

## Communications Consumer Panel and ACOD response to Ofcom's consultation on its review of the market for standalone landline telephone services

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The Communications Consumer Panel (the Panel) and the Advisory Committee for Older and Disabled People (ACOD) welcome the opportunity to respond to this consultation on Ofcom's review of the market for standalone landline telephone services.

The Panel works to protect and promote people's interests in the communications sector, including the postal sector. We are an independent statutory body set up under the Communications Act 2003. The Panel carries out research, provides advice and encourages Ofcom, governments, the EU, industry and others to look at issues through the eyes of consumers, citizens and microbusinesses.

The Panel pays particular attention to the needs of older people and people with disabilities, the needs of people in rural areas and people on low incomes, and the needs of micro businesses, which have many of the same problems as individual consumers.

Members of the Panel also represent the interests of consumers in England, Northern Ireland, Scotland and Wales respectively. National Members liaise with the key stakeholders in the Nations to understand the perspectives of consumers in all parts of the UK and input these perspectives to the Panel's consideration of issues. Following the alignment of ACOD with the Panel, the Panel is more alert than ever to the interests of older and disabled consumers and citizens.

### Response

The Panel believes that action needs to be taken to remedy proven market failures that have impacted on the 2.9 million households (approx.)<sup>1</sup> that take standalone landline telephone services. We support the strong and appropriate actions that Ofcom proposes to take, following the initial conclusions of its review of the retail market. It is vital that the regulator is able to protect consumers that are unable to benefit from competition and choice in the market. In this case, it seems clear that the very opposite has happened - and that these customers have experienced real long term dis-benefit as a result of systematic and unfettered unjustified enrichment by certain providers within this particular market segment.

Ofcom's proposals to reduce BT's retail price by £5-7 per month should provide tangible benefits to disempowered consumers and small businesses, for many of whom they play an essential role. In practice we would like to see the costs reduced further than the £5-7 proposed, by CPs adjusting their prices to a reasonable level for the service being delivered, taking into account the money they are saving on wholesale costs.

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<sup>1</sup> [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0030/97806/Consultation-Review-of-the-market-for-standalone-landline-telephone-services.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0030/97806/Consultation-Review-of-the-market-for-standalone-landline-telephone-services.pdf)



We have a further area of concern in that this situation has persisted for some years, and we believe that there is evidence of consumer detriment over a long period - where prices have far outstripped costs in a non competitive market, and no action has been proposed until now. We therefore believe that there is a case for retrospective analysis of the sum of the consumer detriment experienced thus far (pre any price control implementation) and we would urge Ofcom to consider how to address this. Long standing single line customers could perhaps qualify for a one-off rebate reflecting the level overpayment that they have already made.

#### Consumers in vulnerable circumstances

We believe the reasons for re-introducing price controls in this defined market are well set out in the consultation document - that is, consumers affected by the increase in retail prices, against a backdrop of decreasing wholesale prices, tend to be:

- older;
- on lower incomes;
- habitually less likely to consider switching provider;
- less likely to be digitally confident; and
- more likely to be disabled.

The Panel commissioned research in 2015<sup>2</sup> to look into the experiences of people whose additional communications needs meant they became more vulnerable when contacting their communications providers (CPs). We found that while for some the importance of a landline was decreasing, for others it offered a sense of security - and access to vital safety services. Some people simply could not contemplate being without one - for others they provided an essential means of accessing support or assistance. For example, "Alexander" aged 70, who lives in rural Wales said: *"Your landline is your... passport to the outside world."*

We note that Ofcom's review found that 30% of consumers in the standalone fixed line market did not have a mobile phone and that the greater proportion of this market - about 1.7 million "voice only" consumers - do not purchase fixed broadband.

Ofcom's review also found that 70% of standalone landline customers have never switched provider or considered doing so. In principle we welcome the trials that Ofcom and BT are going to take to improve consumer engagement, although we would like to know more about them.

We also note BT's work in improving its BT Basic package - and its promotion of that package - as well as BT's work with StepChange and the Money Advice Trust to provide consumers with clear advice on managing their budget.<sup>3</sup> This is welcome and we would encourage all CPs to provide consumers with information to help them to find the right tariff to prevent consumers from getting into debt.

