

Review of the market for standalone landline telephone services

Statement

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About this document

This document sets out our conclusions for the market for standalone landline telephone services following our consultation in February.

We had concerns about consumers that buy landline services in a standalone contract and not as part of a bundle with other services such as broadband or pay-TV. In particular, we were concerned about consumers who do not buy fixed broadband, as the market appeared not to be serving them well. We observed that these consumers were experiencing rising prices for line rental, despite falling wholesale costs.

In our February consultation, we proposed regulated price reductions and a requirement for BT to work with us to encourage their customers to consider what better deals were available.

We have now received an offer from BT that matches our proposed regulation for voice-only consumers. Here we set out our consideration of BT's offer.

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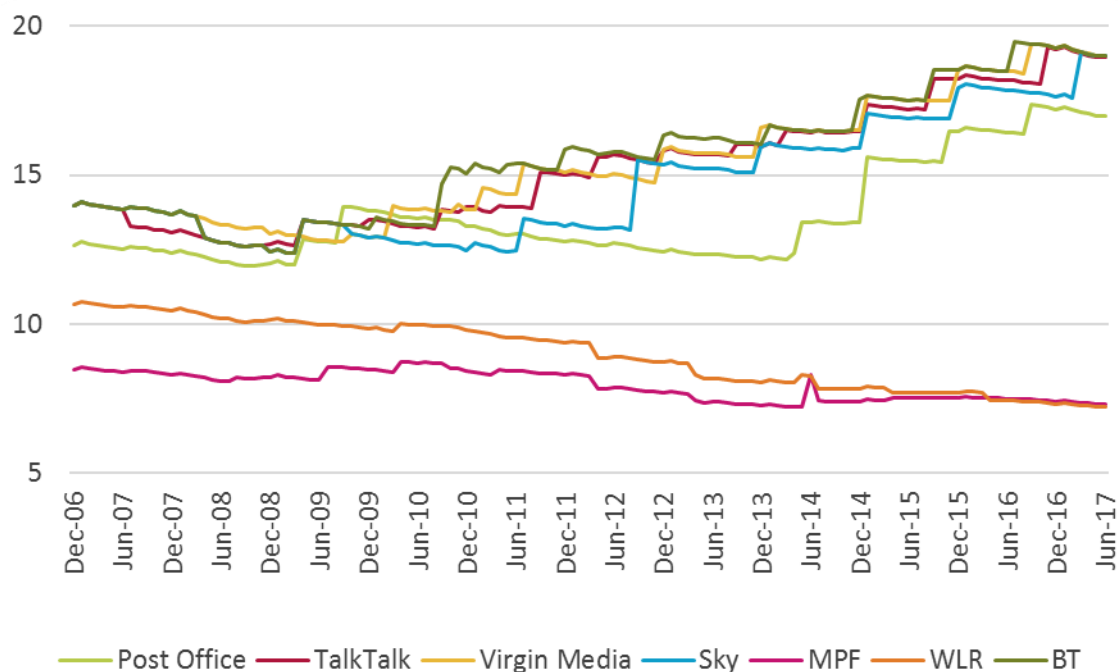
1. Executive summary

Strategic context

- 1.1 Over the past decade, the landscape for fixed-line telecommunications in the UK has been transformed. Competition has brought new services, increased choice and delivered benefits to consumers.
- 1.2 While there remains a need to continue driving the industry to meet increasing demands for greater quality and reliability, on the whole customers who buy bundled services are getting more for their money than ever before. However, customers that do not take bundled services have not benefited from competition in the same way. In particular, customers purchasing voice-only services – often elderly people who have remained with the same provider for many years – are getting poor value for money. These consumers have less choice of suppliers and are not benefiting from strong price competition or promotional offers. Their loyalty to their provider is not being rewarded but is instead leading to ever higher prices.
- 1.3 As shown in Figure 1 below, line rental prices have increased significantly since 2009. From December 2009 to June 2017, line rental prices rose by between 23% and 47% in real terms. At the same time, the wholesale cost of providing landline services fell by about 27% in real terms.¹
- 1.4 This fall in wholesale costs has allowed more competitive pricing in the bundled market but voice-only customers have faced price increases without receiving any significant corresponding benefits.

¹ Wholesale costs are represented by the WLR and MPF lines in Figure 1. These two wholesale products are used by providers to offer retail line rental services to consumers. WLR price fell by 27%.

Figure 1: Wholesale and retail line rental price movements (£/month at June 2017 prices)



Our February consultation

- 1.5 On 28 February 2017, we set out our proposals to address the concerns we had identified in the standalone landline telephone services market (February Consultation). This was the first stage in a review process to determine whether or not competition is working well for consumers in the retail market.
- 1.6 We identified two categories of consumers who buy standalone telephone services: voice-only (those who only buy a telephone service and not broadband) and split purchasers (those who buy a telephone service and a broadband service, but not as a bundle). On the basis that telephone providers could not distinguish between these customers we considered it was appropriate to include them all in a single market. We provisionally concluded that BT has significant market power in the provision of services to customers who purchase landline telephone services on a standalone basis.
- 1.7 To address the concerns we identified, we proposed to regulate BT's standalone telephony services through a retail price control, with an initial price cut of between £5 and £7 in monthly line rental, and a basket cap on prices of line rental and calls to limit future price increases to no more than the rate of inflation.
- 1.8 We also proposed to require BT to work with us to trial – and, if appropriate, deliver – consumer information to encourage its standalone telephony customers to look for better value deals in order to promote competition.

Assessment of markets and measures to address consumer detriment

- 1.9 We have carefully considered both the responses to the February Consultation, and further market research that we published in July 2017.²
- 1.10 Since the February Consultation, we have been made aware that providers of standalone telephony services on Openreach's network are in fact able to identify which of their customers are voice-only and which are split purchasers.³ Therefore, while providers have not so far set different prices (or other terms and conditions) between these two customer groups, they could do so if they wished. Accordingly, we are no longer of the view that voice-only and split-purchase customers should be considered part of the same market.
- 1.11 While we have concerns about the current outcomes for both customer groups, our concerns are more acute for voice-only customers. Voice-only customers generally do not engage with the market: 77% of voice-only customers have never switched provider or considered doing so.⁴ They tend to be older and less likely to shop around for a better deal. Over 40% of voice-only customers are at least 75 years old, and 40% live in DE socio-economic group households (for comparison, 55% of dual-play customers are 75 or over, and 20% are in DE group households).⁵ Moreover there are now relatively few providers of landline only services for these consumers to choose from.
- 1.12 Even if measures to promote engagement and competition for voice-only customers are successful, they are likely to take time to have an impact (and there are challenges to them being successful, which requires both that voice-only customers engage more actively and also that this stimulates a growth in the existing, limited competition). BT currently holds a dominant position in the market for voice-only customers and the lack of competition enables it to maintain prices above the competitive level.
- 1.13 We therefore consider that a significant price cut is important to alleviate the detriment suffered by voice-only customers. We are also in favour of providing information to consumers, because of the potential benefits in encouraging their engagement in the market and greater competition.
- 1.14 Like voice-only customers, split purchasers have suffered increases in line rental charges in recent years without significant offsetting benefits. However, split purchasers are typically younger and more technologically literate, and, by definition, have internet access which allows them to access alternative offers more easily. Unlike voice-only customers, split purchasers have a wide range of choices available to them, such as dual-play (telephone

² Available at: https://www.ofcom.org.uk/_data/assets/pdf_file/0016/105307/Enriching-understanding-of-Standalone-Voice-Customers.pdf

³ BT has told us that it can seek information from Openreach on a monthly basis to confirm which of their lines are voice-only.

⁴ Ofcom switching tracker 2016. Available at: https://www.ofcom.org.uk/_data/assets/pdf_file/0025/95524/Switching-Tracker-2016-Data-tables.pdf

⁵ Ofcom technology tracker H1 2017. Available at:

https://www.ofcom.org.uk/_data/assets/pdf_file/0015/101292/technology-tracker-data-tables-h1-2017.pdf

and broadband) bundles, which should allow them to seek better value for money from providers if they increase their levels of engagement.

- 1.15 To address the detriment faced by split purchasers we have decided that it is more appropriate to allow time for split purchasers to become more actively engaged and potentially switch to dual-play bundles where that is a better option for them, than to include them in a price control at this stage. Split purchasers may benefit from being informed that, in many cases, they are not obtaining good value for money and can find themselves a better deal.

BT's voluntary proposal

- 1.16 On 24 October 2017 BT put forward a voluntary proposal seeking to address some of the concerns identified in the February Consultation. BT's proposal involves the following commitments for a three-year period in respect of its voice-only customers:
- a) A line rental price reduction of £7 per month (inclusive of VAT) effective from April 2018;
 - b) Raising prices of calls and line rental by no more than inflation (CPI) each year;
 - c) Provision of reporting information to allow Ofcom to monitor its compliance with the voluntary undertaking; and
 - d) A commitment to improve the information available to ensure voice-only customers are aware of possible savings available to them in this market.
- 1.17 BT also proposed to further stimulate engagement by split-purchase customers by issuing an annual statement detailing the total spend of these customers which should help them to consider what alternatives are available for voice alone and in conjunction with their broadband service.
- 1.18 Approximately one million BT voice-only customers will be eligible for the price cut. Around 800,000⁶ will receive the price cut automatically on 1 April 2018.⁷
- 1.19 These commitments from BT are in addition to the continued provision of BT Basic, the social tariff for those receiving benefit support.⁸

⁶ Roughly 200,000 customers on BT's 'Home Phone Saver' package could also receive the price cut. Those that don't take broadband (i.e. not split purchasers) can choose to stay on their current package, or move to the standard product being cut, depending on which is the best deal for them.

