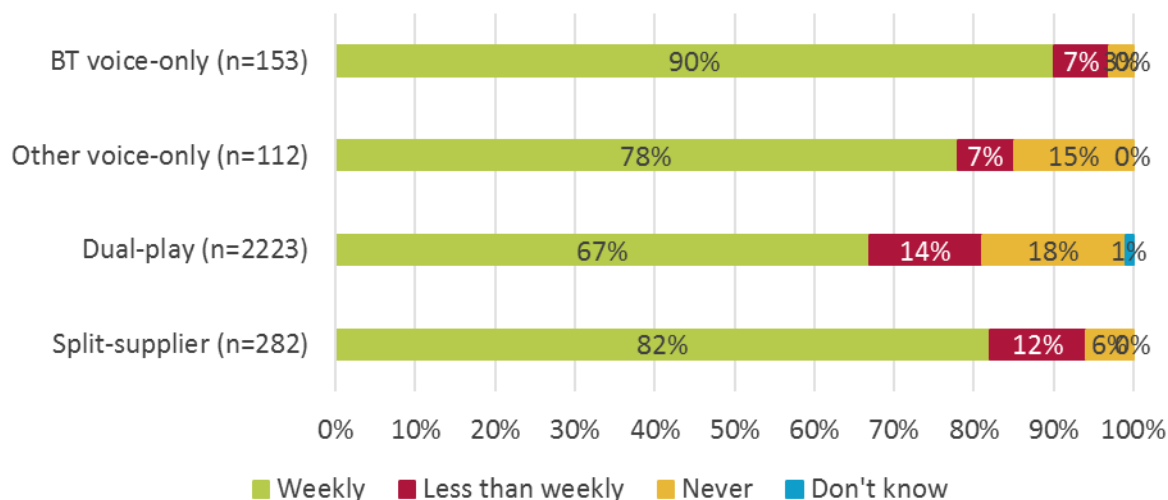
- 1.116 Figure 1.46 suggests that BT voice-only customers make landline calls on a more regular basis compared to voice-only customers of other providers. There is less of a distinction between BT and non-BT among the split-supplier customers.

Figure 1.46 Frequency of making landline calls: BT versus Other communications providers



Source: 2017 NMR residential survey

- 1.117 Figure 1.47 suggests that voice-only customers tend to receive calls more frequently than split-supplier customers who, in turn, receive calls more frequently than dual-play customers. BT customers also cited receiving calls more frequently than non-BT customers.

Figure 1.47: Frequency of receiving landline calls

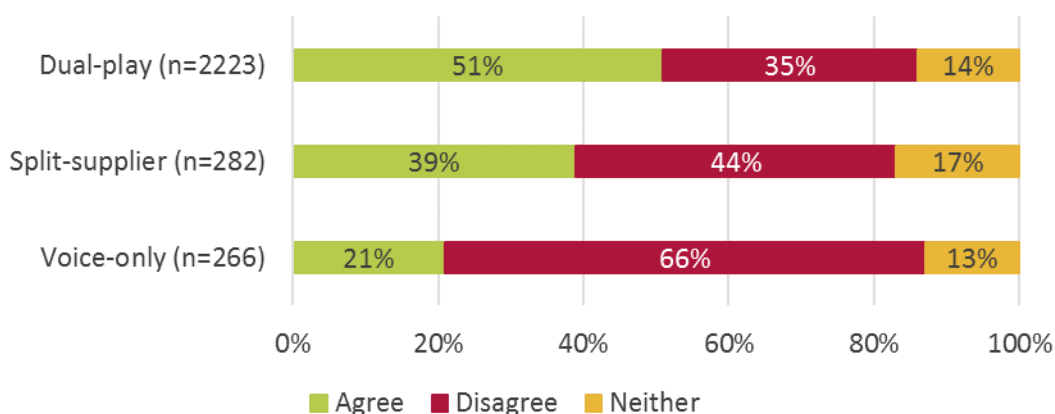
Source: 2017 NMR residential survey

Attachment to landline services

- 1.118 Respondents were asked whether they agree with the statement “Under certain circumstances, I would be prepared to give up the ability to make and receive calls from my landline”. Figure 1.48 shows that voice-only customers appear to have a stronger attachment to their landline - two thirds disagreed with the statement, compared to 44% for split-purchaser customers, and 35% for dual-play customers.

Figure 1.48: Willingness to give up landline calls

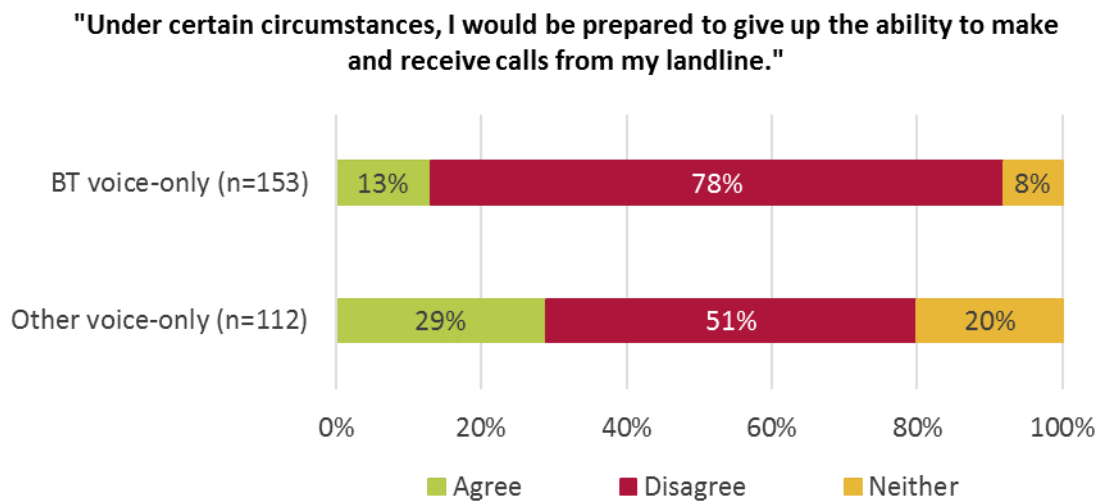
"Under certain circumstances, I would be prepared to give up the ability to make and receive calls from my landline."



Source: 2017 NMR residential survey

- 1.119 Among voice-only customers, those who use BT appear less willing to give up their landline than those with other providers – close to 8 in 10 of the former disagreed with the statement compared to around half for the latter.

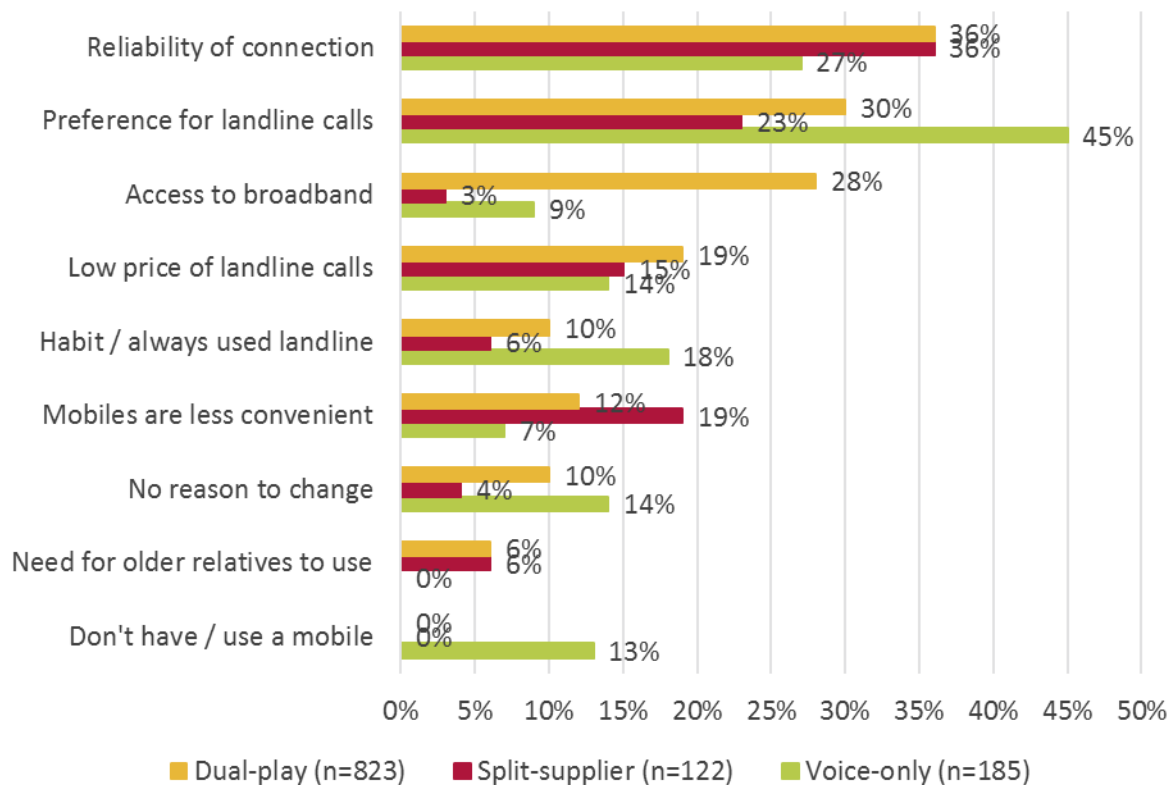
Figure 1.49: Willingness to give up landline calls: BT versus other communications providers



Source: 2017 NMR residential survey

- 1.120 As a follow up to the agreement statement, respondents who said they were not willing to give up making and receiving landline calls under any circumstances were asked why. As shown in Figure 1.50 the main reason cited by voice-only customers was a general preference for making calls on a landline (45%), whereas for dual-play and split-supplier customers reliability of connection was seen as more important.

