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15<sup>th</sup> May 2017

Dear Ms Warhurst

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

Which? welcomes the opportunity to respond to this consultation. We agree that there appears to be a lack of competition in this market, and that a price control is a sensible intervention in this case. This is not because of the nature of the customer base, although it is true that a proportion of them will be vulnerable, but due to the features of the market itself - i.e. a declining in size and hard to reach - that has led to a lack of competition in the market from alternative providers. This is unlikely to improve and may worsen without intervention.

The price cap is the best way to address the lack of competition in this market in this case. Ofcom's intervention reduces consumer detriment, while also taking some measures to support new entrants and to encourage consumers to engage in the market. We are relatively confident that this price cap will not have any unintended consequences in this case given that the Standalone Fixed Voice (SFV) market relatively small and mature, and therefore the cap is unlikely to undermine competition or innovation. Given the features of this market, a price cap seems like the most sensible option in order to protect those consumers who take SFV services. This is because:

- It seems highly unlikely that competition will become stronger in this market without intervention as there are a lack of competitive constraints on BT's pricing behaviour. This is due to the relatively high acquisition costs of SFV customers, lack of consumer engagement and the declining nature of the customer base.
- Competition could in fact become weaker as the size of the market continues to decline, and the returns to CPs from investing in acquisition of these customers reduces, further lessening the competitive constraint on BT.
- As consumers of SFV services seem particularly disengaged in the market, it is difficult to see a way in which new entrants would be successful in acquiring new customers, especially as they cannot be acquired through the usual channels - i.e. online. This acts as a barrier to entry for other CPs wishing to compete in the market.

We would expect Ofcom to review the cap in time and would welcome the opportunity to discuss our views further.

Yours sincerely

Pete Moorey  
Head of Campaigns

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