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STRAIGHT-TALKING, FORWARD-THINKING, TELECOMS

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Retail Voice-only Customers Consultation Team c/o Cat Kelly  
Office of Communications  
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January 20<sup>th</sup>, 2020  
By e-mail

Dear Cat,

**Reference: Protecting voice-only landline telephone customers (the “Consultation”)  
Non-Confidential**

We welcome BT’s ongoing commitment to safeguard certain groups of vulnerable users, such as the elderly, or socio-economic group DE1 against unfair pricing for landline services, upon which they may rely.

Unfortunately, a look at the price points for traditional landline only services (§3.7 of the Consultation suggests a market rate of £17.99-18.99 a month, which also correlates with BT’s pre-intervention rate in April 2018) and a comparison with the equivalent packages on fibre, suggests that the retail market rate for a basic voice enabled package is £24.99 increasing to £32.99<sup>1</sup> at the end of the minimum term.

These relative differences in retail price between traditional and copper-based products also correspond with our experience in the relatively higher wholesale input costs and operational overhead of providing voice over fibre.

During the period of BT’s voluntary commitment, it is estimated substantial parts of the country will be engaged in the PSTN switch-off, with stop-sells enacted, or even, potentially, the withdrawal of copper-based access.

It is possible that Single Order Transitional Access Product (SOTAP) may be a solution to deliver a cost-effective voice-only service to the vulnerable in the short term, but as a copper-based access product, it has, by definition, a limited life span.

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<sup>1</sup> <https://www.thinkbroadband.com/isps/bt/packages/fibre-essential> [accessed January 6th 2020] relating to BT Fibre Essential.



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An increase in the relative discount from the current £7 a month to £21<sup>2</sup> a month is likely to represent a significant moral hazard for BT – not only does it represent a 3-fold increase in the cost of honouring the commitment to the 900,000<sup>3</sup> that benefit, it is also a substantial swing in the gross profit position in the relative amounts of the wholesale input prices of voice-only WLR versus providing voice over the top of fibre.

BT's commitments are, historically, not taken by the industry as credible. In support of this, we cite two such examples;

1. In the commitments regarding Openreach, it is often said that there is a commitment not to co-brand. This is not true, BT only committed to not use the terms "BT" or "British Telecom", but is entirely able to use the same logo<sup>4</sup>.
2. BT made promises about the cost-orientation of the Payphone Access Charge<sup>5</sup> which, despite its handling of charities in respect to it, remains significantly over any reasonable view of cost orientation.

Additionally, BT has been known to exploit basket-based charge controls historically, leading to the introduction of sub-basket caps.

It is therefore unsurprising given this that we wish to take a forensic look, given the clear moral hazard and BT's past conduct, at the commitments in the Consultation.

BT are promising to<sup>6</sup>;

*2.1.4 Apply the Commitments to all line rental products and services for voice-only customers, including Home Phone Saver, regardless of the technology used to deliver the service, for a 5-year period from 1 April 2021; with the initial price of any products based on new technology being the same as that for existing line rental products at the time;*

This is an ambiguous paragraph in many respects. "New technology" can be taken as technology not in existence at the time the Commitment was made, as opposed to fibre-based network access. Additionally, the inclusion of "Home Phone Saver" is superfluous and, most concerning, the "initial price of any [new] products" being based on the "existing" products. There is sufficient scope here for game-playing, not least by paying lip-service to the

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<sup>2</sup> The £11.99 a month current position compared to the £32.99 Fibre Essentials Product out of contract.

<sup>3</sup> BT's market share of 75% cited at §2.1 if the Consultation applied to the 1.2m land-line only customers cited in the same paragraph.

<sup>4</sup> §16.1 of "Commitments of BT Plc and Openreach Limited to Ofcom", Issue 4, dated 26<sup>th</sup> November 2020

<sup>5</sup> "Payphone access: ensuring free-to-caller access from payphones" published by Ofcom on 11<sup>th</sup> February 2005

<sup>6</sup> Annex 5 of the Consultation.



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Commitment on fibre by setting a low initial price and then increasing it materially shortly thereafter.

Obviously, we welcome the spirit of it applying equally to fibre with voice over-the-top and copper-based network access, but, bluntly, we do not trust BT. To that end, we have several suggestions:

1. We are advised that such commitments, to be as rigorous as possible, should be a formal undertaking made under the Enterprise Act 2002. Otherwise, it is nothing more than an empty promise that can be reneged upon (and indeed, we say BT has previously done so).
2. In the alternative, Ofcom does have formal retail price setting powers, which it can engage, pursuant to Article 83 of the European Electronic Communications Code.
3. BT should be requested to amend the Commitment cited above to be clearly and unambiguously a promise to offer a retail voice-only service at £11.99 + inflation for a period of 5 years irrespective of the technology used – i.e. no reference to “initial price” or new technologies.

Given that BT’s positioning of the Commitments is in keeping with what we are suggesting gets made more formalised with any or all of the above suggestions, we do not see any reason for them to object.

As ever, my team and I are at your disposal to discuss issues arising.

Yours sincerely,

Simon Woodhead FCSI  
CEO