

**Post Office Ltd response to
Ofcom's review of the market for standalone landline telephone services**

Question 3.1: Do you agree with our provisional conclusion that there is a separate market for Standalone Fixed Voice residential access which includes both voice-only and split purchase consumers? Please provide reasons and evidence in support of your views.

POST OFFICE LTD RESPONSE

We do not agree with the Ofcom's provisional conclusion that there is a separate market for Standalone Fixed Voice ("SFV") residential access and a separate market for SFV residential calls. Accordingly, we make no comment in relation to the possible segmentation within each of these alleged markets which is discussed in Ofcom's paper, 'The review of the market for standalone landline telephone services – Provisional conclusions' ("the Review").

As stated in paragraphs 3.13 and 3.14 of the Review, "access and calls are almost invariably bought in a bundle".

This conclusion is supported by the fact that the market leader, BT, does not offer a standalone line rental product, as highlighted in paragraph 3.24 of the Review. In the case of Post Office, we do not offer any contracts solely for landline access.

Whilst we accept and agree that customers can respond to prices changes on calls by changing their usage (the frequency and/or type of call made) of their landline for telephone calls, it remains the case that residential consumers cannot easily and do not typically do not purchase just landline access. The landline access will come as part of a contract which includes a calls package.

As stated in the Annexes to the Review, the relevant markets should be determined via an analysis of both the residential customers and the actual/potential telecoms suppliers in this area.

Notwithstanding the above, we do agree that there is a separate market for combined SFV residential access and calls that is distinct from dual play, broadband, fibre and mobile markets.

Question 3.2: Do you agree with our provisional conclusion that there is a separate market for Standalone Fixed Voice residential calls? Please provide reasons and evidence in support of your views.

POST OFFICE LTD RESPONSE

We do not agree with the Ofcom's provisional conclusion that there is a separate market for SFV residential calls.

Our rationale is as we have set out in our response to question 3.1 above.

However, as previously stated, we do agree that there is a separate market for combined SFV residential access and calls that is distinct from dual play, broadband, fibre and mobile markets.

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Question 4.1: Do you agree with our provisional conclusion that, during the period covered by this market review, BT will have Significant Market Power in the Standalone Fixed Voice access market? Please provide reasons and evidence in support of your views.

POST OFFICE LTD RESPONSE

Consistent with our responses to questions 3.1 and 3.2, we do not agree that BT will have Significant Market Power ("SMP") in a distinct SFV access market because we do not consider that such a market exists]. However, we do agree with the position set out in sections 4 and 5 of the Review that BT will have SMP in the SFV access *and* calls market, although the number of SFV calls from BT's customers is directly linked to its presence in relation to landline rental.

There are very few SFV providers in the UK market, with Post Office Ltd being the second largest provider and only real competitor to BT. [REDACTED]

Post Office's customer proposition for SFV services continues to be competitive and provide best value. The challenge for BT's competitors is to drive customer awareness and remove customer apathy.

Question 5.1: Do you agree with our provisional conclusion that, during the period covered by this market review, BT will have Significant Market Power in the Standalone Fixed Voice calls market? Please provide reasons and evidence in support of your views.

POST OFFICE LTD RESPONSE

Consistent with our response to question 4.1, we do not agree that BT will have SMP in the SFV call market. However, we do agree that BT will have SMP in the SFV access *and* calls market.

Question 7.1: Do you agree with the need to trial and test engagement remedies before implementation? Please explain your reasons for this.

POST OFFICE LTD RESPONSE

Post Office agrees with the proposal to trial and test engagement remedies before implementation.

We believe it is critical that consumers who have, typically, shown the least propensity to switch providers can be consulted on/take part in trials of these remedies. We believe the challenge for BT's competitors is to drive customer awareness and remove customer apathy. The proposed engagement remedies could be successful in raising this awareness.

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Question 7.2: Do you agree that remedies focussed on improving consumer communications to increase engagement listed below offer a reasonable prospect of success in encouraging competition?

- information on savings;
- information on the switching process;
- introduction of a decision point; and
- remedies to facilitate response to this information.

Please explain your reasons.

POST OFFICE LTD RESPONSE

We have set out below our views on each of the remedies proposed:

- Information on savings available – providing consumers with clear information on the price options available to them is an approach that Post Office supports. However, we recognise that this may present considerable operational and transparency challenges. We suggest that an approach similar to that used in the UK's retail energy market with Tariff Comparison Rates ("TCR") may make it easier for consumers to compare the offers from within BT and those from other providers.
- Information on the switching process – we support this proposed remedy. Providing information on switching to consumers has been successful in other markets such as energy and current accounts.
- Creating a decision point – we support this proposed remedy. We are unsure if this remedy will have a reasonable chance of success but believe the industry could look at a similar model being implemented in the general insurance market.
- Increasing the ease of responding – whilst we support the proposal to conduct further research as set out in paragraph 7.48, we believe that this should more properly be addressed in the "information on switching" and "creating a decision point" remedies rather than being considered as a separate remedy.
- Default tariff – we do not support this proposed remedy for the reasons set out in paragraphs 7.66 and 7.67 of the Review.
- Disclosure of information on BT's inactive voice-only customers – whilst we support the proposal we believe it is critical that there is an agreed definition of "inactive voice-only customers". If "inactive" is defined, as it appears in paragraph 7.69 of the Review, as customers who have not recently switched, it will be necessary to define what period of time constitute "recently". We suggest greater than 18 months. Also, as stated in paragraphs 7.71, 7.73, 7.76 and 7.77, there is a considerable challenge in respect of customer data confidentiality and security. We would expect that these challenges should be appropriately and demonstrably addressed first.