Figure 1.50: Reasons for unwillingness to give up landline calls¹⁰⁵

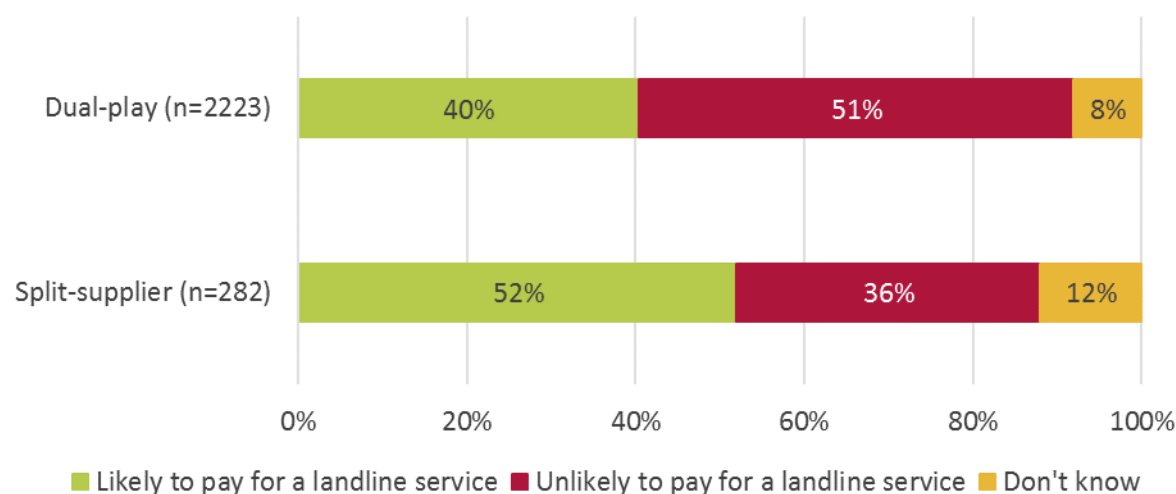


Source: 2017 NMR residential survey

- 1.121 We asked customers who had a fixed broadband service whether they would be likely to continue paying for a landline service if they could have broadband as a standalone service. Compared to split-supplier customers (52%), a lower proportion of dual-play customers (40%) said they would.

¹⁰⁵ This presents the main reasons reported by customers. We have omitted responses for which less than 5% of each customer group reported.

Figure 1.51: Paying for a landline service if not required for fixed broadband

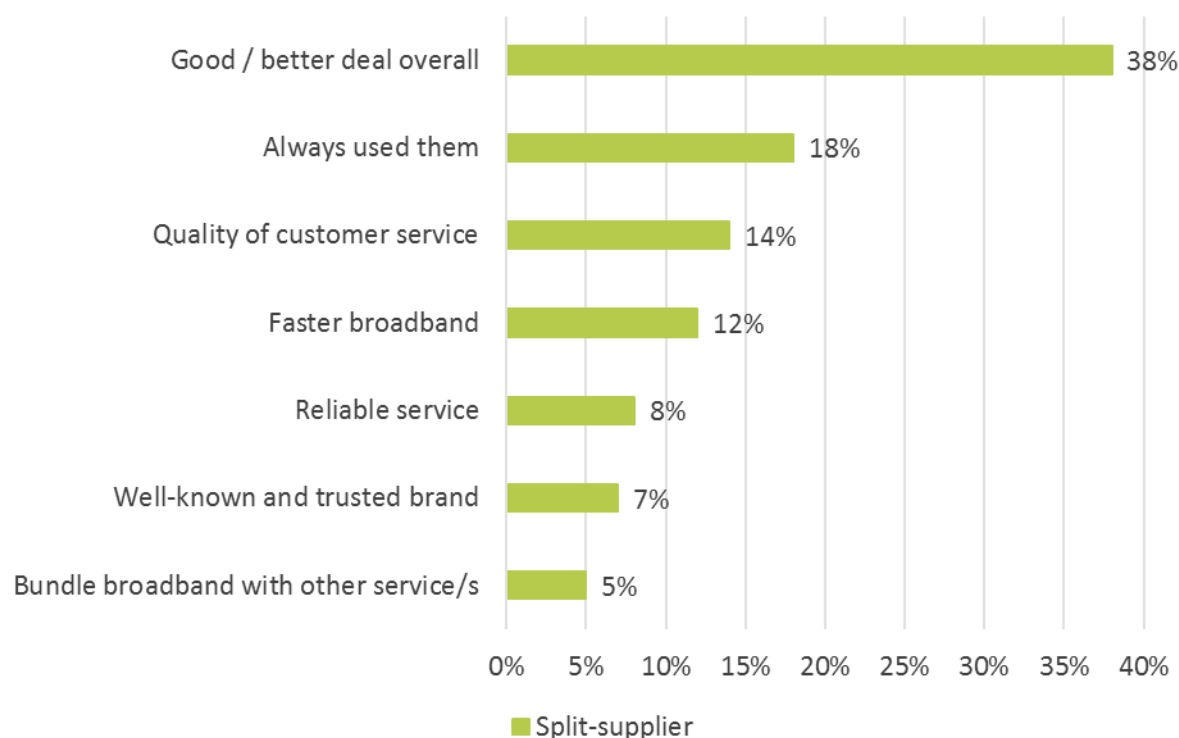


Source: 2017 NMR residential survey

Reasons to be a split-supplier

- 1.122 Split-supplier customers were asked why they purchased a broadband service from a different supplier to their landline. The most common reason was that they got a good, or better deal from separate suppliers and this was reported by 38% of split-supplier customers. Other commonly reported reasons were having always used them (18%), quality of customer service (14%), faster broadband (12%), reliable service (8%), well-known and trusted brand (7%), and to bundle broadband with other services (5%).

Figure 1.52: Reasons for purchasing broadband from a different supplier to their landline¹⁰⁶



Source: 2017 NMR residential survey

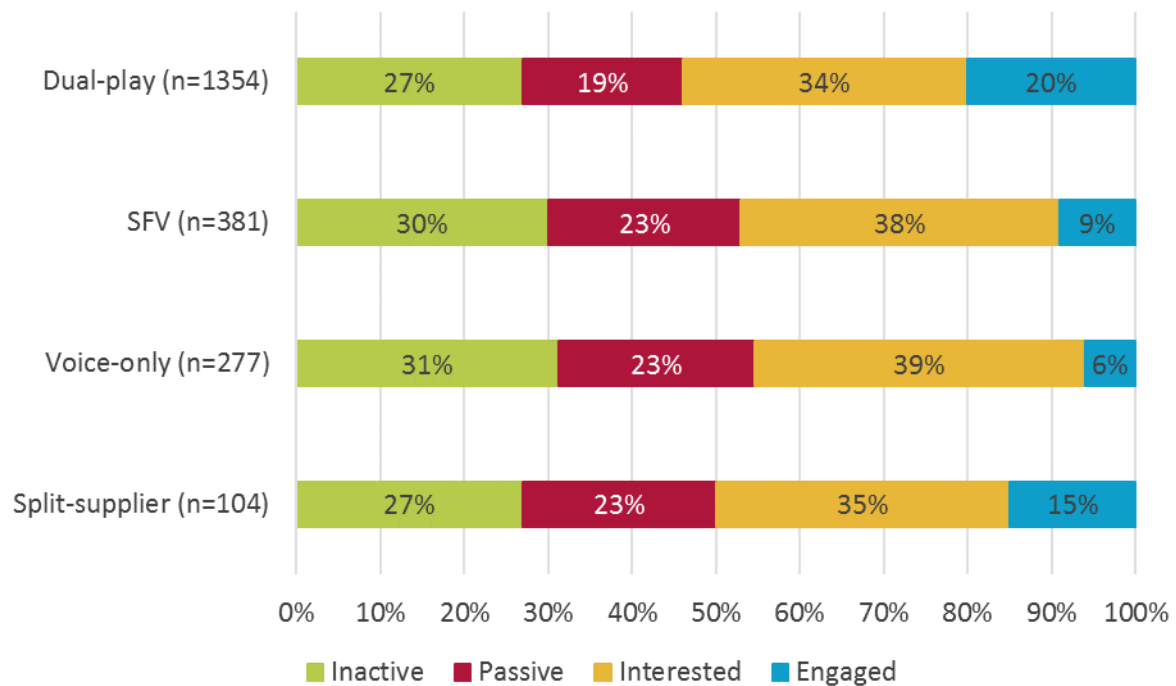
Engagement, switching, and satisfaction levels

- 1.123 The Ofcom Switching Tracker uses an engagement index which measures past and current switching behaviour and interest in the market through survey questions. Those who are “inactive” may have had some past involvement, but have a low interest in the market. Those who are “passive” are more likely to have participated in the past and indicate some interest in the market. Those who are “interested” are similar to those who are passive, but are more likely to keep an eye on the market and look out for better deals. Those who are “engaged” are the most active group in terms of past and current behaviour. The index scores associated with the consumer’s behaviour categorises the consumer.¹⁰⁷
- 1.124 Only 6% of voice-only customers are classified as engaged, compared to 20% of dual play customers. Split-supplier customers have a higher level of engagement than voice-only, with 15% classified as engaged. The difference between split-supplier and dual-play is not statistically significant.

¹⁰⁶ This presents the main reasons reported by customers. We have omitted responses for which less than 5% customers reported.

¹⁰⁷ 2017 NMR residential survey.

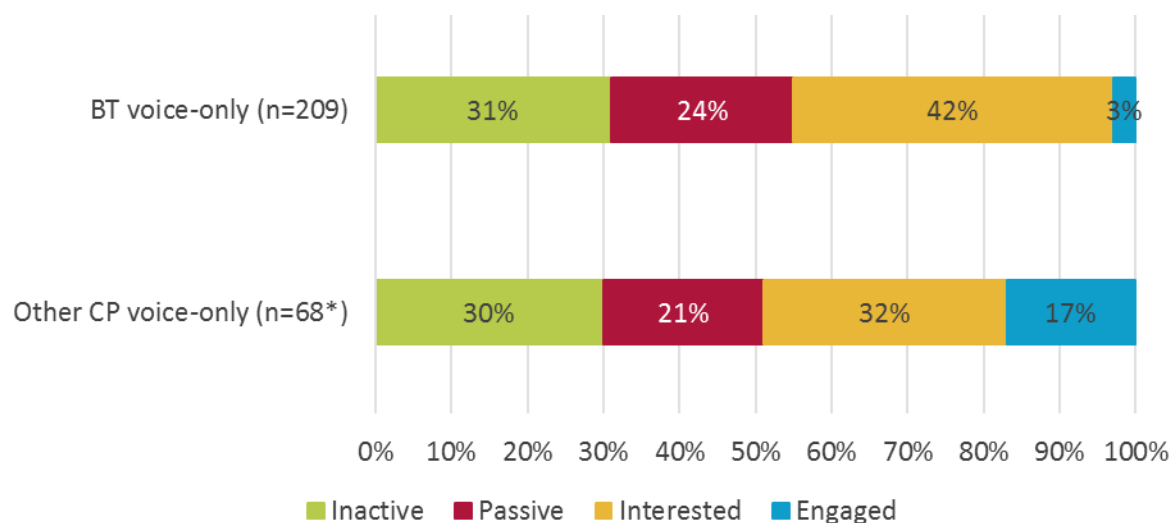
Figure 1.53: Engagement levels in relation to fixed line services



Source: Ofcom switching tracker, July – August 2016

1.125 Figure 1.54 indicates that BT voice-only customers are less engaged compared to customers of other communications providers. Only 3% of BT SFV customers are classified as engaged, compared to 17% of other CP SFV customers (although the sample size is small).