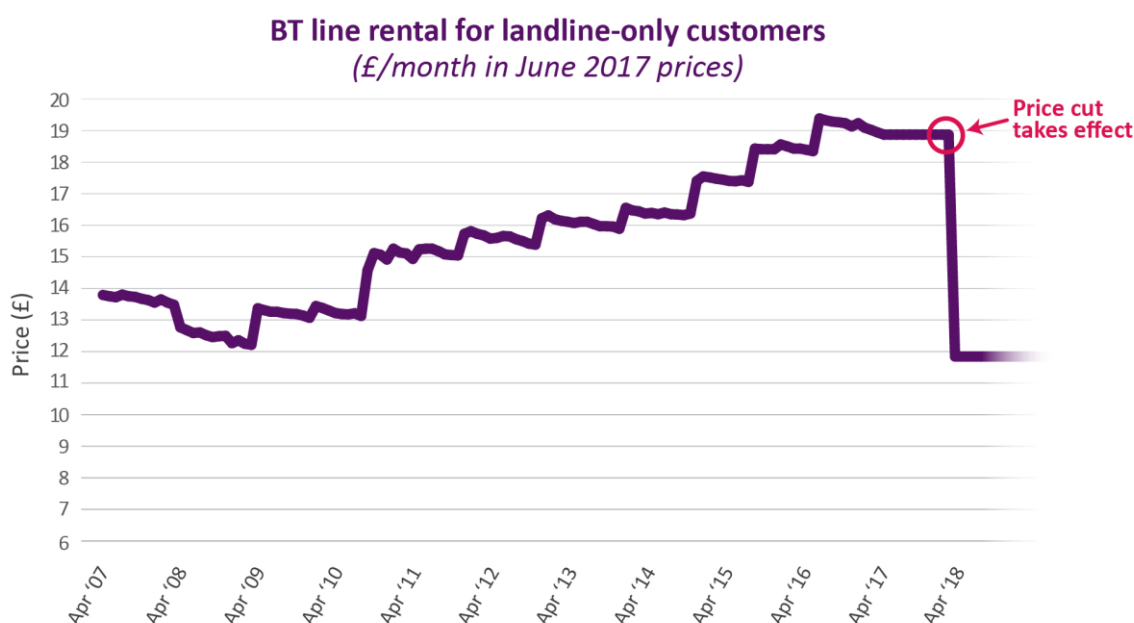
⁷ Home Phone Saver tariff bundles line rental, calls and additional features together in a package and offers a discount of up to £30 against compared to purchasing the features individually at standard prices.

⁸ There will be no change to the price of BT's social tariff – BT Basic. This will remain a requirement on BT to provide low-income households on certain benefits access to BT's network at a much reduced price relative to that of standard line rental. It is available to those on Income Support, Income-based Jobseeker's Allowance, Pension Credit, Employment and Support Allowance and those with zero earnings on Universal Credit.

Accepting BT's voluntary proposal

- 1.20 We consider that BT's voluntary proposal addresses our concerns over the prices offered to voice-only customers. It brings line rental prices back down to levels last seen in 2009 in real terms, as shown in Figure 2 below. It reverses the trend of recent years for ever higher prices and goes further to ensure that prices are constrained by CPI for the next three years.
- 1.21 BT has also agreed to improve its communications with its voice-only customers to provide information on potential savings and the switching process.
- 1.22 For split-purchase customers, the focus of BT's proposal is now solely on encouraging engagement through an annual statement. We consider that this, plus the absence of a price cut, might encourage them to engage more actively with the deals available in the market for dual-play and other bundles. Additionally, we will be exploring other types of prompts or tools for consumers more generally in our consumer engagement project. We launched this project in July 2017 through a call for inputs.⁹
- 1.23 We therefore consider that BT's voluntary proposal is sufficient to address our concerns in relation to this review. Accordingly, we have decided against the imposition of formal regulation at this time.

Figure 2: BT's line rental prices for voice-only customers: 2007-2018



Source: Ofcom/PurePricing UK Broadband Updates

⁹ Available at: <https://www.ofcom.org.uk/consultations-and-statements/category-2/helping-consumers-engage-communications-markets>

Next steps

- 1.24 We will monitor closely BT's implementation of its voluntary proposal to cap prices for voice-only customers. If BT fails to deliver on its commitments, we will consider imposing regulatory remedies.
- 1.25 We will work with BT on measures to improve customer engagement in the market for voice-only customers and monitor progress.
- 1.26 We will also monitor the overall impact of BT's voluntary proposal for consumers. Should our monitoring show that consumer detriment remains unaddressed, we will consider intervening in the market.

2. Introduction and background

- 2.1 Our Review of the market for Standalone Landline Telephone Services arose from concerns over the extent to which consumers buying landline telephone services on a standalone basis were missing out on the benefits of competition. Retail prices were rising despite wholesale prices falling in real terms and our review sought, in particular, to investigate whether or not measures were needed to address rising retail prices. We consulted in February on our proposals to impose regulation in relevant retail markets.

Our concerns leading to this review

- 2.2 Since 2009, when we removed all regulation on BT in the retail voice telephony markets, many consumers have moved towards buying services in bundles, and this is where we have seen the focus of competition. In 2017, 88% of households reported buying at least two of their communication services in a bundle, with dual-play packages of landline and broadband triple-play packages of landline, broadband and pay-TV being the most popular.¹⁰ This percentage continues to rise.
- 2.3 Consumers purchasing bundled products have benefitted from competition in terms of prices and choice of products available. Whilst they have, in the past, paid a line rental charge in addition to charges for voice and broadband services, in October 2016, the Advertising Standards Authority (the ASA) issued a ruling requiring communications providers to no longer separate out line rental for bundles.¹¹ Broadband suppliers' price claims must therefore now show all-inclusive, up-front and monthly costs. Consumers purchasing bundled products including voice services therefore no longer pay a separate line rental charge.
- 2.4 As part of the Strategic Review of Digital Communications (Strategic Review) we set out our concerns that standalone landline customers have experienced real-terms price increases over the last few years. We also expressed our concerns about the levels of engagement for this market.¹²
- 2.5 We have gathered evidence that shows competition is not benefiting customers purchasing landline telephone services on a standalone basis (i.e. those that do not purchase bundled products) to the same extent. There are currently 2.6 million households which take landline telephone services outside a bundle, representing 10% of all residential landline users. While the number of such customers is declining over time, it is nevertheless likely to remain significant for the foreseeable future.

¹⁰ Ofcom technology tracker H1 2017. Available at:

https://www.ofcom.org.uk/_data/assets/pdf_file/0015/101292/technology-tracker-data-tables-h1-2017.pdf

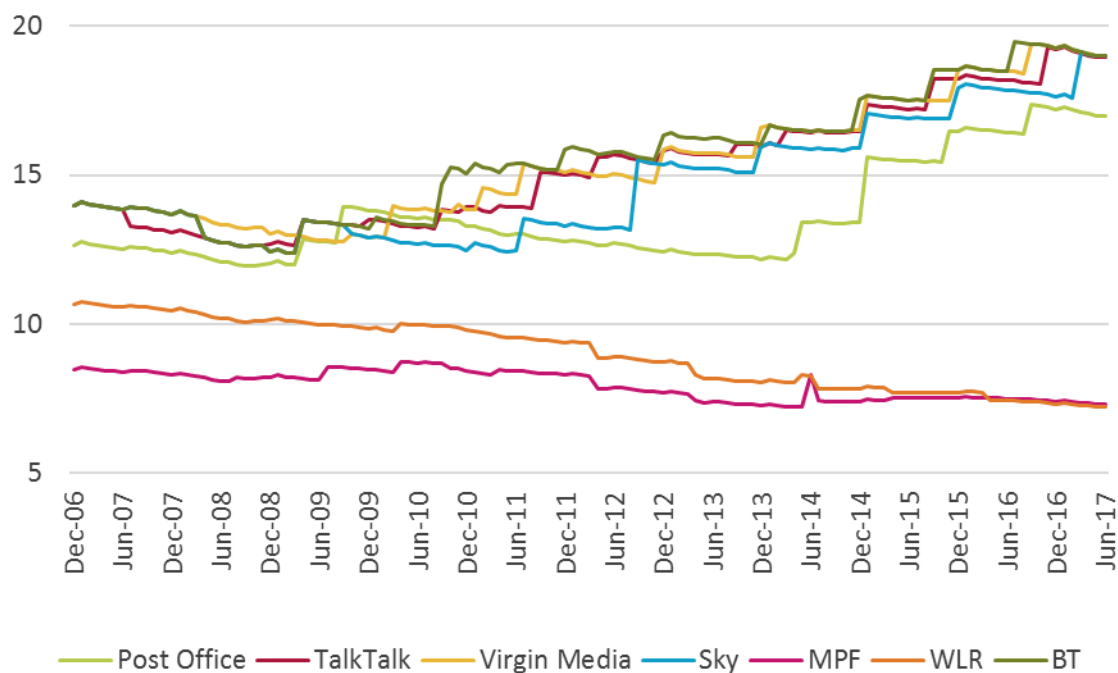
¹¹ Advertising Standards Authority, 2016. "Changes to broadband price claims in ads comes into force today", <https://www.asa.org.uk/news/changes-to-broadband-price-claims-in-ads-comes-into-force-today.html>

¹² Ofcom Strategic review 2016, Paragraphs 7.9-7.10. Available at:

https://www.ofcom.org.uk/_data/assets/pdf_file/0016/50416/dcr-statement.pdf

- 2.6 As Figure 3 shows, these customers have been progressively exposed to increasing line rental prices since 2009. This has been occurring despite wholesale charges for products used to provide line rental falling by up to 27% in real terms. Wholesale costs are represented by the WLR (wholesale line rental) and MPF (metallic path facility) lines in Figure 3. These two wholesale products are used by providers to offer retail line rental services to consumers.

Figure 3: Wholesale and retail line rental price movements (£/month at June 2017 prices)



Source: Ofcom/Pure Pricing UK Broadband Updates (adjusted for CPI; excludes line rental saver pre-payment tariffs)

- 2.7 Some of the price increases may be due to a rebalancing of prices between line rental and calls as fixed voice call revenues fall due to people making fewer calls, using instead texts, email etc. However, the declining wholesale costs suggest that the price increases are generally not justified by cost increases and communications providers serving this market have been increasing their profitability.
- 2.8 The effect of the increase in line rental prices has a particular impact on elderly consumers. As Figure 4 shows, over 40% of voice-only consumers are over 75.¹³ Moreover, this group of consumers is generally more disengaged. Ofcom research has shown that 77% of voice-only customers have never switched providers or considered doing so.¹⁴ These customers are receiving poor value for money given the rising line rental charges which they face.