Question 7.3: Do you agree with our conclusions that the other remedial options we have considered, namely the establishment of a customer database for marketing purposes and automatic switching within BT's tariffs, raise significant implementation risks and therefore do not warrant further consideration? If you do not agree or consider there are other options we should have considered, please provide your reasons.

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POST OFFICE LTD RESPONSE

Whilst we agree that there are significant implementation challenges that need to be addressed, we do not agree that these do not warrant further consideration. Please refer to our response to question 7.2.

[Question 8.1: Do you agree with our approach to determining the options for the level of price controls for Standalone Fixed Voice services? If not, please give your reasons.](#)

POST OFFICE LTD RESPONSE

Whilst Post Office does agree with the approach to determining the options for the level of price controls for SFV services we do not agree with the conclusions reached.

As Ofcom has stated, there are already significant barriers to entry in the SFV sector, which BT, as the ex-monopoly provider, does not suffer from. If BT is forced, by regulation, to reduce its fixed line prices, whether as a cap on line rental charges, a cap on the basket of call charges or a combination of both, this will result in the other existing providers having to cut their prices in order to be competitive. This significantly raises the risk that smaller providers will exit the market and/or possible new entrants will be deterred from entering the market. Whilst BT may be in a position to absorb such price controls, it is doubtful that other providers will be able to sustain such a position. Such price controls, whilst attractive for the residential consumer in the near term, could negatively affect the longer term structure of the market, which may not be beneficial to the consumer if and when the price controls are removed.

We believe that the proposals set out in section 7 of the Review should be tested first to see if this has an impact on consumer behaviour.

[Question 8.2: Do you agree with our proposed basket structure if implementing a price control for Standalone Fixed Voice services? In particular, do you agree with the need for a separate sub-cap on the Line Rental within the basket? If not, please give your reasons.](#)

POST OFFICE LTD RESPONSE

Post Office does not support the proposed price control basket structure for SFV services as we believe that this would negatively affect the long-term structure of the market which, ultimately, would be detrimental to consumers.

[Question 8.3: Do you agree that it would be appropriate to allow the prices in a price control basket to rise by up to consumer price index \(CPI\)? If not, please give your reasons.](#)

POST OFFICE LTD RESPONSE

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As stated, Post Office does not support the proposed price control basket structure for SFV services as we believe this would negatively affect the long-term structure of the market which, ultimately, would be detrimental to consumers.

Question 8.4: Do you agree that we should exclude Home Phone Saver and Line Rental Plus from the price control? If not, please give your reasons.

POST OFFICE LTD RESPONSE

Again, Post Office does not support the proposed price control basket structure for SFV services as we believe this would negatively affect the long-term structure of the market which, ultimately, would be detrimental to consumers.

Question 8.5: Do you agree that it is appropriate for the Line Rental sub-cap to have greater price flexibility than the overall price cap to allow BT to rebalance pricing between the line rental and call prices? If not, please give your reasons.

POST OFFICE LTD RESPONSE

Post Office does not support the proposed price control basket structure for SFV services as we believe this would negatively affect the long-term structure of the market which, ultimately, would be detrimental to consumers.

Question 8.6: Do you agree with the services we are proposing to include in a price control remedy basket for Standalone Fixed Voice services? If not, please set out your alternative proposals and please give your reasons.

POST OFFICE LTD RESPONSE

Post Office does not support the proposed price control basket structure for SFV services as we believe this would negatively affect the long-term structure of the market which, ultimately, would be detrimental to consumers.

Question 9.1: Do you agree with our proposed set of remedies for the Standalone Fixed Voice services markets, that is a price control, with a one-off adjustment set with reference to the costs of BT competitors in this market, and an obligation on BT to with work with us to explore and ultimately implement information options to promote competition? If not please set out your reasons.

POST OFFICE LTD RESPONSE

Post Office does not support the proposed price control basket structure for SFV services as we believe this would negatively affect the long-term structure of the market which, ultimately, would be detrimental to consumers.

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However, Post Office does agree with the proposal to trial and test engagement remedies before implementation. We believe it is critical that consumers who have, typically, shown the least propensity to switch providers can be consulted on/take part in trials of these remedies.

[Question 9.2: Do you agree that BT should have at least one month after the date of the statement to implement the new price structure? If not, please set out your reasons.](#)

POST OFFICE LTD RESPONSE

Post Office does not support the proposed price control basket structure for SFV services as we believe this would negatively affect the long-term structure of the market which, ultimately, would be detrimental to consumers.

[Question 9.3: Do you have any additional comments on our analysis or conclusions in this consultation?](#)

POST OFFICE LTD RESPONSE

N/A