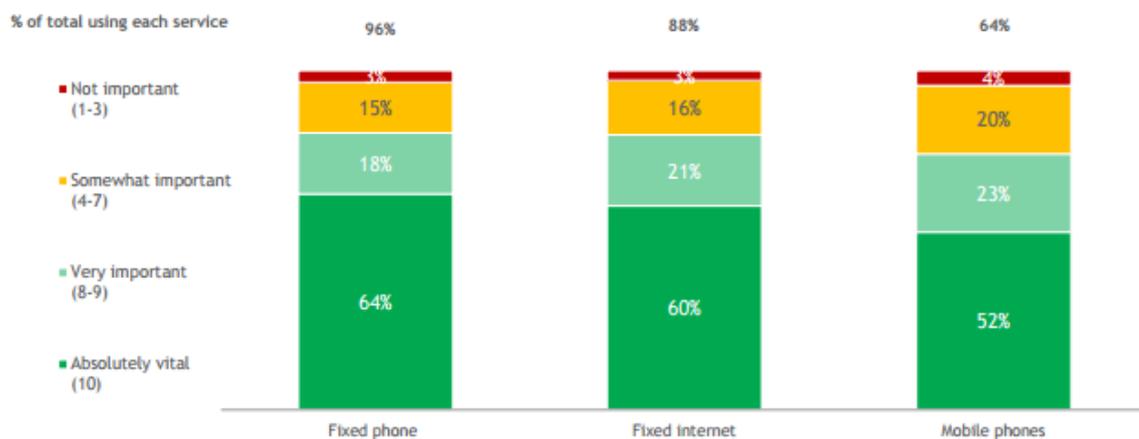
<sup>2</sup><http://www.communicationsconsumerpanel.org.uk/downloads/were-not-all-the-same---final-report-171215.pdf>

<sup>3</sup>[http://btplc.com/inclusion/HelpAndSupport/DocumentsandDownloads/Communicationchoices/Forpeoplemanagingabudget/Communication\\_Choices\\_Managing\\_Budget.pdf](http://btplc.com/inclusion/HelpAndSupport/DocumentsandDownloads/Communicationchoices/Forpeoplemanagingabudget/Communication_Choices_Managing_Budget.pdf)

## SMEs

We are pleased to see that small and medium enterprises (SMEs) fall within scope of Ofcom’s defined market for standalone fixed line services. We would highlight that Ofcom’s recent research report ‘The SME experience of communications services’ showed that 28% of SMEs were less than satisfied in terms of the value for money of their landline service (72% were satisfied, vs. 78% in 2014). But SMEs depend on having a landline, so they have no choice but to pay the cost. Over two thirds (64%) of all of the SMEs surveyed said they viewed their landline as “absolutely vital”, to the extent that their business could not carry on without it.

**Figure 31: Importance of communication services currently used**



Source: QA1a/b Which of the following communications services does your organisation use for business purposes? QF6. Thinking about each of the communication services your organisation uses, how important is each of these to your organisation? Please use a scale of 1 to 10 where 1 is not at all important, it would be inconvenient but you could live without it and 10 is absolutely vital - your business could not carry on without it.  
Base: all users of each service (fixed phone n=1440, fixed internet n=1367, mobile phones n=1014)

The Panel’s remit includes the protection of micro businesses - SMEs with 10 or fewer employees. Micro businesses formed 95.5% of Ofcom’s SME sample above.

When participants in the Panel’s 2014 research<sup>4</sup> on micro businesses’ use of communications services were asked (unprompted) what was essential to the running of their business, 37% answered that it was their landline, second only to their mobile (41%) and ahead of broadband (25%).

One participant highlighted the importance of having a landline in demonstrating to customers the credibility and trustworthiness of their business - a price that needed to be paid: *“Landlines I am not so keen on because I think it is a bit of a waste of money, nobody seems to use the landlines now, but if you have a website, and you have a*

<sup>4</sup> <http://www.communicationsconsumerpanel.org.uk/research-and-reports/realising-the-potential-micro-businesses--experiences-of-communications-services>



*business card, and you don't have a landline contact, I think people would be sceptical to order from you". (IT support company, Urban England).*

We would suggest including SMEs - and especially micro businesses - in the trial of improving consumer engagement, not least to raise awareness of Ofcom's small business portal (28% of participants in Ofcom's SME research, published January 2017<sup>5</sup>, were aware of the portal).

### **Summary**

- We strongly support the proposed price control on BT covering both line rental and calls as well as ancillary services for standalone landline telephone services - and the block on any further increase in charges for line rental and calls beyond the rate of inflation;
- We urge all CPs to go beyond the level of reduction proposed in Ofcom's consultation;
- We welcome, in principle, Ofcom and BT's consumer engagement trials and would like more detail on these;
- We welcome the inclusion of SMEs within the scope of the standalone fixed services market and believe they should receive the same reduction in costs. We would also welcome their inclusion in consumer engagement trials.

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<sup>5</sup> [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0030/96348/Ofcom-SME-consumer-experience-research-2016-Report.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0030/96348/Ofcom-SME-consumer-experience-research-2016-Report.pdf)