Figure 1.54: Engagement levels in relation to fixed line services: BT versus Other communications providers



Source: Ofcom switching tracker, July – August 2016

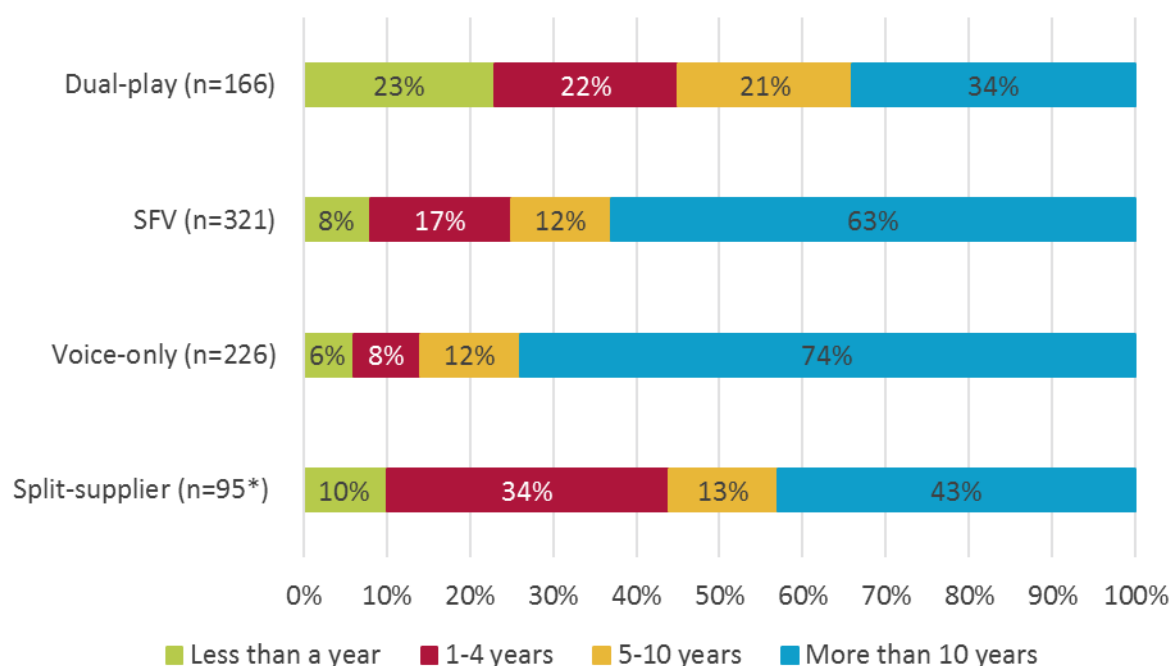
Notes: *Caution:base under 100.

1.126 The 2017 NMR residential survey did not create an overall engagement index, however it did ask consumers questions on switching and their level of activity in the market. This is presented later in the annex.

Length of time with current provider

1.127 Figure 1.55 below indicates that a comparatively high proportion (74%) of voice-only customers have been with their current landline provider for more than 10 years.

Figure 1.55: Length of time with current landline provider

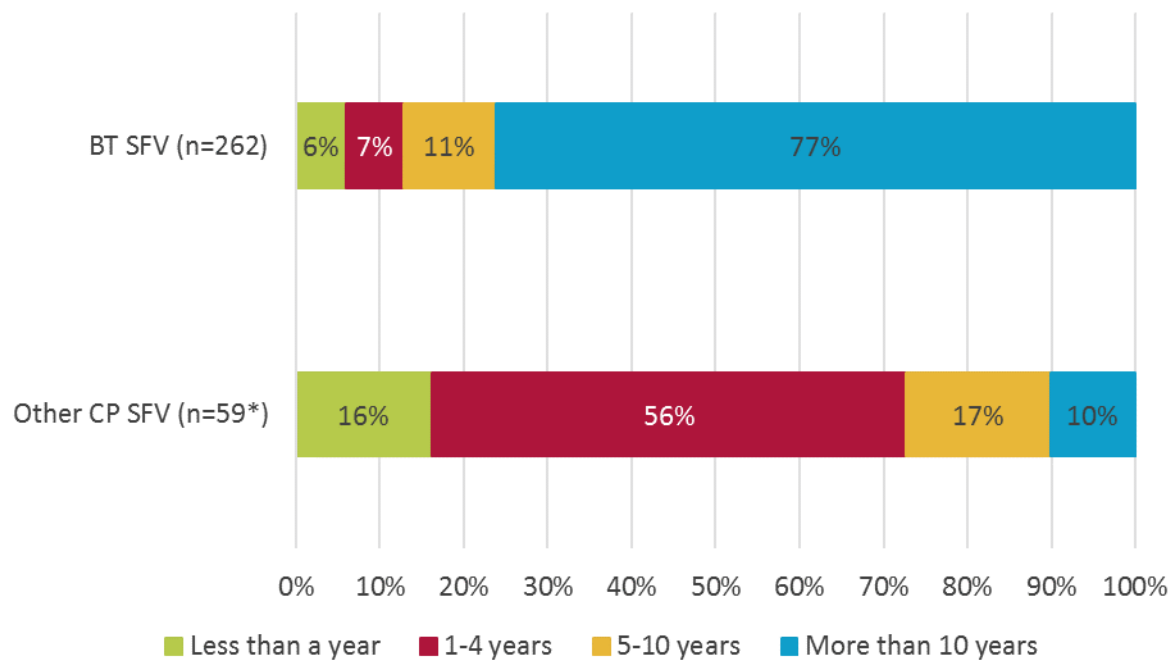


Source: Ofcom switching tracker, July – August 2016

Notes: *Caution: base under 100.

1.128 Figure 1.56 below shows that a substantially higher proportion (77%) of BT SFV customers have been supplied by BT for more than 10 years as compared to voice-only customers with other communications providers (10%).

Figure 1.56: Length of time with current landline provider: BT versus other communications providers



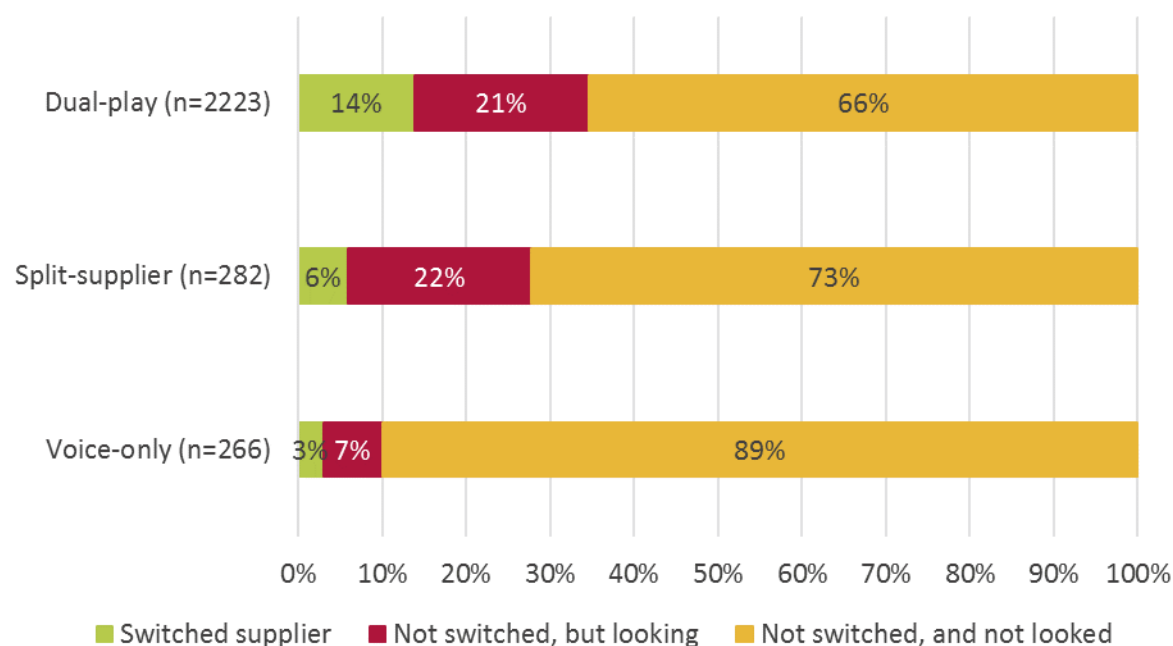
Source: Ofcom switching tracker, July – August 2016

Notes: *Caution: base under 100.

Switching activity levels

1.129 Figure 1.57 below shows that switching landline provider is less common among split-supplier customers than dual-play customers. Only 6% of split-supplier customers reported switching within the last 12 months, compared to 14% of dual-play customers. This is even lower for voice-only customers where only 3% said they switched in the last 12 months.

