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**CONSULTATION RESPONSE
TO OFCOMS PROPOSALS
FOR GUIDANCE ON GENERAL
CONDITION A3.2(B)**

July 2018

Executive Summary

1. Post Office welcomes Ofcom's guidance on General Condition A3.2(b) following the withdrawal of the 2011 Guidance as part of the Strategic Review of Digital Communications. It is helpful to understand Ofcom's expectations in relation to the provision of measures to maintain access to emergency organisations in the event of a single power cut at the customer's home or premises.
2. The telecommunications market is clearly set to change over the next few years where broadband-based calls will become more common and Openreach start their withdrawal of WLR. [X].
3. [X]. We believe Ofcom's guidance should therefore apply to the network operator rather than at the CP level. Approaching the condition in this way would also prevent causing an unnecessary barrier to switching as consumers would be able to switch supplier without the need for a new solution to be installed.

Contents

Executive Summary.....	2
Contents.....	3
1. Overview of Post Office	4
2. Implications of Ofcom’s proposal	4
2.1. The proposed guidance creates barriers to entry for smaller CPs	4
2.2. The propose guidance threatens competition in the standalone voice market	5
2.3. The proposed guidance penalises CPs with a high proportion of vulnerable customers.....	5
3. Suggested changes.....	5
3.1. Ofcom should require the network operator to provide the free solution.....	5
3.2. Further research is needed to understand the magnitude of the problem.	6
4. Conclusion.....	6

1. Overview of Post Office

4. Post Office is the UK's largest retail network and the largest financial services chain in the UK with more branches than all of the UK's banks and building societies put together. We also are growing our direct channels such as contact centres and online - meaning we are there for more customers, in more ways. There are over 11,500 Post Office branches nationwide covering over 17 million customer visits and dealing with 47 million transactions per week. The role of the Post Office in the community is unique in the UK.
5. Post Office believe in being a commercial business driven my social matters. Post Office offer more than 170 products and services under four product pillars: Mails & Retail; Financial Services; Government Services; and Telecoms. The telecoms service offers customers, either a standalone voice contract or a Dual contract which contains both Broadband and Home Phone¹. [X].
6. Looking at the UK population, 99.7% of people live within three miles of their nearest Post Office outlet. For many rural communities the Post Office is their only retail outlet. Many of the Post Offices' customers choose to purchase their telecoms service from the Post Office because they are able to come into their local branch and enjoy the interaction, whether it is to pay their bill every month or sign up to a new service. Some utilise budget payment cards to help them budget each month and pay for their service. Post Office aspires to be at the very heart of customers' choice by becoming the most trusted provider of essential services to every person in the UK.

2. Implications of Ofcom's proposal

7. We welcome the opportunity to comment on Ofcom's proposals on guidance for General Condition A3.2(B) given the implications for Post Office. Following Openreach's announcement of the withdrawal of WLR, it is clear that we will have to move towards providing a VoIP solution in the future. We understand Ofcom are proposing that CPs should have at least one solution for VoIP customers that enables access to an emergency organisation for a minimum of one hour in the event of a power outage and that this solution should be free for those who are considered to be at risk as they are dependent on their landline. The current proposal has significant concerns for Post Office due to increased costs and the threat to our competitive position in the market place.

2.1. The proposed guidance creates barriers to entry for smaller CPs

8. **Adopting a model whereby the CPs bear the costs of the free solution creates a barrier to entry for smaller providers who will find it harder to absorb the costs due to smaller margins when compared to the large CPs.**
9. [X]. This supply chain will inherently include a mark-up which results in Post Office having tighter margins than those of the larger CPs. This is common for many of the smaller CPs who are not owned by the major CPs. Furthermore, when procuring specific elements for a proposition, for example a router or in this case a battery backup or mobile solution, smaller providers lack the economies of scale to benefit from lower costs. Ofcom's proposal, whereby

¹ [X]

the CP bears the cost of the solution, has not taken into consideration the cost implications for smaller providers specifically. The GC A3.2(B) proposal, in its current format, has unintended consequences of inhibiting competition and creating barriers to entry for smaller CPs.