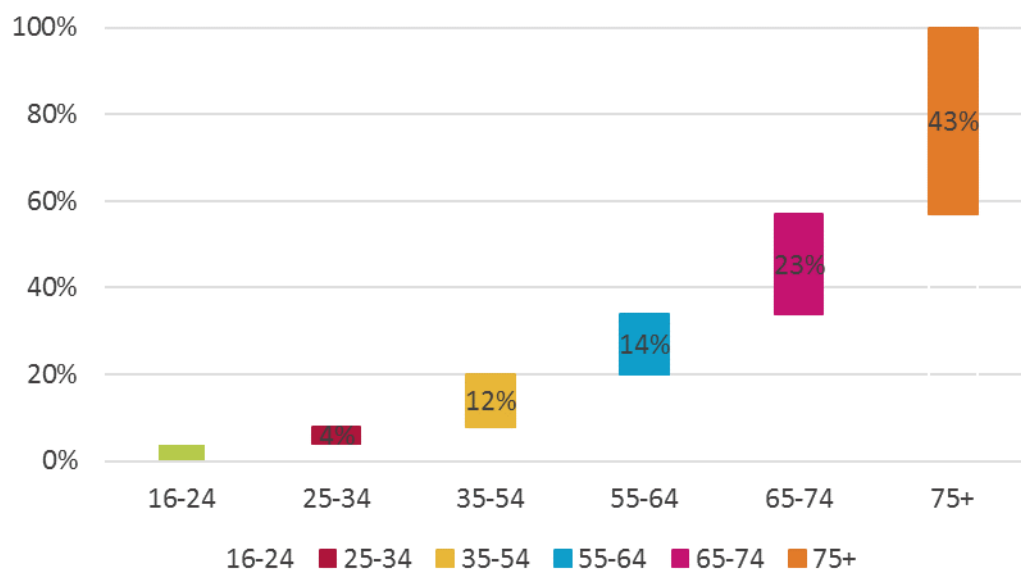
¹³ Ofcom Technology Tracker, H1 2017. Available at:

https://www.ofcom.org.uk/data/assets/pdf_file/0015/101292/technology-tracker-data-tables-h1-2017.pdf

¹⁴ Ofcom, 2016. *The Consumer Experience 2015*, Research Annex,

https://www.ofcom.org.uk/data/assets/pdf_file/0023/38543/annex.pdf

Figure 4: Residential voice-only consumers by age group



Source: Ofcom Technology Tracker, H1 2017

Background to this statement

Retail regulation

- 2.9 Up until 2006, BT was subject to retail price regulation. In 2006, Ofcom¹⁵ decided not to maintain retail price controls.¹⁶ In doing so we recognised, however, that certain groups of vulnerable consumers might require more protection than the average consumer who could switch easily.¹⁷ In particular, we acknowledged that there may be some consumers for whom competition was weaker, leaving them vulnerable to price rises.
- 2.10 In 2009, we concluded that relevant retail markets were effectively competitive and BT no longer held a position of significant market power in those markets. In light of that conclusion, we removed the remaining regulation which applied. We indicated that we would continue to monitor consumers' experience of these services and would intervene, if appropriate in the future.

Wholesale regulation

- 2.11 Whilst regulation at the retail level has been removed, Ofcom continues to impose regulation requiring BT to offer wholesale products to its competitors to allow them to compete effectively at the retail level. BT has been required to provide wholesale line

¹⁵ Ofcom replaced Oftel as the regulator with responsibility for electronic communications markets from 29 December 2003.

¹⁶ Ofcom, 2006. *Retail Price Controls: Explanatory statement* ("2006 Retail Price Control Statement"), https://www.ofcom.org.uk/data/assets/pdf_file/0012/42114/rpcstatement.pdf

¹⁷ 2006 Retail Price Control Statement, paragraph 1.13.

rental and wholesale call origination on regulated terms for a number of years and that remains the case.

February consultation

- 2.12 In February 2017, we published a consultation on our initial conclusions for this market review (the February Consultation). We provisionally identified a market for standalone fixed voice access and a market for standalone fixed voice calls, both UK-wide excluding the Hull area. We also provisionally concluded that BT held significant market power in both of these markets. To address the consumer detriment we had identified arising from a lack of competition in the markets, we proposed several options for regulation in this market. These included our preferred option of a one-off price cut of between £5-7 on BT's retail line rental price, an ongoing charge control for line rental and calls as well as engagement remedies designed to help customers in this market to be more aware of their options and to potentially switch to better deals in order to stimulate increased competition.
- 2.13 Our consultation ran from 28 February until 9 May. We received 47 responses to this consultation, including 10 responses from organisations and 37 from individuals.

3. Market assessment

Introduction

- 3.1 In this section we set out the provisional conclusions we reached in the February Consultation and the responses we received. We set out our consideration of the responses and our subsequent position.

Provisional conclusions in the February Consultation

- 3.2 Our market review process involves defining markets, assessing whether or not one or more providers holds a position of significant market power in those markets and deciding what regulation, if any is required.
- 3.3 In the February Consultation, we started by identifying voice-only customers, i.e. those who did not purchase a fixed broadband service at all, as our focal product. 1.5 million customers fall within this group and they are generally older and less likely to shop around for a better deal. Over 40% of voice-only consumers are over-75, and over one-third live in DE socio-economic group households.¹⁸ After identifying the focal product we conducted an analysis of market conditions to determine whether the relevant market should encompass a broader group of customers.
- 3.4 We went on to consider the position of “split-purchase” customers (i.e. those that purchase landline telephone and broadband services separately, not as part of a bundle). We provisionally found that the market we were interested in included both voice-only customers and split purchasers, primarily on the basis that communications providers have not, to date, price discriminated between them.
- 3.5 In our consultation, we therefore identified relevant markets for:
- a) The provision of standalone fixed voice access in the UK, excluding the Hull Area. This included sales to voice-only customers and split purchasers and was limited to residential services.
 - b) The provision of standalone fixed voice calls in the UK, excluding the Hull Area. As for access, this included sales to voice-only customers and split purchasers and was limited to residential services.
- 3.6 We provisionally concluded that BT had significant market power in the markets we identified, based on our analysis of market shares, barriers to entry and expansion, pricing, profitability and countervailing buyer power. A significant market power finding meant that we considered that BT can set the terms and conditions of sales without facing significant competitive constraint from other providers.

¹⁸ Ofcom technology tracker H1 2017. Available at:

https://www.ofcom.org.uk/_data/assets/pdf_file/0015/101292/technology-tracker-data-tables-h1-2017.pdf

- 3.7 Several stakeholders commented on our provisional conclusions on market definition. TalkTalk agreed with our assessment, while BT, Virgin Media and Post Office disagreed with our assessment in part or entirely.
- 3.8 SSE, Telefonica, Vodafone, TalkTalk, Post Office and the consumer group Which? agreed with our provisional conclusion that BT had SMP in the relevant markets. BT disagreed with our assessment. Stakeholder responses are set out in full on our website.¹⁹
- 3.9 We address the main points made by stakeholders in the sections below.

Market assessment

Product market definition

- 3.10 In light of the comments we received from stakeholders, further information gathering and research we have revised our view of the market.
- 3.11 We no longer consider that it is appropriate to define markets around the purchase of standalone fixed voice access and calls. Rather, we consider that there are separate markets for the purchase of each of access and calls by voice-only customers.
- 3.12 We address separately at the end of this section our views on the position of split purchasers.

Split-purchase customers are not in the same market as voice-only customers

- 3.13 BT and Virgin Media did not agree that split-purchase customers were part of the same market as voice-only.
- 3.14 BT argued that if a separate market existed for standalone fixed voice, split-purchase customers should not be part of it. It argued that split purchasers should be in the same market as dual-play as the two groups consumed functionally equivalent services and had similar characteristics in terms of demographics, engagement levels and switching activity.²⁰ BT also argued that suppliers have strong incentives to attract split-purchase customers to take up their dual play offers.²¹
- 3.15 Virgin Media argued that voice-only and split-purchase customers should be defined in separate markets, as the evidence demonstrates significantly different demographic characteristics, they purchase different communications services and have different levels of engagement.²²
- 3.16 Both Virgin Media and BT argued that there may be rational reasons why split purchasers choose not to buy a bundle. BT argued that there may be "non-specific price benefits" to

¹⁹ <https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-landline-telephone-services>

²⁰ BT response to February Consultation, 19 May 2017, page 33, paragraph 129.

²¹ BT response to February Consultation, 19 May 2017, page 34 paragraph 131 to 134.

²² Virgin Media response to February Consultation, 17 May 2017, page 4 to 5.

consumers, for example the availability of Pay-TV with the broadband supplier.²³ Similarly, Virgin Media explained that services available from two different providers are not identical, for example that a consumer might be satisfied with their fixed voice line provider but switch broadband supplier to achieve a better quality of service.²⁴

- 3.17 In the February Consultation, we provisionally concluded that the relevant market included the provision of standalone fixed voice services to both voice-only and split-purchase customers. We noted that up to that point, even where communications providers could easily distinguish between voice-only and split-purchase consumer (in the case where they provided both the standalone broadband and standalone telephone services), they had not done so in terms of the services they offered and there was no obvious intent by communications providers to seek to differentiate services.
- 3.18 Since the February Consultation, we have been made aware that providers of standalone telephone services on Openreach's network are in fact able to distinguish which of their customers take voice-only and which are split purchasers. BT has told us that it can seek information from Openreach, on a monthly basis, to confirm which of its lines are voice-only, and we understand that other providers could obtain similar information from Openreach.
- 3.19 In addition, as noted in paragraph 4.9 below, BT has offered to reduce line rental prices to its voice-only customers but not to split-purchase customers who are buying standalone fixed voice services from BT and broadband from another provider. BT has therefore indicated that not only can it identify which customers are voice-only customers and which customers are not, but it is also able to, and is prepared to, set different prices for voice-only and split-purchase customers.
- 3.20 As we set out in the February Consultation, if there was price discrimination between voice-only and split-purchase customers, it might imply two narrower, separate markets for standalone fixed voice access services, one for voice-only and the other for split purchasers.²⁵ The OFT market definition guidelines mention that:
- "Where a hypothetical monopolist would (or would be likely to) price discriminate significantly between groups of customers, each of these groups may form a separate market. If so, a relevant market might be defined as sales of the relevant product in the relevant geographic area to a particular customer group".²⁶*
- 3.21 In such circumstances of price discrimination, the two groups of customers would not face a common pricing constraint.
- 3.22 On balance we therefore consider it appropriate to identify a market for standalone fixed voice services to voice-only customers, separate from the provision of standalone fixed

²³ BT response to February Consultation, 19 May 2017, page 31, paragraph 125 to 128.

²⁴ Virgin Media response to February Consultation, 17 May 2017, page 8.

²⁵ February Consultation, paragraph 3.48, footnote 48.

²⁶ OFT, 2004, Market Definition,

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284423/oft403.pdf

voice services to split purchasers. In view of communications providers' ability to price discriminate, we no longer consider that voice-only customers and split-purchase customers face a common pricing constraint and, consequently, the two customer groups should no longer be considered as falling within the same relevant market.

Dual-play services are also not in the same market as standalone fixed voice services bought by voice-only customers

- 3.23 BT did not agree with our view that dual-play services did not act as a competitive constraint on standalone fixed voice services. It considered that standalone fixed voice services were part of a broader market including dual-play services. In its response to the February Consultation it stated:

"BT does not agree that there are separate markets for standalone fixed voice services, whether for access or calls; rather there is a wider market for voice services in which BT does not hold SMP.

Within this wider market there are pro-competitive explanations for the pricing structure which Ofcom is concerned about. The incremental broadband price has historically been the focus of competitive activity reflecting the significant uptake of bundles ...

