



Catherine Warhurst  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA

Head Office  
Inveralmond House  
200 Dunkeld Road  
Perth  
PH1 3AQ

By email to: [retailvoicemarketreview@ofcom.org.uk](mailto:retailvoicemarketreview@ofcom.org.uk)

8 May 2017

Dear Catherine

### **Review of the market for standalone landline telephone services**

As you know, SSE has a retail business providing fixed-line phone and broadband to residential customers, using available wholesale products. The first products we offered in this market were fixed line phone services, with broadband being added to the retail offerings some time later. SSE therefore has phone-only customers as well as a growing segment of customers who take both phone and broadband products and has contributed to the information needed for Ofcom's review of the above market.

Ofcom's proposals for BT, having established its Significant Market Power (SMP) in this market, fall into two camps: requiring BT to co-operate in testing various approaches to promoting competition and then, if justified by evidence from the trials, to implement such forms of information to customers as Ofcom may direct; and introducing price control arrangements for BT. We comment on each of these areas in turn below.

#### Promoting competition

SSE agrees with Ofcom's stance of seeking to support competition in this market, as being in the best interests of customers overall. As a company with significant interests in the energy retail market, SSE is also engaged with Ofgem in the design and trial of remedies for improving customer engagement in switching, following the recent review of the energy market by the CMA.

We agree with Ofcom that suitably designed combinations of the various 'information' remedies mentioned in section 7 – such as providing information on savings, and on the switching process itself and introducing a prompt for a customer decision on what product they wish to be using for their landline service – could well produce an outcome whereby landline-only customers become more engaged and interested in switching. This could in turn assist smaller competitors in this market to win customers and reduce their acquisition costs. Due to the uncertainties of the behavioural elements around how customers would respond to particular types of messaging, we believe that undertaking trials would yield

useful information on which to base more robustly an enduring approach to information remedies.

We also agree with Ofcom's assessment that more intrusive remedies, such as automatically switching customers within BT's product range or disclosing information on the relevant customers to BT's competitors carry risks of unintended and adverse consequences for consumers. We do not support these being considered further.

Overall, we welcome Ofcom's consideration of the best means of combining informational approaches to engaging customers to support competition and see that this is in tune with what is happening in other regulated industries, as noted in the consultation document.

#### Price Control for BT

We recognise that Ofcom sees the need to act to reduce the prices that BT customers pay for phone only services, given that it has SMP in this market and has become a 'price leader'. On the other hand, we are mindful of the unintended consequences which can be associated with this kind of intervention. Therefore, from the point of view of encouraging competing providers, we would urge that any such initial reduction should be at the lower end of the range that Ofcom is considering. Comments in the document in sections 8 and 9 show that Ofcom is well aware of the trade-offs in designing its proposed package of remedies and seeks to maintain the interest of other providers in serving the 'phone-only' market going forward.

I hope these comments are helpful.

Yours sincerely

[✂]