2.2. The proposed guidance threatens competition in the standalone voice market

10. Very few providers supply standalone voice and Ofcom's proposed guidance on GC A3.2(B) penalises those that do. The majority of standalone voice customers are likely to require a free solution when transferred to VoIP which has significant cost implications for this market and ultimately competition.

11. [REDACTED].

12. [REDACTED].

2.3. The proposed guidance penalises CPs with a high proportion of vulnerable customers

13. Post Office believe in being a commercial business driven by a social purpose. As such, Post Office have a significant amount of vulnerable customers and feel that we should not be forced to incur higher costs as a result. Ofcom need to consider what proportion of vulnerable customers different CPs have as this causes differing costs in the market.

14. CPs attract different customers dependent on their product offering and brand. Some CPs clearly attract younger, more technically competent customers whereas others (e.g. Post Office) often attract an older or vulnerable audience. Of our current base, [REDACTED] of customers are aged above 60 and [REDACTED] are above 70². Ofcom's proposed guidance would result in a significant proportion of our customers, both Home Phone and Broadband customers, qualifying for a free solution. [REDACTED].

3. Suggested changes

3.1. Ofcom should require the network operator to provide the free solution

15. Post Office believe it would be fairer and also more reasonable for the costs to be borne by the network operator, which in our case is Openreach. Until recently Openreach supplied battery back-up as standard on its FTTP lines. Approaching the solution in this way, whereby Openreach provides the solution and installation would mean that the costs are evenly spread across the network and product rather than unevenly spread amongst CPs.

16. Furthermore, having a network provider led solution, prevents the introduction of barriers to switching. In the energy market, Ofgem have introduced smart meters but this has inadvertently created a barrier to switching. If a customer wants to switch suppliers they have to get a new smart meter installed. Doing so takes time (waiting in for the installation to be done) but it also means their old device is redundant creating wastage. It is likely that some customers will be put off by the hassle and also the knowledge of the environmental wastage

² Ofcom's research shows that only 59% of people aged over 75 own a mobile phone - Access and Inclusion in 2016, https://www.ofcom.org.uk/__data/assets/pdf_file/0030/98508/access-inclusion-report-2016.pdf

they are creating. Ofcom must address whether it would be both in CPs' and in consumers' interests to have a network-agnostic solution provided by the network operator which is absorbed by the wholesale product.

3.2. Further research is needed to understand the magnitude of the problem.

17. Ofcom have referred specifically to the provision of a solution which maintains access to emergency organisations in “the event of a single power cut” at the customer’s home. Ofcom then go on to say a solution should provide a minimum of one hour in the event of a power outage based on information provided by Ofgem. We are pleased that Ofcom have been in discussion with Ofgem about this issue, however we believe that a wider discussion is needed with Ofgem about the costs to telecoms as a result of the energy industry having power cuts. Ofcom state that CPs should take appropriate steps to identify and address the needs of customers who have a history of long-duration power outages. Again, we believe that this is something better served at a network level where Ofgem and Ofcom could work together to supply this information overlaid with mobile coverage maps to provide a list of “at risk” customers.
18. Ofcom's guidance on who would qualify for a free solution also requires further thought. Suggesting that 2 million people who have made a conscious decision not to purchase a mobile should get a free solution regardless of their circumstance seems to incur unnecessary cost. It should first be understood if the customer is really at risk of needing to contact emergency services during a power cut and the likelihood of experiencing a power cut rather than their ownership of a mobile.

4. Conclusion

19. Following Openreach’s announcement of the withdrawal of WLR, Post Office will be forced into providing customers with a VoIP solution. Ofcom’s proposed guidance to protect vulnerable customers in the event of a power cut has significant costs associated with it which would have to be passed to the customer. It also has unintended consequences for competition as costs are dependent on the number of vulnerable customers a CP has. Instead we believe Ofcom should be mandating network providers fulfil the obligations and not the CPs as well as undertaking further research as to who requires a free solution.