Firms have therefore prioritised keeping the incremental broadband prices low in order to be able to compete effectively for customers of bundles (which, at 90%, is by far the largest customer segment) rather than using line rental reductions as a means of competing for voice-only customers (which are a much smaller and dwindling group)".²⁷

- 3.24 BT also said:

"As the market has evolved to almost ubiquitous take up of bundles, incremental broadband prices have been forced down by competitive pressure. All providers have chosen to offset this, to some degree, through line rental price increases".²⁸

- 3.25 The Advertising Standards Agency (ASA) has ruled that from 31 October 2016 broadband suppliers' price claims must show all-inclusive, up-front and monthly costs. BT argued that in the future, the ASA ruling will reduce incentives to raise line rental prices, and might also mean providers consider reducing line rental charges to compete for voice-only customers.

- 3.26 The standard test for whether a product or service constitutes a separate market is whether a hypothetical monopolist supplier of the service could impose a small but significant non-transitory increase in price (SSNIP) above the competitive level without losing sales to such a degree as to make this price rise unprofitable. In the February

²⁷ BT response to February Consultation, 19 May 2017, page 4.

²⁸ BT response to February Consultation, 19 May 2017, page 11.

Consultation we set out our view that standalone fixed voice access prices are substantially above competitive levels, as they have increased in recent years while costs have fallen.²⁹

- 3.27 We also explained that we thought standalone fixed voice services have been highly, and increasingly, profitable. We also noted that the average price of these services has generally been increasing at a faster rate than those of dual-play services (specifically ADSL services).³⁰ We provisionally concluded that dual-play services are not in the same market as standalone fixed voice services bought by voice-only customers, as standalone fixed voice access prices (and profits) are substantially above competitive levels, which would not be sustainable if they were constrained by competition from dual-play.³¹
- 3.28 While BT argued that price increases for standalone fixed voice services were driven by the nature of dual-play pricing, it did not provide any evidence to contradict our assessment that the presence of dual-play offers had not constrained standalone fixed voice prices to competitive levels. We have updated our analysis of price trends for standalone fixed voice and ADSL services, and the updated figures continue to support our position.³²
- 3.29 We have considered BT's argument that the ASA ruling will reduce incentives to raise line rental prices, and may lead to lower prices. The ASA announced its intention to introduce its new rules in May 2016 and implemented this in October 2016. After the ASA's announcement BT, Plusnet, TalkTalk, Post Office and Virgin Media each raised the price of line rental by approximately £1. Since implementation, none of the main providers has decreased its price, and Plusnet has increased its price.³³ We consider that the evidence to date does not demonstrate that that, as BT has suggested, the price of standalone fixed voice services would fall materially as a competitive response to the ASA ruling.

Separate markets for access and calls for voice-only customers

- 3.30 Post Office did not agree that there were separate markets for standalone fixed voice access and calls. It argued that customers could not easily purchase landline access without calls, as very few providers offered contracts for access only, and neither Post Office or BT did so.³⁴
- 3.31 We agree with the Post Office that consumers cannot easily purchase landline access without calls, and that consumers typically purchase a bundle of access and calls. However, on the basis set out in the February Consultation, we remain of the view that there is scope for differences in the competitive conditions between the two, and that for this reason it is appropriate to define them as separate markets.³⁵

²⁹ February Consultation, paragraph 3.32.

³⁰ February Consultation, paragraph 3.34.

³¹ February Consultation, paragraph 3.38.

³² Evidence supporting this statement, paragraphs 1.84 - 1.87.

³³ Evidence supporting this statement, Figure 1.26. SSE has also increased its price but it is unclear what proportion is an increase in line rental.

³⁴ Post Office response to February Consultation, 28 March 2017, page 1.

³⁵ February Consultation, paragraphs 3.13 – 3.20.

- 3.32 In any event, whether access and calls are treated as separate markets or as a single market does not fundamentally change our competition assessment.

Geographic market

- 3.33 As set out in our February Consultation, in the UK excluding the Hull Area, we consider that competitive conditions are broadly similar and there is a clear national dimension in competition for standalone fixed voice services. Evidence shows that price is the main mode of competition and communications providers have national uniform pricing policies. Further, we do not have evidence that communications providers compete on non-price elements of voice-only services. Accordingly, we remain of the view that the market for voice-only services is that for the UK excluding the Hull Area.³⁶

Assessment of competition for voice-only customers

- 3.34 In its consultation response BT stated that it did not consider that it had significant market power. BT argued that it faces significant competitive pressure and is not able to set the terms and conditions for standalone fixed voice services independently of competitors. It argued that it has responded to competition by investing to improve its products and customer service. For example it launched Home Phone Saver in 2014 – a product that offers a variety of calls and other ancillary services in addition to line rental.³⁷
- 3.35 BT did not consider that market shares provided a good indicator of market power because it considered that there was a wider market in which its market share was much lower, and in that market it did not have significant market power. It argued that Ofcom should have captured standalone fixed voice customers who had switched to dual-play or multi-play in its estimates.³⁸
- 3.36 BT also argued that the standalone fixed voice market segment is rapidly declining due to the migration to dual play bundles. It argued this should be taken into account, and so it was not proportionate to regulate the provision of these services.³⁹
- 3.37 BT's claims about market shares and dual-play bundles mirror its similar arguments on market definition. We have explained above why we disagree with those arguments.
- 3.38 BT has had a market share of over 70% in the market for standalone fixed voice access to voice-only customers based on number of lines, until 2016 as shown in Figure 3 below. It also a high market share of over 70% for standalone fixed voice calls based on volume.^{40 41}

³⁶ February Consultation, paragraphs 3.110 to 3.113.

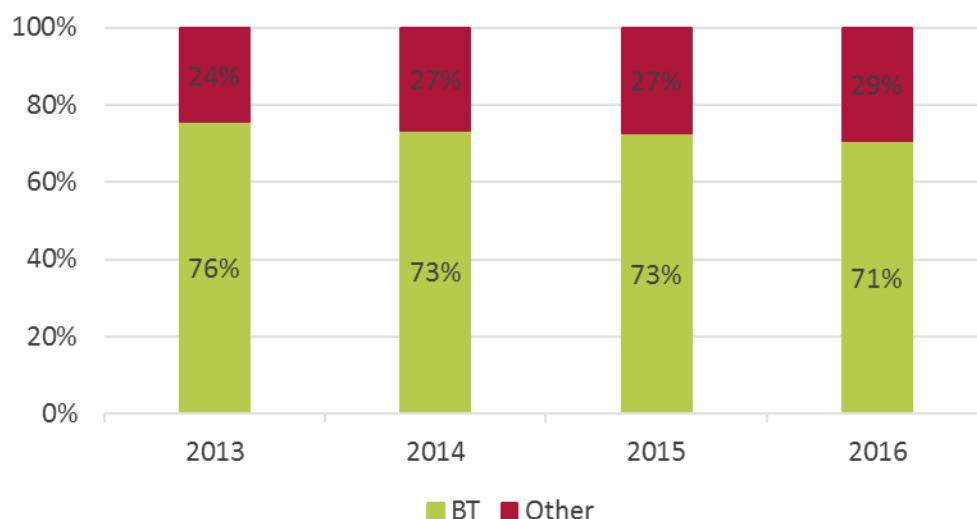
³⁷ BT response to February Consultation, 19 May 2017, page 5 (paragraphs 16 to 18).

³⁸ BT response to February Consultation, 19 May 2017, page 17 (paragraph 67).

³⁹ BT response to February Consultation, 19 May 2017, page 18 (paragraph 69).

⁴⁰ Calls market share refers to all standalone fixed voice customers because we do not have any evidence on which to break down standalone fixed voice calls into calls made by voice-only customers and those made by split-purchase customers.

⁴¹ Evidence supporting this statement, table 1.10 and table 1.18.

Figure 3: Market shares of voice-only lines by BT and other communications providers

Source: s.135 responses

- 3.39 Any entrant or smaller player faces high barriers to acquiring customers, limiting its ability to compete effectively. Voice-only customers typically show low levels of engagement and low willingness to switch supplier. There is also evidence that voice-only customers with BT are more brand loyal and less engaged compared to customers of other communications providers.⁴² In addition, the relatively small size of the market makes it harder to run an efficient marketing campaign, while online marketing channels are also unlikely to be an effective way of targeting these consumers.
- 3.40 Communications providers expressed similar views on the barriers to entry and expansion in our discussions with them, in their responses to the February Consultation and in evidence provided following the February Consultation. [3] no longer offers standalone fixed voice services to new customers and does not intend to re-enter the market. Others expressed interest in winning more standalone fixed voice customers but noted the high acquisition costs.⁴³
- 3.41 BT said that Home Phone Saver was launched in response to competitive pressure from Post Office and other providers. However, in the February Consultation we noted that it enables BT to target more engaged customers that were likely to switch without having to reduce standard prices, which would reduce the revenue it earns from less engaged customers.⁴⁴
- 3.42 BT said that because the market was rapidly declining it would not be proportionate for Ofcom to intervene. However, as the market shrinks acquisition costs are likely to increase, making entry and expansion by other communications providers even more difficult which makes the need for a response more acute.

⁴² Evidence supporting this statement, paragraphs 1.123 – 1.142.

⁴³ Evidence supporting this statement, paragraphs 1.54.

⁴⁴ February Consultation, paragraphs 4.63 to 4.66.

- 3.43 As we set out in the February Consultation, despite its decline, we still consider the market material in size and it is not going to disappear in the near future.
- 3.44 Average line rental prices have increased by between 23% and 47% in real terms between December 2009 and June 2017, while the wholesale price of WLR has fallen by 27%.
- 3.45 BT's line rental prices have also generally been higher than those of other communications providers since 2009 [§]. Fixed call volumes have decreased by 55% between Q3 2010 and Q4 2016 and therefore it is possible some of the increase in line rental prices and revenue could be attributed to a rebalancing between line rental and calls. However, across standalone fixed voice customers total revenue per line has increased over the past four years and therefore we do not think that the increase in line rental can be attributed only to rebalancing of access and calls. In the February Consultation, we considered whether the changes in line rental or calls prices could be justified by changes in costs. We provisionally concluded that the cost changes could not explain the price increases.⁴⁵
- 3.46 Additionally, we said there was evidence that BT acted as a price leader. We noted [§].⁴⁶
- 3.47 Our analysis for the February Consultation indicated that BT's profitability per standalone fixed voice line was high and had increased over the period 2007/08 to 2015/16. We estimated that BT's net margin per standalone fixed voice line increased from £[§] per month to £[§] in real terms over the period (based on December 2016 prices).⁴⁷ Using the same methodology, we estimate that BT's net margin per standalone fixed voice line in 2016/17 was £[§] per month.⁴⁸
- 3.48 Overall, BT enjoys a significant market share within the markets for voice-only access and calls which have persisted over time. While competition was more intense in the early part of the century. With the movement of the focus of the market to bundles the market has become significantly more static. Competitors face significant barriers to expansion within the market and BT has been able to increase prices above the competitive level. In these circumstances, we do not consider that BT faces any significant constraints on its ability to act independently within the markets for the purchase of voice-only access and calls.