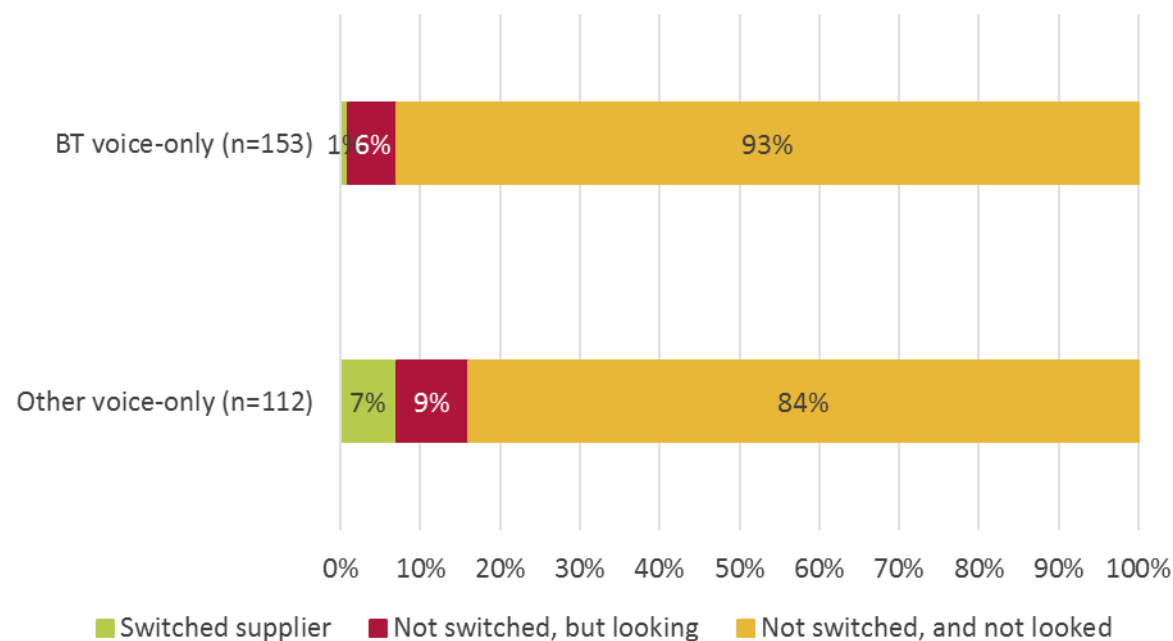
Figure 1.57: Switching activity in the past 12 months



Source: 2017 NMR residential survey

- 1.130 A greater proportion of BT voice-only customers said they had neither switched landline provider nor looked for information in the last 12 months (99%), compared to voice-only customers of other communications providers (93%).

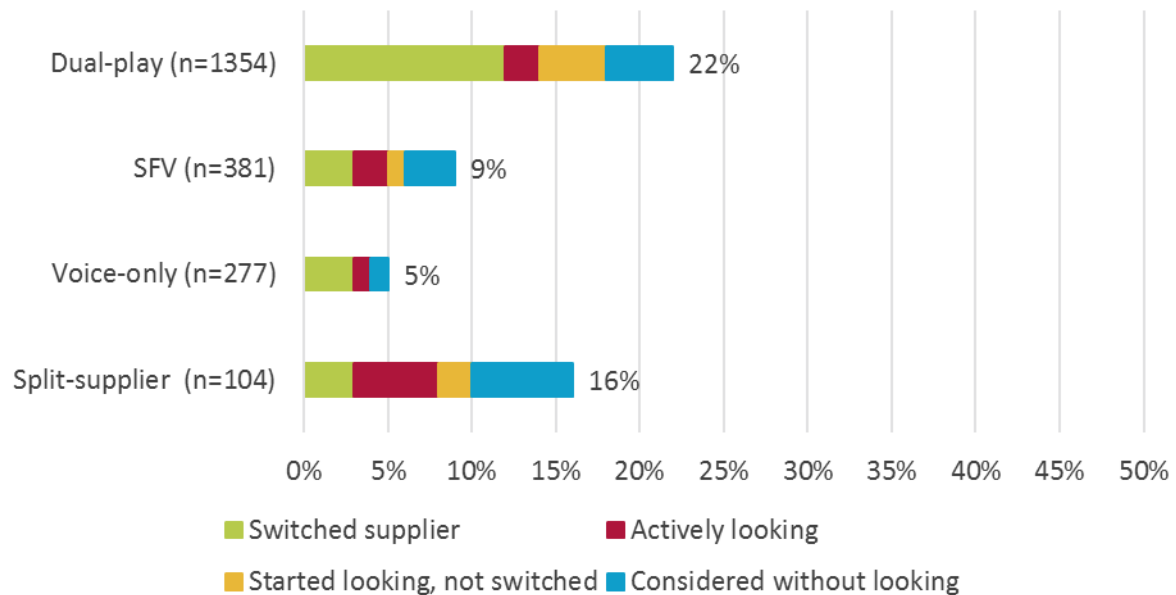
Figure 1.58: Switching activity in the past 12 months: BT versus other communications providers



Source: 2017 NMR residential survey.

1.131 The switching tracker also looked at activity in the market. Both voice-only customers and split-supplier customers showed the same switching rates in the last 12 months of 3%, compared to 12% of dual-play customers.

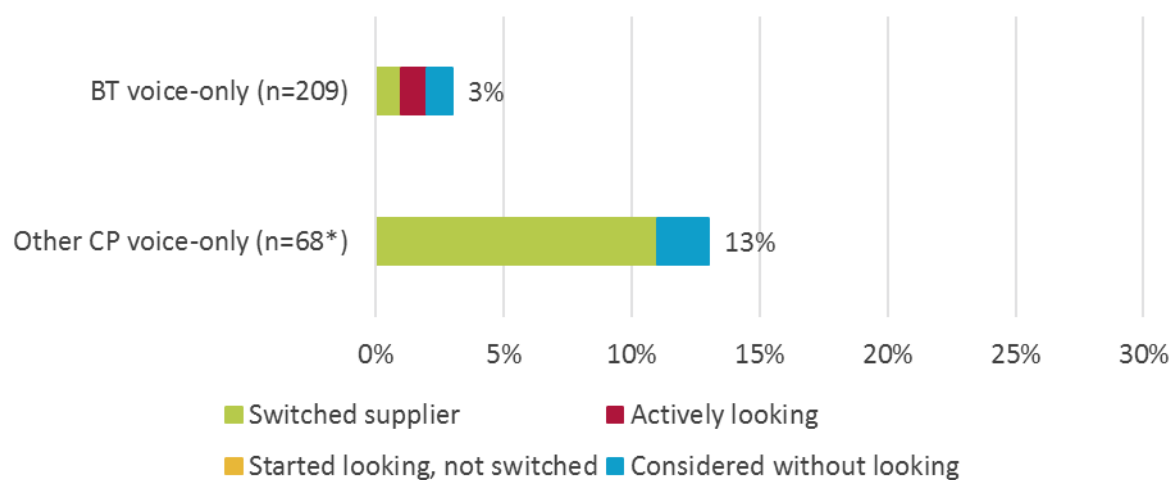
Figure 1.59: Switching activity in the past 12 months



Source: Ofcom switching tracker, July – August 2016

1.132 Figure 1.60 indicates that BT SFV and BT voice-only customers have lower reported switching activity compared to other CP's customers.

Figure 1.60: Switching activity in the past 12 months: BT versus other communications providers

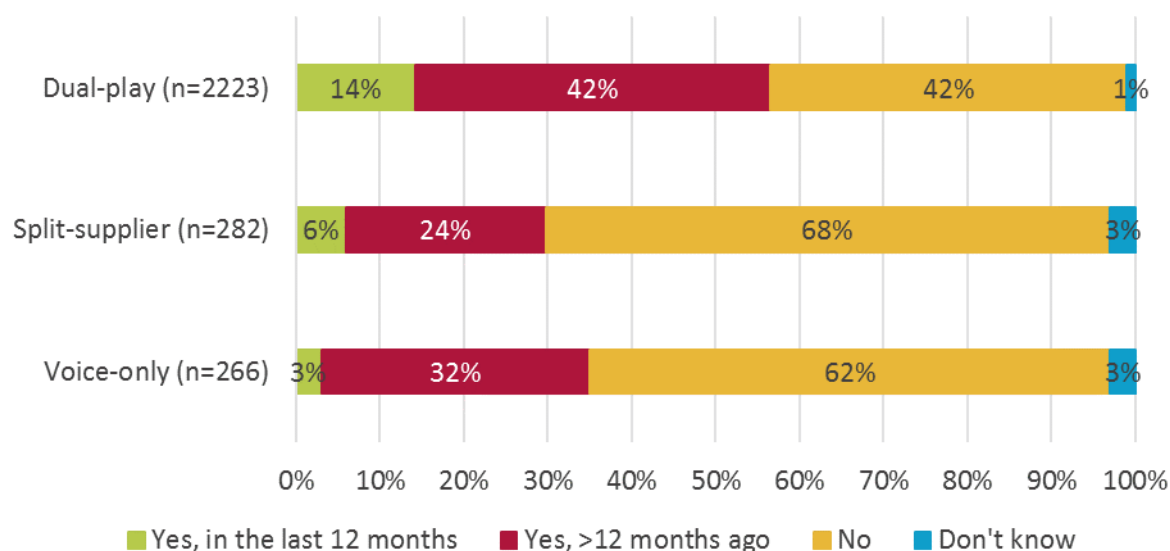


Source: Ofcom switching tracker, July – August 2016

Notes: *Caution: base under 100.

1.133 Figure 1.61 shows that 62% of voice-only and 68% of split-supplier customers reported having never switched their landline provider. Dual-play customers were much more likely to have switched landline provider in the past, with 56% having done so.

