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**[Non-confidential version]**

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Dear Sukh,

**Helping consumers to engage in communications markets**

TalkTalk is pleased to respond to Ofcom's call for inputs on measures to help consumers engage in communications markets.

We agree with Ofcom that there is scope for improving engagement levels among consumers in communications markets. Well-informed and empowered consumers are far more likely to switch providers to ensure they obtain the best deal in the market. The current switching levels in communications markets lag significantly behind other utility markets. By way of comparison, the current annual levels of switching in energy markets stand at about 16%<sup>1</sup> whereas the latest available statistics for communications markets show an annual switching

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/switches-nearly-30-millions-go-energy-shopping>.

rate of only 11%<sup>2</sup> (with a considerably lower switching rate of only 7% for pay-TV). This suggests relatively weaker levels of competition in communications markets.

As Ofcom will be aware, TalkTalk has been a consistent advocate of the need to improve switching processes as a key enabler for competition. Indeed, only in July 2016, Ofcom agreed that *“existing cross-platform switching arrangements create a number of process-related difficulties for switchers, and can deter some consumers from switching.”*<sup>3</sup> It suggested that gaining-provider led switching would be better to *“achieve our policy objectives, in line with our duties, and produce benefits to consumers in excess of the costs to providers, such that it is an objectively justified and proportionate intervention.”*<sup>4</sup> It is therefore disappointing that Ofcom has decided to discontinue its work to extend the gaining-provider led switching model to platforms other than Openreach. We are concerned that this decision will continue to hinder effective competition in pay-TV where, as mentioned above, switching levels are already much lower than for communications services overall.

We agree with Ofcom that overall engagement levels among consumers have been negatively impacted by price and service complexity.<sup>5</sup> Customers must feel empowered to identify a deal or package which is well-suited to their needs. TalkTalk has recently taken concrete steps to simplify its broadband product portfolio to provide greater clarity and reassurance to customers. Our market research found that customers value simple, affordable and fixed tariffs that do not contain any surprises.

[redacted]

We also agree with Ofcom that there is merit in looking at the terms and conditions of consumers’ contracts and overall industry practices and whether these may make it more difficult for consumers to switch to a better deal from another provider. TalkTalk’s experience is that customers who take triple-play services from providers with their own platforms (typically satellite TV or even cable) tend to have different contracts for broadband and TV. This means that the consumer’s broadband contract can have a different end-date to their pay-TV contract making it difficult for them to switch their triple-play services simultaneously to another provider. A simultaneous switch is often the most attractive for the consumer as

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<sup>2</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0012/51105/cer\\_2015\\_final.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0012/51105/cer_2015_final.pdf), page 4.

<sup>3</sup> Making switching easier and more reliable for consumers, Proposals to reform landline, broadband and pay TV switching between different platforms, Ofcom consultation document, 29 July 2016, paragraph 1.4.

<sup>4</sup> See supra at 3, paragraph 1.10.

<sup>5</sup> Ofcom call for input document, paragraph 2.13.

they stand to make the biggest cost savings and minimise disruption. The inferior (and costlier) alternative is to have parallel services running for some time until, say, the consumer can terminate their pay-TV contract with their incumbent provider. We would therefore welcome further Ofcom research into the consumer experience to support measure to require contract alignment between services in the same bundle. These measures should seek to address the consumer harm being caused by these industry practices as soon as possible.

We hope the above comments are useful to Ofcom's continued work in this area. We are keen to provide any further input as Ofcom may consider useful in formulating more concrete policy proposals.

Yours sincerely,

Rickard Granberg  
Head of Regulation and Compliance