Split-purchase customers

- 3.49 As we discussed above, we no longer consider split-purchase customers to be in the same market as voice-only customers. For the reasons set out below, we consider that the consumer detriment identified in the February Consultation in respect of split-purchase customers may be addressed on a different basis to that for voice-only customers. In light of that conclusion, and the position set out in BT's voluntary proposal, we do not consider

⁴⁵ February Consultation, paragraphs 4.60 to 4.62.

⁴⁶ February Consultation, paragraph 4.52 and 4.67.

⁴⁷ February Consultation, paragraph 4.68.

⁴⁸ Additional information provided by BT since the February Consultation suggests that it might be appropriate for us to reduce our estimates of the retail costs per standalone fixed voice line. We estimate that this would increase BT's net margin by £[§] per month.

it necessary to proceed with a more formal market definition exercise in respect of these customers.

- 3.50 In the February Consultation we noted that the availability of competitively-priced dual-play services had not prevented split-purchase customers from experiencing price rises well above costs for standalone fixed voice services. We also took account of differences in demographics and engagement levels of split purchase compared to voice-only customers.⁴⁹
- 3.51 Split-purchase customers pay materially more, for standalone voice and standalone broadband services, than they would pay for functionally equivalent dual-play services.⁵⁰
- 3.52 These customers have also been highly profitable.⁵¹ We explained the outcomes and evidence supported our provisional conclusion that dual-play bundles do not competitively constrain standalone fixed voice prices to split purchasers. Therefore, we did not consider that standalone fixed voice services bought by split purchasers were in the same market as dual-play services. Consultation responses have not provided evidence or arguments to lead us to change our view.
- 3.53 BT also accounts for a very high market share, 97%, of split-purchase lines.⁵² We also note that, as for voice-only customers, the declining and relatively small size of the market can make it difficult for communications providers of standalone fixed voice services (both voice-only and split purchase) to target them to encourage them to switch provider. However, there is a much greater choice of dual-play packages which they could adopt. We discuss this further in the next section.

Summary of conclusions

- 3.54 Overall, BT's position in the markets for the purchase of voice-only access and calls is consistent with the position we set out in the February Consultation for standalone fixed voice services more generally. BT is the dominant provider of standalone fixed voice services to voice-only customers with around 70% of the market. We consider that the insufficiency of competition in these markets has led to customers being materially worse off and we consulted on a regulatory response to this concern.
- 3.55 However, in light of our concerns BT has agreed to implement voluntary proposals to address those concerns. As set out in the next section, in light of those proposals, we have decided not to proceed with the imposition of regulatory remedies and we therefore do not consider it necessary to reach a formal determination of significant market power with respect to the market for voice-only customers at this time.

⁴⁹ February Consultation, paragraph 3.40.

⁵⁰ Evidence supporting this statement, paragraphs 1.88 - 1.93

⁵¹ February Consultation, paragraph 3.41.

⁵² Evidence supporting this statement, table 1.14

4. Addressing the consumer detriment

Introduction

- 4.1 In this section, we set out our conclusions on the market for standalone landline telephone services in light of the market assessment we have made since the February Consultation. We summarise the concerns that we had about voice-only customers, and we set out why we consider that the voluntary proposal that BT has made addresses our concerns.

Our concerns

- 4.2 Our concerns for this market stem from the fact that line rental prices have been increasing in real terms since 2010, despite falling wholesale charges for products used to provide line rental. Price increases may be due in part to communications providers rebalancing prices as fixed voice call volumes and revenues fall. However, our assessment indicates that the price increases are generally not justified by cost increases and the provision of standalone fixed voice services has become more profitable over this period. Our assessment also identifies a concern that the provision of standalone fixed voice services is not competitive.
- 4.3 In the February Consultation, we set out proposed remedies to address our concerns in respect of the markets for standalone fixed voice access and calls.
- 4.4 Our favoured remedy was a £5-7 monthly reduction to the price of line rental in addition to an obligation to encourage greater consumer engagement in the market through provision of better information to consumers. We considered the range of £5-7 would bring prices closer to cost and so mitigate the consumer detriment but would allow information remedies to encourage consumers to shop around for the best deal and promote competition.
- 4.5 As set out in Section 3 above, we no longer consider it appropriate to define a single market that includes both voice-only and split-purchase customers. We have established since the February Consultation that providers of standalone fixed voice services now have a way to distinguish which of their customers take voice-only and which are split purchasers. Whilst, to date, providers have not yet set different prices, terms or conditions between the two groups, we are now aware that they could do so if they wished.
- 4.6 Voice-only customers, as we discuss in Section 3, have a very limited set of competitive choices, are highly disengaged from the market and have a more limited range of tools, in any event, through which to compare service options (as they generally have less access to the internet).
- 4.7 Unlike voice-only customers, split purchasers have a clear range of choices available to them, such as dual-play bundles, which should allow them to seek better value for money from providers. Split purchasers are typically younger and more technologically literate, and, by definition, have internet access and thus should be better placed to make choices,

particularly if given the right prompts. Addressing the detriment faced by split purchasers may therefore be most effectively addressed through empowering split purchasers to increase their engagement with offers available from providers. In particular, split purchasers could benefit from being prompted that, in many cases, they are not obtaining good value for money and can find themselves a better deal.

- 4.8 Accordingly, while we continue to view a price cut as essential to addressing our concerns related to voice-only customers, we consider our response to split purchasers should be more strongly focussed on encouraging a behavioural change.

BT's voluntary proposal

- 4.9 On 24 October 2017 BT wrote to us with a voluntary proposal to address our concerns in the standalone fixed voice market.
- 4.10 Annex 1 contains the letters exchanged between Ofcom and BT which detail the specifics of BT's voluntary proposal for this market. In summary, for a period of three years for its voice-only customers, BT has committed to:
- a) A line rental price reduction of £7 per month (including VAT);
 - b) Raising prices of calls and line rental by no more than inflation (CPI) each year;
 - c) Provision of reporting information to allow Ofcom to monitor its compliance with the voluntary undertaking; and
 - d) A commitment to work to improve the information available to ensure voice-only customers are aware of possible savings to them in this market.
- 4.11 BT has also proposed to further stimulate engagement by split-purchase customers by sending them an annual statement detailing their total spend which should assist them in considering what alternatives are available for voice alone and in conjunction with their broadband service.
- 4.12 Approximately one million BT voice-only customers will be eligible for the price cut. Around 800,000⁵³ will receive the price cut automatically on 1 April 2018.⁵⁴
- 4.13 These commitments from BT are in addition to the continued provision of the BT Basic service, the social tariff for those receiving benefit support.⁵⁵

⁵³ Roughly 200,000 customers on BT's 'Home Phone Saver' package could also receive the price cut. Those that don't take broadband (i.e. not split purchasers) can choose to stay on their current package, or move to the standard product being cut, depending on which is the best deal for them.

⁵⁴ Home Phone Saver tariff bundles line rental, calls and additional features together in a package and offers a discount of up to £30 against compared to purchasing the features individually at standard prices.

⁵⁵ There will be no change to the price of BT's social tariff – BT Basic. This will remain a requirement on BT to provide low-income households on certain benefits access to BT's network at a much reduced price relative to that of standard line rental. It is available to those on Income Support, Income-based Jobseeker's Allowance, Pension Credit, Employment and Support Allowance and those with zero earnings on Universal Credit.

Consideration of BT's voluntary proposal

Mitigating the price detriment

- 4.14 In the February Consultation, we identified BT as having a position of significant market power in the standalone fixed voice market. We proposed a regulatory condition that a price cut on the standard line rental of between £5-£7 per month would immediately reduce the gap between wholesale costs and retail prices which we had seen emerge over the last few years.
- 4.15 The £7 per month one-off reduction to the line rental charge levied by BT is at the top of that range. This reduction would result in a voice-only customer being £84 better off per year.
- 4.16 We also proposed a regulatory basket price control structure which would limit the ability of BT to increase its charges for line rental and calls beyond the rate of inflation. BT has committed to a basket structure that is almost identical to the remedy we defined in the February Consultation, and has agreed to limit the increases to charges in this basket to no more than CPI in any given year. In addition, BT has committed not to increase the charges for its Home Phone Saver product.
- 4.17 We further note that BT is a price leader in this market. Although the price reduction will not apply to all voice-only customers, if other communications providers' prices are constrained by BT's we expect that BT's competitors will respond to this reduction in BT's line rental prices.

Addressing low levels of consumer engagement

- 4.18 The evidence we have assessed as part of this project suggests very low levels of engagement for voice-only consumers. Indeed, as we have discussed above in Section 3, low consumer engagement is one of the factors that has contributed to cementing BT's position in the market. We therefore proposed in the consultation to trial and implement engagement remedies to empower consumers and stimulate other providers to compete more vigorously within the market and to win customers.
- 4.19 BT's commitment to trial and deploy engagement remedies within this market takes account of the approach set out in the February Consultation. BT has provided specific commitments on the nature and format of these communications and has volunteered to share information as to their efficacy with Ofcom. We consider that BT's proposals in this area should enable the implementation of consumer information measures which promote competition for the benefit of consumers.
- 4.20 We will work with BT to develop and trial consumer communications for voice-only customers covering the areas we identified in consultation. These communications could act as a prompt to engage, provide information on potential savings and the switching process, and facilitate customers' response to this information. We remain of the view that there is some uncertainty as to the potential effectiveness of these remedies. However, we

consider there is sufficient merit in further development and trialling to gather evidence on the effectiveness and optimal design of communications in these areas.

Conclusions

- 4.21 BT's proposals to cut the price of its line rental by £7 per month for a period of three years and capped at inflation closely meets the regulatory conditions we proposed in our February Consultation. We have therefore decided not to impose such conditions at this time. However, we will monitor BT's adherence to these commitments on price. In order to enable us to do so, BT has agreed to provide Ofcom with information that will allow us to ascertain its compliance with the basket. BT will provide to Ofcom an audited annual report within four months of the financial year end. This will enable Ofcom to monitor BT's compliance with the detail of the pricing commitments which it has made. If our monitoring shows any problems of implementation by BT of its price cut for voice-only customers, we will consider taking appropriate regulatory action.
- 4.22 We will also work with BT on measures it will take to improve customer engagement in the market to ensure voice-only customers. These communications could act as a prompt to engage, provide information on potential savings and the switching process, and facilitate customers' response to this information.
- 4.23 Generally, we will monitor the overall impact of BT's voluntary proposal for voice-only customers. Should our monitoring show that the detriment for those consumers remains unaddressed despite BT implementing these changes, we will consider whether we will need to intervene further in the market in the interests of these consumers.