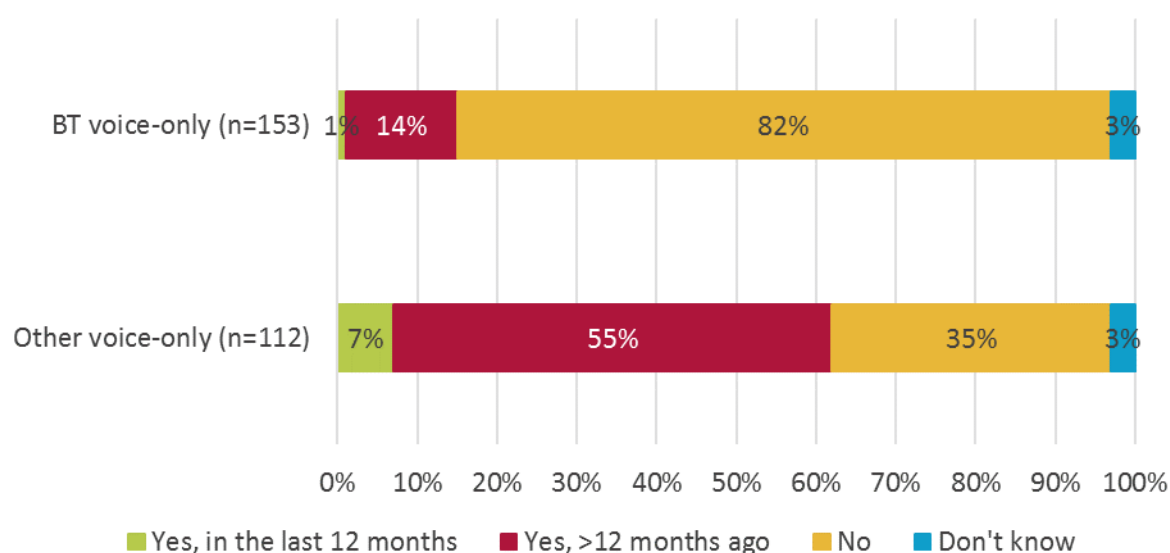
Figure 1.61: Whether switched landline provider



Source: 2017 NMR residential survey

1.134 When looking at these figures split between BT customers and other providers, the former were much less likely to say they had switched in the last 12 months or in their lifetime.

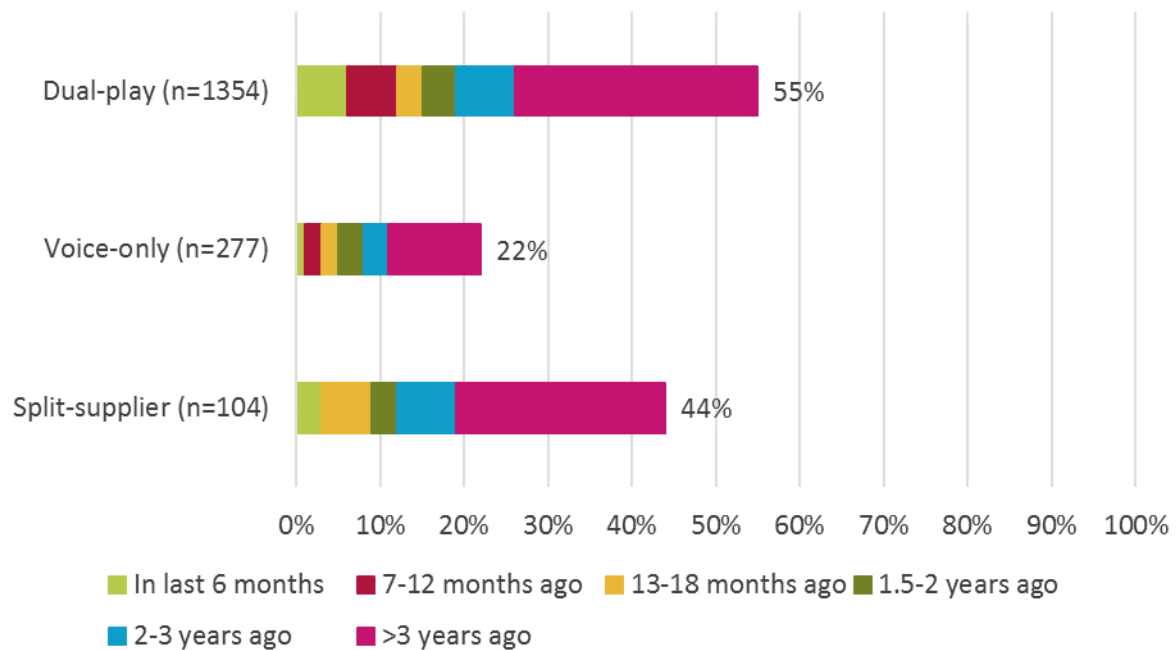
Figure 1.62: Whether switched landline provider: BT versus Other communications providers



Source: 2017 NMR residential survey.

1.135 The switching tracker provided a slightly different picture. Only 22% of voice-only customers reported that they had ever switched their landline provider.

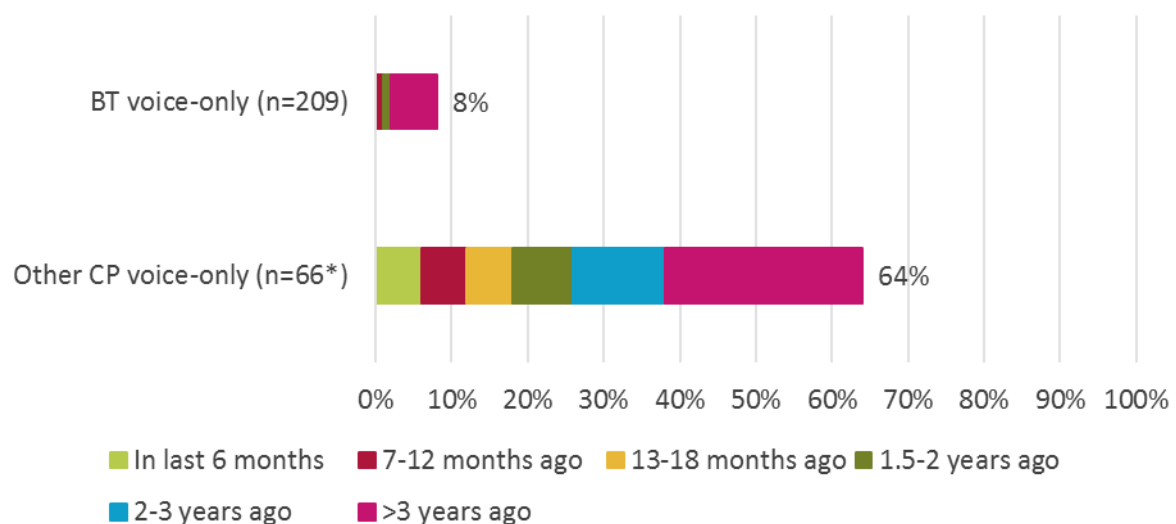
Figure 1.63: Whether switched landline provider



Source: Ofcom switching tracker, July – August 2016

1.136 Figure 1.64 presents this information broken down into BT customers and customers of other communications providers. A much lower proportion of BT voice-only customers reported having ever switched suppliers compared to customers with other communications providers.

Figure 1.64: Whether switched landline provider: BT versus other communications providers



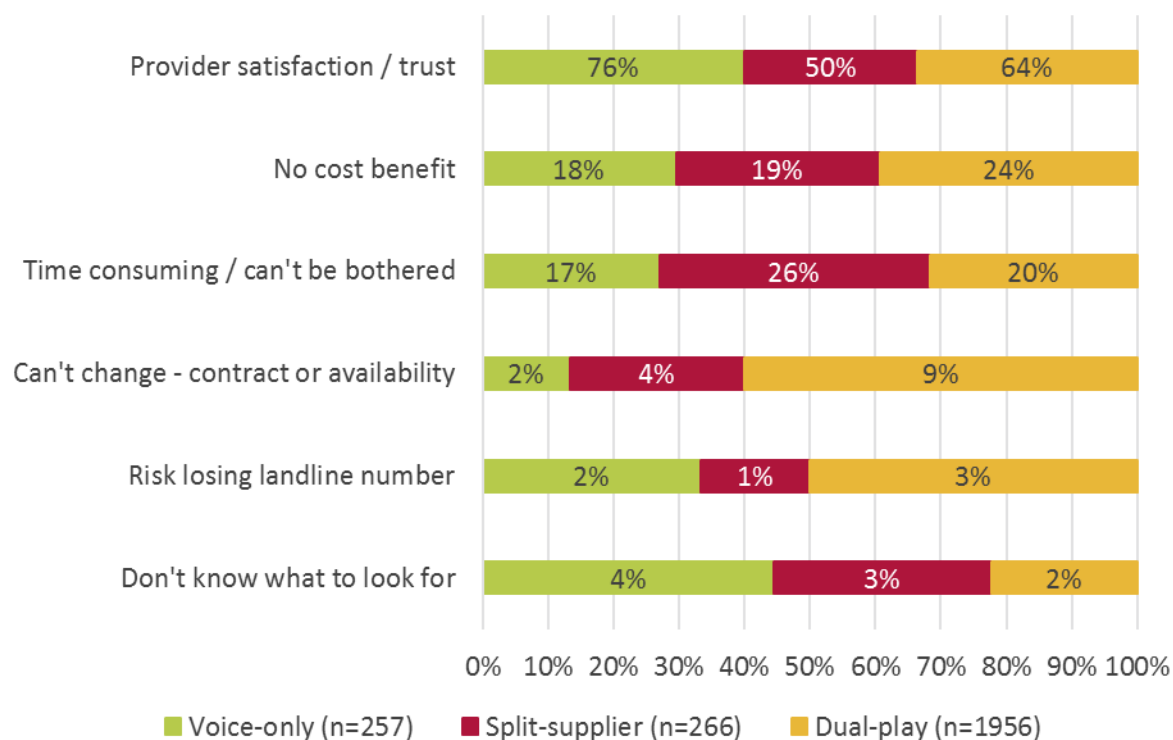
Source: Ofcom switching tracker, July – August 2016

Notes: *Caution: base under 100.

Reasons for not being interested in switching

1.137 Those who had not switched their landline provider in the past 12 months were asked why, and this is shown in Figure 1.62. The primary reason given was satisfaction / trust in provider across all three groups, but this was comparatively higher among voice-only customers at 76%.

