

Automatic Compensation  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London  
SE1 9HA

5<sup>th</sup> June 2017

Dear Sirs,

**Re: Automatic Compensation**

As outlined in our response to your Call for Inputs sent to you on 22<sup>nd</sup> July 2016, we agree with the scope and basis for automatic compensation and welcome the proposals for the service quality failures that would be covered by automatic compensation payments. However, we remain concerned that the proposals have not been extended to cover the wholesalers' role in the provision of communication services.

We understand that Ofcom's aim with the introduction of automatic compensation and increased transparency obligations is to improve the level of service provided to the customer. We agree with the intent; however, as currently drafted, the obligations to pay automatic compensation and to comply with the increased transparency obligations rest solely with the retailer.

The obligations to pay automatic compensation may be caused by the actions or inactions of the wholesaler. There is often inequality of bargaining powers between the retailer and the wholesaler, meaning the retailer may be unable to recoup some or all of the automatic compensation payments they were obliged to make to the customer due to an issue with the wholesaler. This could significantly affect smaller retailers and force them to subsidise these costs elsewhere, for example by passing on increased charges to customers.

With regards to the increased transparency obligations, whilst this may be an effective mechanism to incentivise retailers with their own engineers and networks, those retailers who rely on the network of a wholesaler may be unable to offer a competitive service as they are dependent on the service their wholesaler is prepared to provide to them. The larger the retailer the better the deal they will be able to strike with their wholesaler. That may mean that smaller retailers are unable to effectively compete in the market.

We are also concerned that the proposals appear to promote micro-businesses taking out residential contracts in order for them to be protected by automatic compensation. As highlighted by UKCTA and ITSPA in their response to CFI, the needs of small business customers are likely to be very different to the needs of a residential customer and residential contracts may not be appropriate for small businesses, particularly as they are so reliant on their telecommunication services. For example, businesses may require a higher care level for faults on their service than residential customers. Incentivising small business customers to enter into residential contracts by including them under the obligation to pay automatic compensation for service failures will also impact smaller business to

business providers who are unable to offer automatic compensation or improved quality of service levels above the basic levels offered by the wholesaler.

We understand that increasing customers' expectations will incentivise service providers to improve service quality; however, we feel that it is also important for expectations to be appropriately managed and for service quality issues to be addressed at the source to fully drive improvements for customers.

Yours sincerely,

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