Split-purchase customers

- 4.24 We recognise that split-purchase customers also suffer detriment arising from high prices for voice services, however it is clear that different supply-side conditions exist and there is greater scope for a positive outcome from encouraging this group to re-evaluate their buying choices than is the case with voice-only customers. In particular, the needs of many split-purchase customers could be met, at better value for money, by switching to dual-play packages. There are many communications providers offering competitive dual-play packages.
- 4.25 Following the February Consultation, we undertook some qualitative research to enrich our understanding of standalone fixed voice customers and their potential responses to engagement remedies. Though a small non-representative sample, it suggested a more effective trigger for split-purchase customers to increase their engagement could be through their broadband and/or TV package, rather than their landline.⁵⁶
- 4.26 On balance we consider it is more appropriate to allow time for split purchasers to become more engaged, and potentially switch to dual play where that is a better option for them, rather than including them in a price control at this stage. Our overall intention in this

⁵⁶ The research we commissioned is on our website at: <https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-landline-telephone-services>

regard is to empower consumers to make well-informed choices. We recognise that some split purchasers may have specific reasons, such as quality of service, for preferring different providers for their landline and broadband services. Such consumers might make well-informed decisions to remain as split purchasers and not switch to a dual-play bundle. But we consider that there are many split purchasers who are not obtaining good value for money and can find themselves a better deal. For such consumers, three routes to encourage greater engagement and well-informed choices are:

- a) BT's voluntary proposal to provide more information on annual spend and alternatives available;
- b) The fact that they are excluded from the price cut potentially prompting them to re-evaluate; and
- c) Our broader work on improving consumer engagement.

4.27 For split-purchase customers, the focus of BT's proposal is on encouraging engagement through an annual statement. We consider this, plus the absence of a price cut, should encourage them to engage more actively with the deals available in the market for dual-play and other bundles. Additionally, we will also be exploring other types of prompts or tools for consumers more generally in our consumer engagement project. We launched this project in July 2017 through a call for inputs.⁵⁷

⁵⁷ Available at: <https://www.ofcom.org.uk/consultations-and-statements/category-2/helping-consumers-engage-communications-markets>

A1. BT's voluntary proposal

Letter from BT to Ofcom, 24 October 2017



Jonathan Oxley
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA

BT Consumer

Name	Marc Allera
E-Mail	[redacted]

By email only to: [redacted]

24 October 2017

Dear Jonathan

OFCOM'S REVIEW OF THE MARKET FOR STANDALONE FIXED VOICE TELEPHONY SERVICES

Following recent discussions between BT and Ofcom, the attached document sets out the details of BT's voluntary commitment to reduce the monthly price of its line rental products by £7 (incl. VAT) for fixed voice-only customers from 1 April 2018 and to cap future price increases for these customers' basket of goods at CPI (until 31 March 2021).

BT is committed to assisting voice-only consumers in fully realising the benefits of competition and, indeed, digital inclusion. To this effect, we will work with Ofcom on measures that may work to improve our customers' engagement with the market.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'M. Allera'.

Marc Allera
CEO, BT Consumer

BT's standalone fixed voice commitments

Standalone fixed voice: BT's voluntary commitments

WHEREAS:

- (A) On 28 February 2017, Ofcom launched a consultation "The review of the market for standalone landline telephone services".
- (B) BT now voluntarily provides the commitments set out below and, in particular, provides the greatest possible price reduction for our true voice only customers consistent with a competitive outcome, alongside measures to stimulate engagement for standalone fixed voice customers. Ofcom acknowledges that these commitments address the issues raised during its consultation process.
- (C) These commitments relate to residential line rental and calls products provided under the BT brand (they do not apply to EE, Plusnet, nor to BT's business products and/or services).

NOW THEREFORE:

1. General Provisions

- 1.1 BT plc gives Ofcom the commitments below (**BT's Commitments**).
- 1.2 The Annexes to these Commitments shall form part of these Commitments.
- 1.3 Words and expressions used in BT's Commitments shall be interpreted in accordance with Annex A.
- 1.4 References to paragraphs, sections and Annexes shall mean paragraphs and sections of, and Annexes to, these Commitments, unless otherwise stated.
- 1.5 These Commitments shall apply in respect of the whole of the United Kingdom.

2. BT's Price Commitments:

- 2.1 As set out more particularly in Annex B, BT will:
 - 2.1.1 apply on 1 April 2018 a £7 (seven) reduction (including VAT¹) to the monthly price of standard line rental and line rental plus (**Line Rental** services) for Fixed Voice-Only Customers (as defined in paragraph 2.2 below);
 - 2.1.2 apply on 1 April 2018 an analogous adjustment to the annual charge for Line Rental Saver and ensure that those customers who paid the annual charge before 1 April 2018 benefit from the monthly discount for the remainder of their contract period after 1 April 2018;
 - 2.1.3 not increase the price of its line rental products for Fixed Voice-Only Customers before 1 April 2019 and limit increases for the remaining two years of the commitment period to CPI+2.5%;
 - 2.1.4 cap future price increases of a basket of Line Rental services and call products for Fixed Voice-Only Customers at CPI (up to and including 31 March 2021);

¹ If the rate of VAT changes, BT's Commitments will not preclude BT from making pricing changes to reflect any such VAT rate change.

2.1.5 not increase the charges for Home Phone Saver customers before 1 April 2021.

2.2 BT's price Commitments will apply to its **Fixed Voice-Only Customers**, which means: residential customers who purchase a Line Rental service under the BT brand² and who do not also have a fixed broadband service provided to them, whether by BT or another Communications Provider. BT will take reasonable steps to ensure that only Fixed Voice-Only Customers receive the discount and, in particular:

2.2.1 The price reduction will not apply to BT Basic or Home Phone Saver customers.

2.2.2 The price reduction will not apply to Split Purchase Customers. BT will exclude any standalone voice customers from the price reduction that it has reason to believe buy fixed broadband services, whether from a BT group company or another communications provider. Such customers will be provided with an opportunity to opt back in if BT's information is incorrect.

2.2.3 The price reduction will not apply to business customers. BT will exclude any standalone voice customers from the price reduction that it has reason to believe are business customers. Such customers will be provided with an opportunity to opt back in if BT's information is incorrect.

2.2.4 In respect of 2.2.2 and 2.2.3 above, BT will from time to time provide Ofcom with information relating to the volume of customers impacted and the volume who have received the discount.

3. BT's reporting Commitments

3.1 BT will complete and provide to Ofcom the three compliance statements (compliance summary, compliance detail and single change-service X) that were referenced in Ofcom's "Financial reporting for standalone landline telephone services" consultation of 25 April 2017 (template statements included at Annex C) (**Compliance Statements**). The Compliance Statements will be provided annually, within four months of the end of BT's financial year.

3.2 BT will work with Ofcom and the Auditor to agree a mutually acceptable procedure for audit that is proportionate. BT proposes allowing the Auditor to conduct 'agreed upon procedures' testing on the Compliance Statements, as follows:

3.2.1 Ofcom, the Auditor and BT to meet, create and agree the respective tests to be carried out regarding the Compliance Statements.

3.2.2 The Auditor will carry out the testing of the completed Compliance Statements at the end of BT's financial year in 2019, 2020 and 2021 respectively.

3.2.3 The Auditor will issue a letter and a report to Ofcom and BT stating they have carried out testing and provide the results of the tests.

3.2.4 BT will send the Compliance Statements to Ofcom. BT considers the Compliance Statements to be confidential and does not consent to their publication by Ofcom.

4. BT's Commitments to increase engagement

4.1 BT's Commitments in this section will apply up to and including 31 March 2021.

² for the avoidance of doubt excluding EE and Plusnet and BT business customers

4.2 BT will provide its Split Purchase Customers (to the extent it has been able to identify such customers) with an annual statement in the form set out in Annex D to this letter.

4.2.1 BT's Split Purchase Customers will be divided into cohorts with the annual statements being distributed across the year.

4.3 For Fixed Voice-Only customers, BT will investigate, using a reasonable number of trials, the form of communication which has the best prospect of success in increasing engagement for these customers. BT commits to working with Ofcom to seek to achieve this.

4.4 BT will in good faith work with Ofcom to seek to finalise the details of trials to its Fixed Voice-Only Customers, subject to the provisions in paragraph 4.4.2 below, the following principles will apply to the trials:

4.4.1 BT commits to trialling and potentially implementing communications that may include:

4.4.1.1 Factual information on a customer's current tariff or previous spending;

4.4.1.2 Factual information on typical, average or "up to" savings for a given tariff type within the BT portfolio and market wide - provided that this is not inaccurate or misleading and if relevant given market conditions;

4.4.1.3 General statements about the switching process – ensuring that this is accurate and reflects the differences between switches occurring on the same and different platforms;

4.4.1.4 General calls to action and references to sources of advice, including suggesting contacting family or friends.

4.4.2 Save by the mutual agreement of BT and Ofcom, communications to BT's Fixed Voice-Only Customers will not:

4.4.2.1 Promote BT's competitors, their brands, products, offers or the potential savings that might be achieved through switching to a specific competitor;

4.4.2.2 Endorse individual digital comparison tools, including individual price comparison websites;

4.4.2.3 Denigrate BT's brand, for example in respect of information on customer service performance or inappropriately use BT's brand (including BT's logo);

4.4.2.4 Provide individual projections of a customer's future spending;

4.4.2.5 Provide information which is inaccurate, misleading or confusing about potential savings or the switching process;