Figure 1.65: Reasons for not being interested in switching

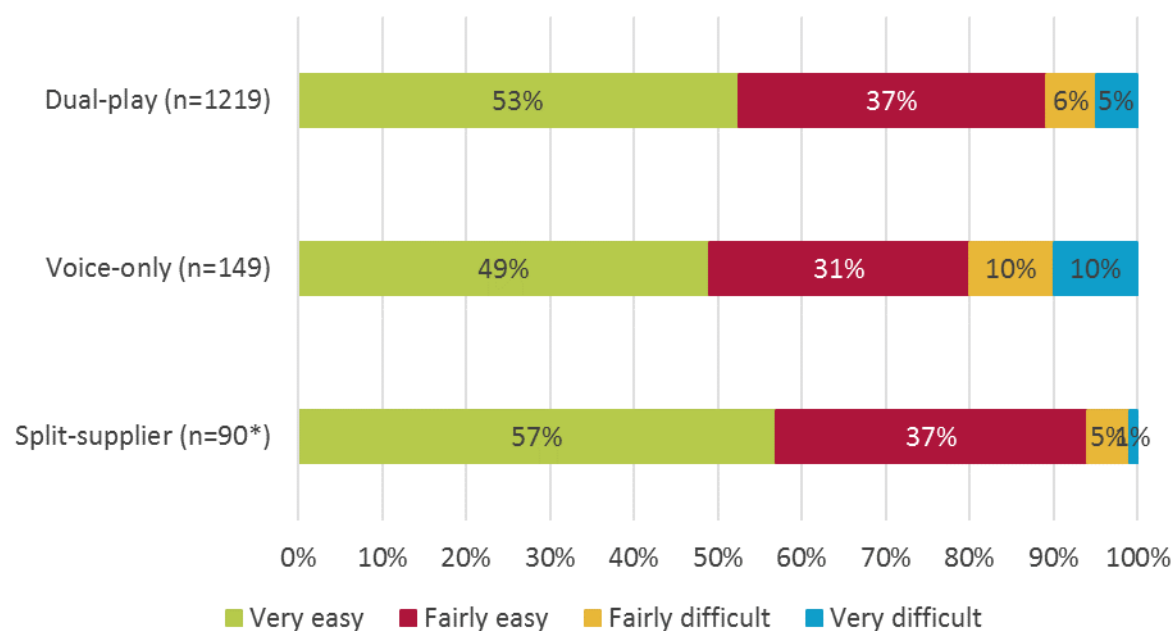


Source: 2017 NMR Residential survey

Perceptions of switching

1.138 As shown in Figure 1.66 a comparatively higher proportion (20%) of voice-only customers, but a lower proportion of split-supplier customers, said they perceive the switching process as either fairly or very difficult.

Figure 1.66: Ease of switching providers

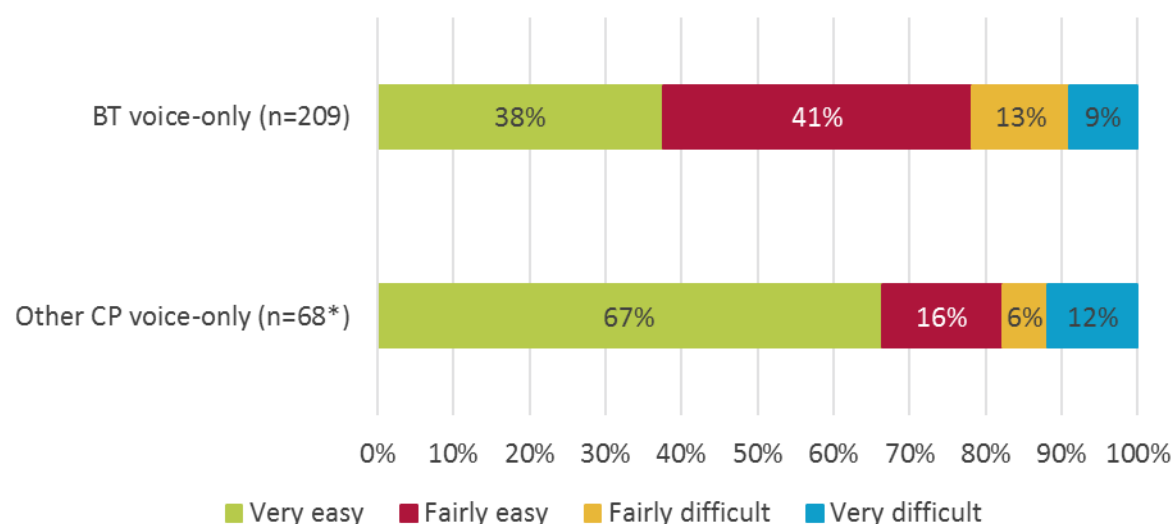


Source: Ofcom switching tracker, July to August 2016

Notes: *Caution: base under 100.

1.139 Switching is perceived to be easier amongst voice-only of other providers compared to those that use BT.

Figure 1.67: Ease of switching providers: BT versus other communications providers



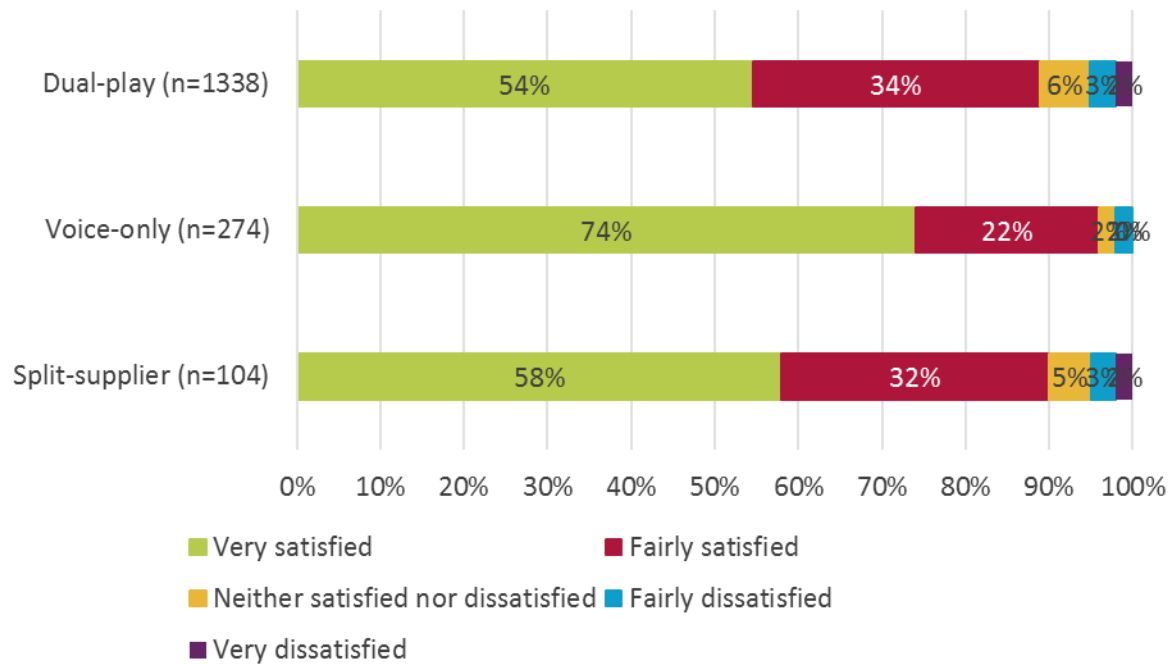
Source: Ofcom switching tracker, July to August 2016

Notes: *Caution: base under 100.

Satisfaction

- 1.140 Close to three quarters of voice-only customers cited that they were very satisfied with the service provided by their landline provider, which was higher than both split-supplier (58%) and dual-play (54%) customers.

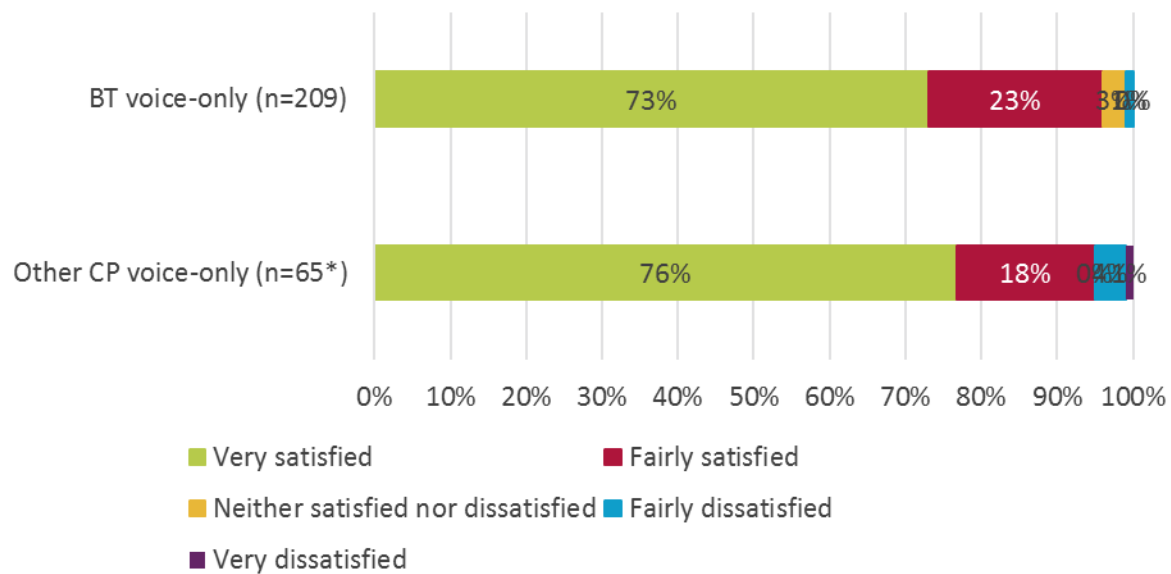
Figure 1.68: Satisfaction with overall service provided by landline provider



Source: Ofcom switching tracker, July to August 2016

- 1.141 Figure 1.69 indicates that there is no material difference in terms of satisfaction with service between BT and other CP voice-only customers.