4.4.2.6 Include any information, or be sent to any customers, in a manner that BT believes may breach law or regulation.

4.4.3 Metrics for measuring the success of the trials will reflect a range of criteria which may include, for example:

4.4.3.1 Actions to optimise use of BT products / services;

4.4.3.2 Interactions with third party advice service;

4.4.3.3 Movement outside of the Fixed Voice-Only base (e.g. to dual play)

4.4.3.4 Churn to competitors;

4.4.3.5 Increased likelihood to engage or seek advice;

4.4.3.6 Improved perceptions of switching.

ANNEXES TO BT'S COMMITMENTS

ANNEX A: DEFINITIONS AND INTERPRETATION

1. For the purposes of interpreting these Commitments:
 - 1.1 Unless otherwise defined herein, words or expressions have the meaning assigned to them in the Communications Act 2003 (as amended);
 - 1.2 Headings and titles shall be disregarded;
 - 1.3 Any word following the terms including, include, in particular, for example or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or terms preceding those terms.
2. The following terms shall have the following meanings in BT's Commitments including Annexes:
 - 2.1 **Auditor** means the external auditors for BT's regulatory financial statement for the time being appointed by BT
 - 2.2 **Basket** means all Services listed in Annex B provided to Voice Only Customers in the First Relevant Period, the Second Relevant Period and the Third Relevant Period;
 - 2.3 **BT** means British Telecommunications plc, whose registered company number is 18000000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, as defined by the Companies Act 2006.
 - 2.4 **CPI** means the index of consumer prices compiled, from time to time, by an agency or public body on behalf of Her Majesty's Government or a government department (which is the Office of National Statistics at this time);
 - 2.5 **Consumer Business Unit** means the business unit of British Telecommunications Plc that is responsible for providing, amongst other things, BT branded retail fixed voice, line and broadband services to residential customers and which, for the avoidance of doubt, does not include Plusnet Plc, EE and BT Business and Public Sector.
 - 2.6 **Controlling Percentage** is to be determined in accordance with paragraph 6 of Annex B part A;
 - 2.7 **Exchange Line** means an access connection between a customer's premises and a local exchange.
 - 2.8 **Exchange Line Service** means a service consisting in the provision by BT's Consumer Business Unit of an Exchange Line to a customer (for the avoidance of doubt excluding services provided by Plusnet, EE and BT Business and Public Sector).
 - 2.9 **Line Rental Charge** means any amount charged by BT's Consumer Business Unit to a Relevant Customer on a monthly basis for Standard Line Rental and Line Rental Plus, excluding:
 - 2.9.1 any incremental charge made for the provision of Voice-Call Services by BT
 - 2.9.2 any Exchange Line installation charges;
 - 2.9.3 the Home Phone Saver Charge and any element or variant thereof;
 - 2.9.4 Line Rental Saver Charge and any element thereof;
 - 2.9.5 BT Basic;
 - 2.10 **Line Rental Saver Charge** means any amount charged by BT at its commercial discretion to Relevant Customers for the provision of Exchange Line Services where such amount is subject to a discount related to the making of an upfront payment for the service;

- 2.11 **Line Rental Plus Charge** means any amount charged by BT at its commercial discretion to Relevant Customers for the provision of Exchange Line Services where customers choose not to pay by direct debit, which also includes additional features.
- 2.12 **Ofcom** means the Office of Communications as established pursuant to section 1(1) of the Office of Communications Act 2002.
- 2.13 **Percentage Change** is to be determined in accordance with paragraph 5 of Annex B, part A;
- 2.14 **Prior Period** means each of the following three periods:
- 2.14.1 in relation to the First Relevant Period, the period beginning on 31 March 2017 and ending on 1 April 2018;
 - 2.14.2 in relation to the Second Relevant Period, the First Relevant Period;
 - 2.14.3 in relation to the Third Relevant Period, the Second Relevant Period;
- 2.15 **Prior Period Weighted Average Charge** is to be determined in accordance with the relevant formula in paragraph 5 of Annex B, part A;
- 2.16 **Relevant Customers** means Fixed Voice-Only Customers as defined at paragraph 2.2;
- 2.17 **Relevant Period** means each of the following three periods:
- 2.17.1 the twelve-month period 1 April 2018 and ending on 31 March 2019 (the “**First Relevant Period**”)
 - 2.17.2 the twelve-month period beginning on 1 April 2019 and ending on 31 March 2020 (the “**Second Relevant Period**”)
 - 2.17.3 the twelve-month period beginning on 1 April 2020 and ending on 31 March 2021 (the “**Third Relevant Period**”);
- 2.18 **Relevant Period Weighted Average Charge** is to be determined in accordance with the relevant formula in paragraph 5 of Annex B, part A;
- 2.19 **Service** means any of the products and / or services listed in Annex B: part 2
- 2.20 **Split Purchase Customers** means customers who buy fixed voice services and also buy fixed broadband from the same or another supplier outside a bundle.
- 2.21 **Voice-Call Service** means a service that allows a customer to make voice calls using an Exchange Line.

ANNEX B - PART 1: OPERATION OF PRICE COMMITMENTS

1. BT shall ensure that in each **Relevant Period** its **Line Rental Charge** does not exceed the **Line Rental Charge Ceiling** for that period.
2. The **Line Rental Charge Ceiling** is:
 - a. £11.99 monthly (including VAT³) for the **First Relevant Period for Standard Line Rental**; **£13.99 monthly (including VAT⁴) for the First Relevant Period** for Line Rental Plus; and £131.89 annually (including VAT⁵) for the **First Relevant Period** for Line Rental Saver (the **Line Rental Saver Charge Ceiling**);
 - b. for each subsequent **Relevant Period**, an amount calculated by employing the following formula:

$$CC_t = CC_{t-1} * (1 + CPI_{t-1} + 2.5\%)$$

Where:

- CC_t means the Line Rental Charge Ceiling for the Relevant Period;
 CC_{t-1} means the Line Rental Charge Ceiling for the Prior Period;
 CPI_{t-1} means the change in the CPI in the year of 12 months ending four months immediately before the end of the Prior Relevant Period expressed as a percentage, rounded to two decimal places;

3. Where a customer has paid a Line Rental Saver Charge for a Line Rental Saver Charge Year which has started, but not ended on 1 April 2018, BT will ensure that the Nominal Line Rental Saver Charge does not exceed the Controlling Line Rental Saver Charge for each full calendar month remaining until the completion of that Line Rental Saver Charge year

Where:

- a. **Line Rental Saver Charge Year** means the 12-month period covered by the Line Rental Saver Charge paid by the Customer;
 - b. **Relevant Line Rental Saver Charge** means the **Line Rental Saver Charge** paid by the Customer divided by 12;
 - c. **Controlling Line Rental Saver Charge** means the **Line Rental Saver Charge Ceiling** for the **First Relevant Period** divided by the number of the remaining full calendar months until completion of the Line Rental Saver Charge Year;
4. BT shall take all reasonable steps to secure that, at the end of each **Relevant Period**, the **Percentage Change**, C_t (determined in accordance with paragraph 5 below) in the aggregate of charges for all of the **Services** in the **Basket** is not more than the **Controlling Percentage**, CP_t (as determined in accordance with paragraph 6 below).
 5. For the purposes of complying with paragraph 4 the **Percentage Change**, C_t , shall be specified by employing the following formula:

³ If the rate of VAT changes, BT's Commitments will not preclude BT from making pricing changes to reflect any such VAT rate change.

⁴ As above.

⁵ As above.

$$C_t = \frac{\sum_{i=1}^n \left[R_i \frac{(\bar{P}_{i,t} - \bar{P}_{i,t-1})}{\bar{P}_{i,t-1}} \right]}{\sum_{i=1}^n R_i}$$

C_t is the **Percentage Change** in the aggregate of charges for the **Services** in the **Basket** for the **Relevant Period**, t ;

n is the number of individual **Services** in the **Basket**;

i is a number from 1 to n for each of the n individual **Services** in the **Basket**;

R_i is the **Total Revenue** accrued during the 12 months up to 30th November of the **Prior Period** in respect of the individual **Service** i that forms part of the **Basket**;

t refers to the **Relevant Period**;

$t-1$ refers to the **Prior Period**;

$\bar{P}_{i,t}$ is the **Relevant Period Weighted Average Charge** made by BT for the individual **Service** i that forms part of the **Basket** during the **Relevant Period**, excluding any discounts offered by BT;

Where such **Relevant Period Weighted Average Charge** shall be calculated by employing the following formula:

$$\bar{P}_{i,t} = \sum_{j=1}^m (W_{i,j,t} P_{i,j,t})$$

Where:

m is the number of time periods for which there are distinct charges during the **Relevant Period**;

j is a number from 1 to m for each of the m time periods during which a distinct charge is in effect;

$W_{i,j,t}$ is the proportion of the **Relevant Period** in which each charge, $P_{i,j,t}$ is in effect, calculated by the number of days during which the charge is in effect and dividing by the number of days in each **Relevant Period**.

$P_{i,j,t}$ is the charge for the specified period, j , during the **Relevant Period** t for the individual Service, i ;

$\bar{P}_{i,t-1}$ is the **Prior Period Weighted Average Charge**, where:

for the purpose of calculating the Percentage Change for the First Relevant Period, for Standard Line Rental, Line Rental Saver and Line Rental Plus, $\bar{P}_{i,t-1}$ will be taken as defined respectively in paragraph 2a, and for all other services $\bar{P}_{i,t-1}$ is the **Prior Period Weighted Average Charge** made by BT for the individual **Service** i that forms part of the **Basket** during the **Prior Period**, excluding any discounts offered by BT;

for the purposes of calculating the **Percentage Change** for the **Second Relevant Period** and the **Third Relevant Period**, $\bar{P}_{i,t-1}$ is the **Prior Period Weighted Average Charge** made by BT for the individual **Service** i that forms part of the **Basket** during the **Prior Period**, excluding any discounts offered by BT;

Where such **Prior Period Weighted Average Charge** shall be calculated by employing the following formula:

$$\bar{P}_{i,t-1} = \sum_{j=1}^m (W_{i,j,t-1} P_{i,j,t-1})$$

Where:

m is the number of time periods for which there are distinct charges during the **Prior Period**;

j is a number from 1 to m for each the m time periods during which a distinct charge is in effect;

$W_{i,j,t-1}$ is the proportion of the **Prior Period** in which each charge, $P_{i,j,t-1}$, is in effect, calculated by the number of days during which the charge is in effect and dividing by the number of days in the **Prior Period**; and

$P_{i,j,t-1}$ is the charge for the individual period, j , during the **Prior Year**, $t-1$, for the individual Service, i .

6. For the purposes of complying with paragraph 5, the **Controlling Percentage**, CP_t , shall be calculated by employing the following formula:

$$CP_t = CPI_t + 0$$

Where:

CP_t is the **Percentage Change** in charges for the specific **Service** in the single charge category in question for the **Relevant Period** t ; and

CPI_t means the change in the CPI in the year of 12 months ending four months immediately before the end of the **Prior Period** expressed as a percentage, rounded to two decimal places.

ANNEX B – PART 2: PRODUCTS / SERVICES

Line Rental

Standard Line Rental

Line Rental Saver

Line Rental Plus

Calling Plans

All Calling plans taken by Relevant Customers except for BT Basic and Home Phone Saver

Call charges and International

Calls to BT Mobile Consumer numbers

Calls to all other UK Mobile numbers

Calls to UK National and Local Numbers

Access charges to service numbers

Calls to International numbers

Friends & Family International

International Freedom

Calls to 070 / 076 / 055 / 056 number ranges

Calling features / other

Calling feature packs rental

BT call minder

BT answer 1571

Choose to Refuse

Anonymous Call Reject

BT Privacy with Caller Display

Call Barring

Call Diversion

Call Waiting

BT Smart Talk

BT Call Protect

Three Way Calling

Ring Back

Reminder Call

1471

1470

Call Return 1471

Call Return 1571

Timeline

Call Sign

ANNEX C: COMPLIANCE STATEMENTS

1. Compliance summary

		Period	20XX/20XX+1	Notes
Basket total	Condition X.xx	CPI	X.XX%	
		X	X.XX%	
		Controlling percentage (CPI-X)	X.XX%	
		Prior year Revenue	£x,xxx	
		Weighted revenue change made	£x,xxx	
		Weighted % price change made	X.XX%	
		Complies	True/False	
Single charge category 1	Condition X.xx	CPI	X.XX%	
		X	X.XX%	
		Controlling percentage (CPI-X)	X.XX%	
		Price ceiling	X.XX%	
		Complies	True/False	
Single charge category 2	Condition X.xx	CPI	X.XX%	
		X	X.XX%	
		Controlling percentage (CPI-X)	X.XX%	
		Price ceiling	X.XX%	
		Complies	True/False	

2 Compliance Detail

Period 20XX/20XX+1

Basket 1

CPI X.XX%
X X.XX%
Controlling percentage (CPI-X) X.XX%

	Revenue weight			Prior period average price					Current period average price						Average price change x Revenue weight
	Average price	Volume	Revenue	Initial price	Price change 1	Price change 2	etc	Average price	Initial Price	Price change 1	Price change 2	etc	Average price	Average Price Change	
Basket															
Days in year				x	x	x	x		x	x	x	x			
Service 1	x.xx	x,xxx	£x,xxx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	£x,xxx
Service 2	x.xx	x,xxx	£x,xxx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	£x,xxx
etc	x.xx	x,xxx	£x,xxx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	(B)£x,xxx
Total			(A)£x,xxx												
Percentage Change			X.XX% (B/A)												

Single change – service X

	Period 1	Period 2	Period 3
CPI	X.XX%	X.XX%	X.XX%
X	X.XX%	X.XX%	X.XX%
Controlling percentage (CPI-X)	X.XX%	X.XX%	X.XX%
Price ceiling	X.XX	X.XX	X.XX
Prices charged during period:			
- start of period	X.XX	X.XX	X.XX
- price change 1 (date)	X.XX	X.XX	X.XX
- price change 2 (date)	X.XX	X.XX	X.XX
- etc	X.XX	X.XX	X.XX

Note 1:

Note 2:

Etc:

ANNEX D: ANNUAL STATEMENT FOR BT'S SPLIT PURCHASE CUSTOMERS

Field	Description	Example Wording
Format	Letter or extra page on relevant bill. Sent annually via email and on paper if paper billing has been requested. Also available to view on MyBT	n/a
Summary Spend	Last 12 months' monthly average spend on line rental, calls/calling plans and add-ons, shown in a simple format (e.g. using an infographic)	<i>Last year you spent £X per month on average on your phone service with BT. That was an average of £x per month on calls and calling plans; £x on line rental and £x on features (give examples of what these were)</i>
Savings Information	Presentation of BT bundles that could provide a cost saving. Full T&Cs on back of letter.	<i>Our records indicate that you currently buy landline and broadband services separately [from different companies]. Ofcom, the communications regulator, estimates that people like you could save [£150] per year by bundling landline and broadband in one package with the same provider. You could save money by taking up one of our combined offers. For example, package XX offers you the same phone service that you currently receive, with XX broadband [add in package and average speeds] for £XX per month. This would be subject to a contract period of XX months. All of our terms and conditions are set out on the back of this letter.</i>
Customer Response	Refer to BT.com	<i>If you would like to take up this offer, or to find out more about the packages available to you from BT, please visit BT.com. Should you wish to do so, you can then apply to change your home phone and broadband packages on MyBT.com. You will then have 14 days to cancel if you change your mind.</i>
Switching Information	Information on how to switch and where to get more advice on switching	<i>Switching is easy. Should you wish to switch your landline and broadband to another provider, you don't need to contact BT. Information about how to do this is available on the Ofcom website at: https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/costs-and-billing/switching</i>

Letter from Ofcom to BT, 26 October 2017

Marc Allera
CEO, BT Consumer
BT Group

Jonathan Oxley
Group Director, Competition
Tel: [redacted]
Email:
[redacted]

26 October 2017

Dear Marc,

Standalone landline telephone services

Thank you for your letter of 24 October committing to make various changes to the pricing for voice-only customers together with various measures to stimulate engagement for standalone fixed voice customers.

We have considered your letter and on the basis of BT's commitments set out there which closely reflect the regulatory proposals set out in our February consultation, we have decided not to proceed to the imposition of formal regulation at this time.

We will monitor the implementation of BT's commitment to cut and cap the retail prices for voice-only customers as set out in your letter. Whilst we do not anticipate any issues, should BT for any reason fail to carry out this commitment we will need to re consider our decision not to impose regulatory remedies to this effect.

We will also monitor the impact of BT's commitments more generally on consumers including the engagement remedies on which we will work with you. Should our monitoring show that nonetheless the consumer detriment we have identified remains unaddressed, we will consider whether we need to intervene in future.

Yours sincerely,



Jonathan Oxley

A2. Sources relied upon in this statement

Evidence supporting this statement

- A2.1 Alongside this statement, we have today published the supporting evidence on our website. This is available at: <https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-landline-telephone-services>

Information obtained under formal powers

- A2.2 In the production of this statement, we have relied on information gathered using our formal information gathering powers under section 135 of the Communications Act 2003. We obtained information under these powers from the following stakeholders:

- i) BT
- ii) Phone Co-op
- iii) Post Office
- iv) Sky
- v) SSE
- vi) TalkTalk
- vii) Virgin Media

- A2.3 We also relied upon information provided in response to the Narrowband market review after seeking permission from information providers to do so.

Researched commissioned for the purposes of this review

- A2.4 We commissioned qualitative research to inform this review. We have published this research on our website and it is available at: https://www.ofcom.org.uk/data/assets/pdf_file/0016/105307/Enriching-understanding-of-Standalone-Voice-Customers.pdf

Other sources that we have used

- A2.5 We have used information from the following Ofcom sources:
- i) Ofcom technology tracker
 - ii) Ofcom switching tracker
 - iii) Narrowband market review

Consultation responses

- A2.6 We received consultation responses from the following stakeholders:

- i) SSE
- ii) Telefonica
- iii) Vodafone
- iv) TalkTalk
- v) Communications Consumer Panel/ACOD
- vi) Three
- vii) Virgin Media
- viii) Post Office
- ix) BT
- x) Which?
- xi) Vodafone
- xii) UKCTA

A2.7 We received consultation responses from 37 individuals.

A2.8 We published non-confidential versions of these responses (where we were able to do so) on our website, they are available at: <https://www.ofcom.org.uk/consultations-and-statements/category-1/review-of-landline-telephone-services>

A3. Glossary

2006 Retail Price Control Statement	Ofcom, <i>Retail Price Controls</i> , July 2006. https://www.ofcom.org.uk/_data/assets/pdf_file/0012/42114/rpcstatement.pdf
2007 EC Recommendation	European Commission Recommendation (2007/879/EC) of 17 December 2007 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services. Published in the Official Journal of the European Union, 28.12.2007, L 344, pages 65-69 at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32007H0879
2014 EC Recommendation	European Commission Recommendation (2014/7174/EC) of 9 October 2014 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services. http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2014:295:SOM:EN:HTML
2016 NMR Consultation	Ofcom, <i>Narrowband market review – Consultation</i> , December 2016. https://www.ofcom.org.uk/_data/assets/pdf_file/0016/95011/Narrowband-Market-Review.pdf
The Act	Communications Act 2003
ASA	Advertising Standards Authority
BT	British Telecommunications plc.
BT Basic	BT Basic is a social telephony scheme sold by BT for customers who are recipients of specific means-tested Government benefits. See http://btplc.com/inclusion/ProductsAndServices/BTBasic/index.htm
BT retail divisions	Those BT business units that directly serve residential and/or business customers.
Bundle	A bundle refers to the purchase of landline services in addition to other services such as broadband, pay-TV, etc.
Call plan	An add-on to a line rental services which allow customers to make calls to a specified set of number types (UK geographic numbers, or UK mobile etc.) within a given period (weekend, evening, anytime etc.) for a fixed price. They may or may not come with time limitations or fair use policies.
Consumer Price Index (CPI)	The official measure of inflation of consumer prices in the UK.

Dual-play	Where CP offers two services as part of a package of services, for example fixed voice and fixed broadband services.
Home Phone Saver	Home Phone Saver is a BT telephone only line rental package which provides a number of additional services. The service cannot be taken in a bundle with such as broadband. http://bt.custhelp.com/app/answers/detail/a_id/49402/~/home-phone-saver-2017
Hull Area	The area defined as the 'Licensed Area' in the licence granted on 30 November 1987 by the Secretary of State under Section 7 of the Telecommunications Act 1984 to Kingston upon Hull City Council and Kingston Communications (Hull) plc (KCOM).
NMR	Narrowband market review.
Ofcom	The Office of Communications.
Plusnet	Plusnet plc.
Post Office	Post Office Limited.
Price freeze	A situation where the prevailing market price or any other price is then held constant, either in nominal or real terms.
S135	Section 135 of the Communications Act.
Significant Market Power (SMP)	A test set out in European Directives used by NRAs, such as Ofcom, to identify those TPs which must meet additional obligations under the relevant Directives.
Sky	British Sky Broadcasting Ltd.
Split purchaser	A customer that buys both a standalone fixed voice service and a standalone fixed broadband service, either from the same supplier or different suppliers, i.e. all split -service and split-supplier customers.
Split-service customer	A customer that buys both a standalone fixed voice service and a standalone fixed broadband service from the same supplier, but each service is bought separately (not in a bundle).
Split-supplier customer	A customer that buys both a standalone fixed voice service and a standalone fixed broadband service from two different suppliers.
SSE	SSE Energy Supply Limited.
SSNIP	Small but Significant Non-Transitory Increase in Price.
Strategic review	Strategic review of Digital Communications 2016. See https://www.ofcom.org.uk/_data/assets/pdf_file/0016/50416/dcr-statement.pdf
Standalone fixed voice customers	Customers that buy a fixed voice service from a CP but do not also buy a fixed broadband service from the same CP as part of a bundle.

Standalone fixed voice services	Landline services that are not sold as part of a bundle with non-voice service. This includes access (i.e. line rental) and calls.
TalkTalk	TalkTalk Telecoms Group plc.
The Phone Co-op	The Phone Co-op Limited.
UK	United Kingdom – when referring to the United Kingdom this excludes Hull except when referring to United Kingdom wide data.
Virgin Media	Virgin Media plc.
Voice-only customer	A customer that buys a standalone fixed voice service, but do not also buy a fixed broadband service from any CP.
Wholesale Line Rental (WLR)	The service offered by BT to other United Kingdom communications providers to enable them to offer retail line rental services in competition with BT's own retail services. Line rental is offered along with calls (and other service elements, such as broadband) to retail customers.