Figure 1.69: Satisfaction with overall service provided by landline provider: BT versus other communications providers

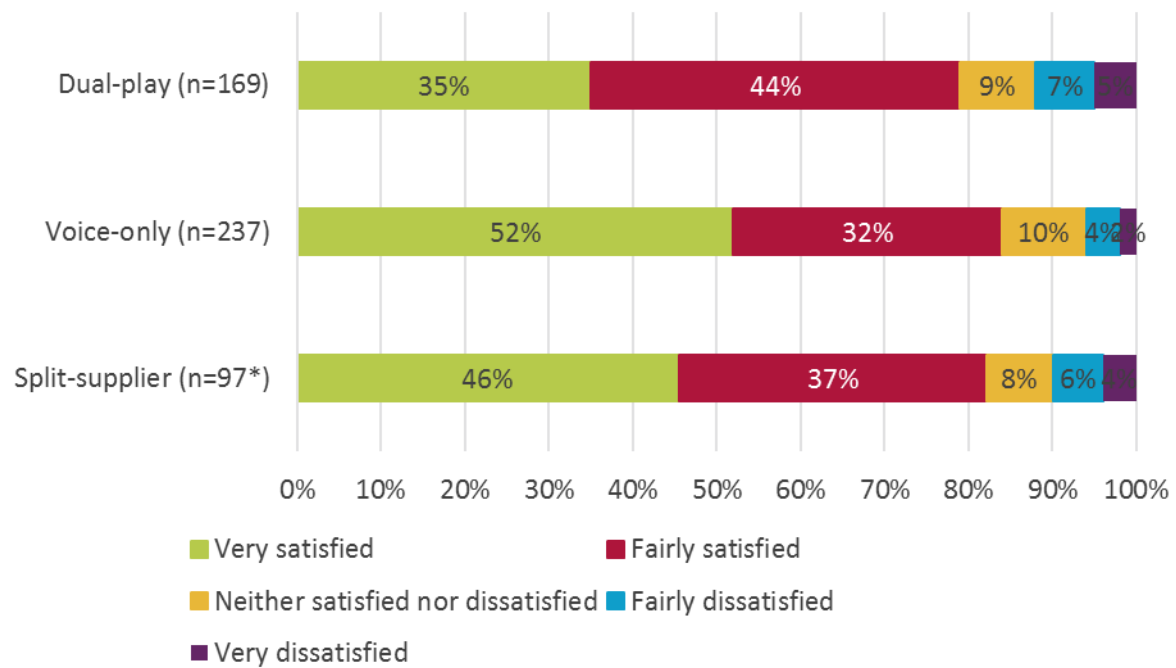


Source: Ofcom switching tracker, July to August 2016

Notes: *Caution: base under 100.

1.142 Figure 1.70 shows approximately more voice-only and split-supplier customers were satisfied compared to dual-play.

Figure 1.70: Satisfaction with value for money provided by landline provider



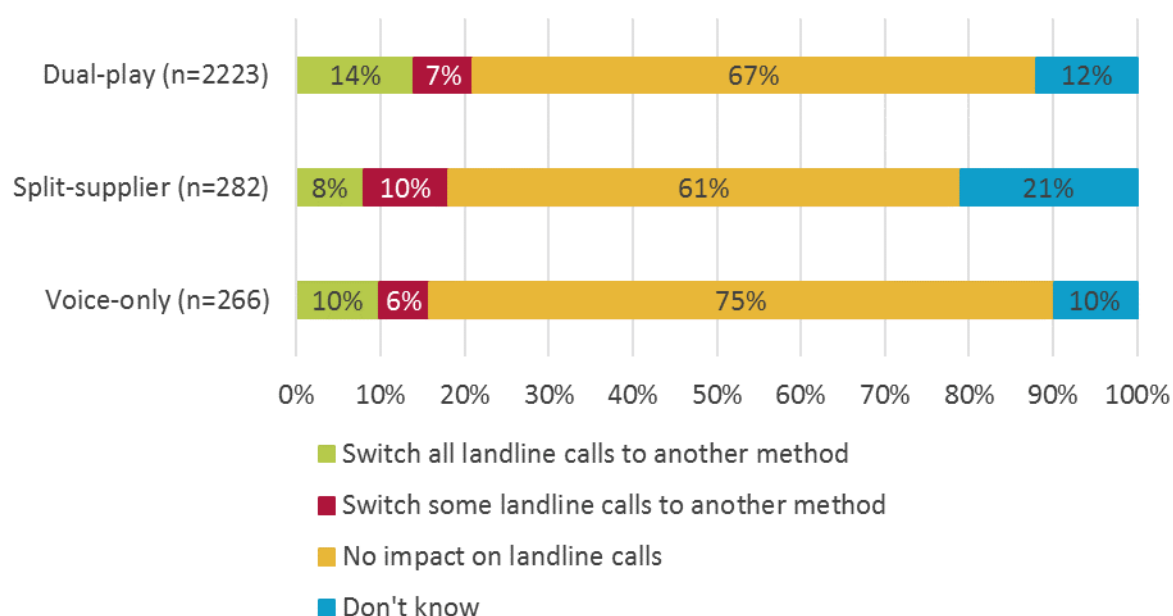
Source: Ofcom switching tracker, July to August 2016

Notes: *Caution: base under 100.

SSNIP responses

- 1.143 This section presents how customers reported they would respond after a hypothetical small but significant, non-transitory increase in price (SSNIP) of both landline calls, and total landline bills.
- 1.144 Here, our SSNIP is defined as a 10% increase. The questions specified that this increase in price was across all providers (so no benefit would be gained from switching), and that the cost of other forms of communication would remain unchanged.
- 1.145 As shown in Figure 1.71 the majority of all three groups of customers said a 10% price increase would have no impact on their landline calls. However, the figure was comparatively higher among voice-only customers at 75%.

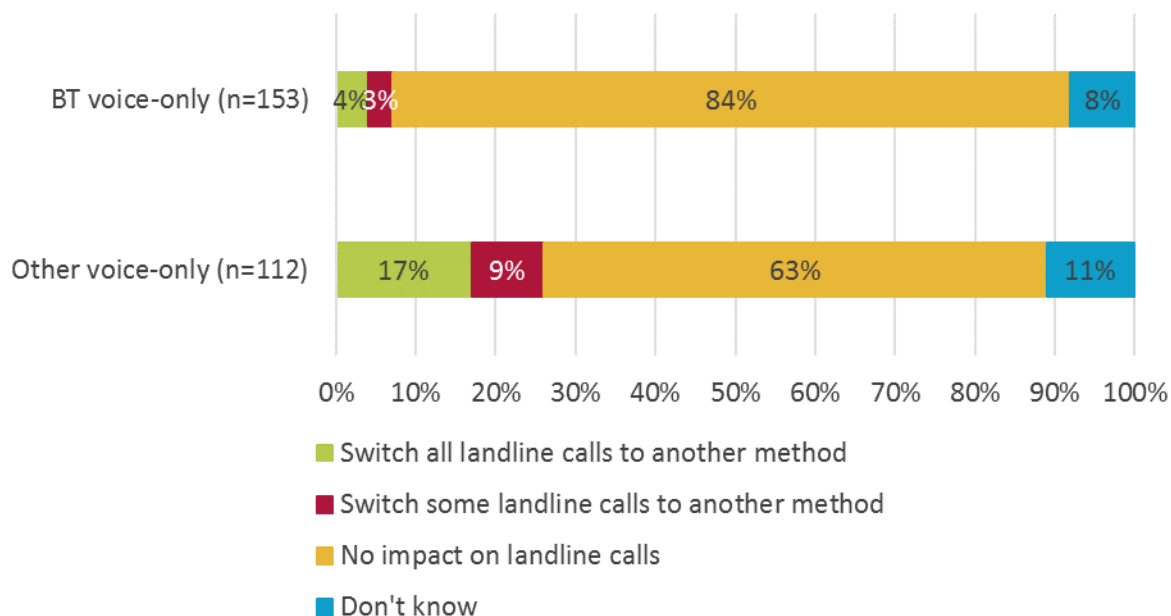
Figure 1.71: Response to 10% SSNIP on landline calls



Source: 2017 NMR Residential survey

- 1.146 BT voice-only customers (84%) were more likely than other CP voice-only customers (63%) to say that a 10% SSNIP on landline calls would have no impact on how they make landline calls.

Figure 1.72: Response to 10% SSNIP on landline calls: BT versus Other communications providers

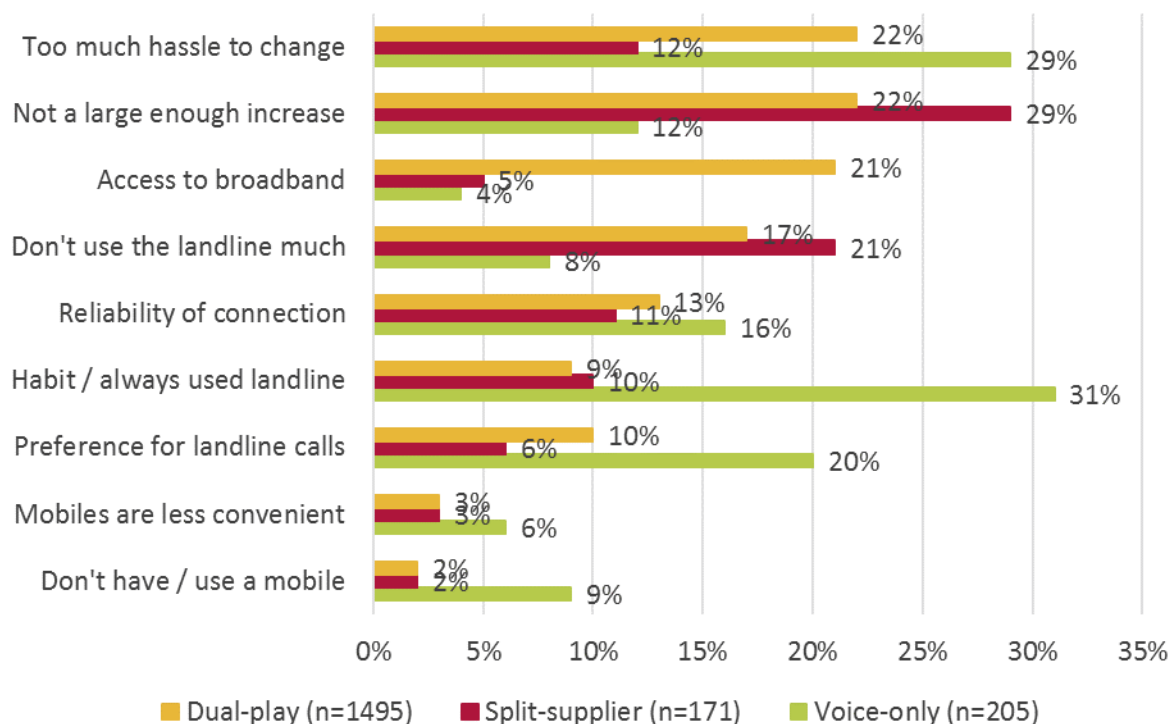


Source: 2017 NMR residential survey.

- 1.147 Figure 1.73, presents the reasons customers gave for why they would not take any action in response to a 10% SSNIP on landline calls.
- 1.148 Dual-play and split-supplier customers were more likely to cite that they would not respond to such a price increase as they did not use the landline much (17% and 21% respectively), compared to only 8% of voice-only customers. While the question asked specifically about the response to using landline calls rather than physical access to the landline, 21% of dual-play customers stated that access to broadband was a reason for unwillingness to give up landline calls, in comparison to only 5% of split-supplier customers.¹⁰⁸

¹⁰⁸ We note that 4% of voice-only customers reported access to broadband as a reason for being unwilling to give up broadband. By definition, these customers do not have a broadband service. It is possible that some of these customers value the option of taking broadband, but this proportion seems unreasonably high.

Figure 1.73: Reasons for no response to 10% SSNIP on landline calls¹⁰⁹

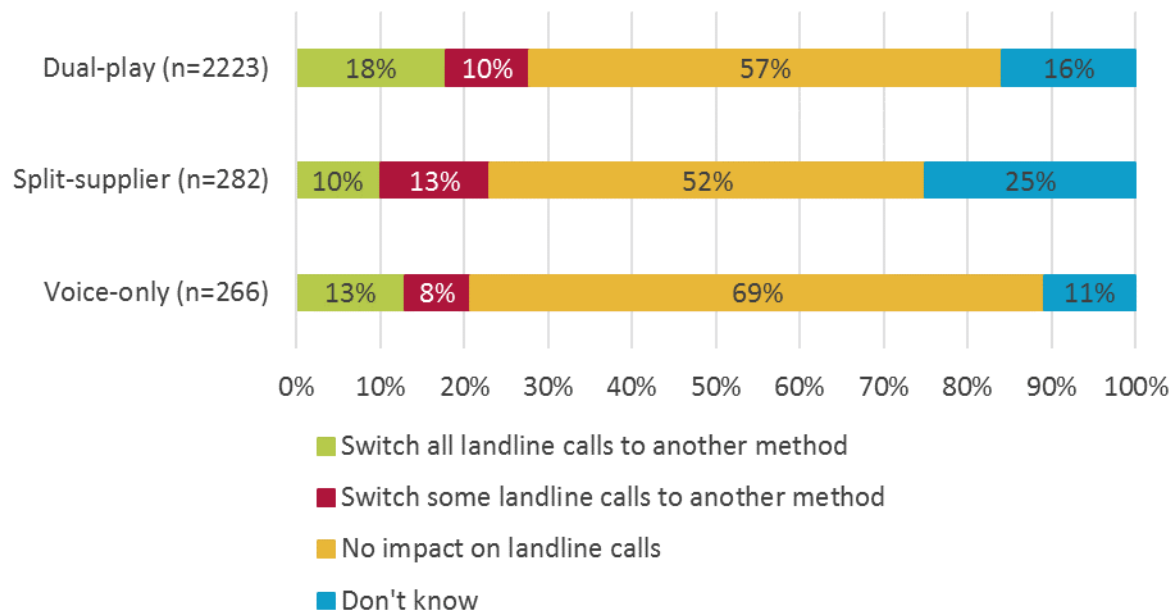


Source: 2017 NMR Residential survey

- 1.149 Respondents were also asked how they would respond to a 10% SSNIP of their total landline bill (rather than just calls). Results were similar, but with higher proportions stating it would have an effect on their landline behaviour.

¹⁰⁹ We note that 4% of voice-only customers reported access to broadband as a reason for being unwilling to give up broadband. By definition, these customers do not have a broadband service. It is possible that some of these customers value the option of taking broadband, but this proportion seems unreasonably high.

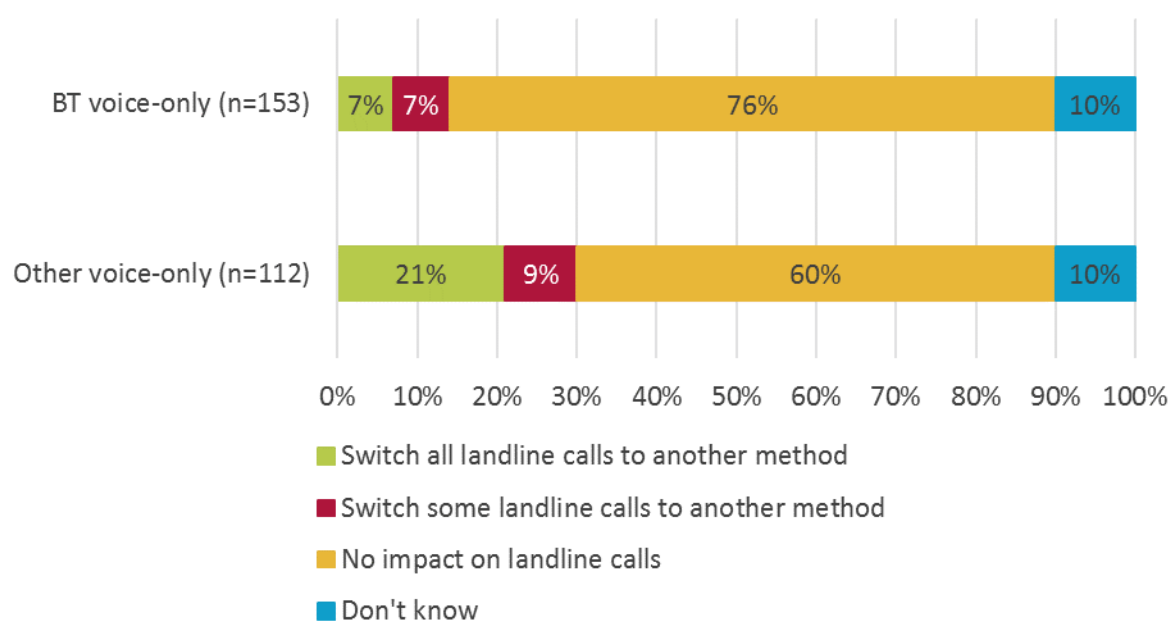
Figure 1.74: Response to 10% SSNIP on total landline bill¹¹⁰



Source: 2017 NMR Residential survey

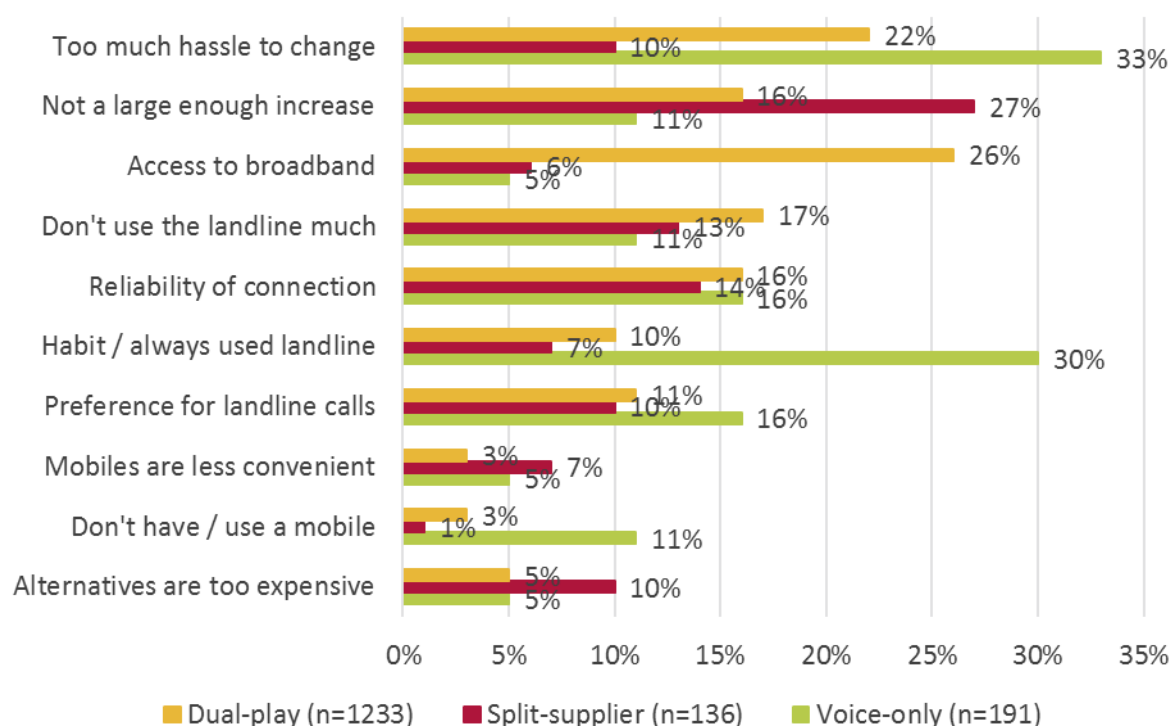
1.150 Again, the differences between BT and other CP customers for a 10% SSNIP on the total landline bill was similar to that for a 10% SSNIP on landline calls, although customers were more willing to change the way they make calls in the home as a response to this higher price increase. BT voice-only customers (76%) were more likely than other CP voice-only customers (60%) to respond that a 10% SSNIP on the total landline bill would have no impact on how they make landline calls.

¹¹⁰ This presents the main reasons reported by customers. We have omitted responses for which less than 5% of each customer group reported.

Figure 1.75: Response to 10% SSNIP on total landline bill: BT versus Other communications providers

Source: 2017 NMR residential survey.

1.151 Figure 1.76, below, presents the reasons customer reported they would not respond to a 10% SSNIP on the total landline bill. The general trends are very similar to the results of the responses to the 10% SSNIP on landline calls.

Figure 1.76: Reasons for no response to 10% SSNIP on total landline bills

Source: 2017 NMR Residential survey