

Stuart McIntosh
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05 March 2014

Dear Stuart,

Fixed Market Access Review: Openreach quality of service and approach to setting LLU and WLR Charge Controls

Further to EE's submissions in relation to Ofcom's current Fixed Market Access Review consultation process, we wanted to provide some additional information that we consider relevant to the issue of the funding of the BT Phonebook by WLR-based providers such as EE.

Specifically, we want to provide you with the results of some survey evidence commissioned by EE, which responds to the evidence submitted by BT as part of their consultation response.

The context of this is that EE continues to believe that Openreach's ability to pass on charges for the Phonebook under the current Charge Control regime is unjustified and discriminatory. The policy wrongly ignores the fact that the BT Phonebook is a commercial business and inappropriately charges us for a service that Talk Talk, Sky and Virgin customers benefit from. It also incentivises needless paper waste.

As you know, the mechanics of the current regime are that every WLR customer has to pay for the BT Phonebook through their line rental charge. This cost is currently unavoidable, whether a customer requires a phone book or not, as Openreach bundle it within the wholesale line rental charge. Under the current charge controls, we understand that the amount included for directories in the annual WLR wholesale rental charges for 2013/14 is £2.23 for each WLR customer.

This is significant - for an operator with around 700,000 WLR customers, such as EE, this is an approximate cost of £1.4m per year. Removal of these costs (and replacement of them with the much lower costs of supplying Phonebooks only to those customers who actually still require them) will obviously allow re-investment by WLR providers, helping to promote competition within the industry.

Having considered BT's research, our view is that when referencing the purchase of services resulting from use of the BT Phonebook, those surveyed are likely to have conflated the BT Phonebook with classified printed directories such as the Yellow Pages or Thomson directories (which are currently distributed according to a normal commercial model without any cost subsidy by WLR providers).



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To understand better whether and how UK consumers still use the BT Phonebook, EE commissioned ICM to survey 2000 respondents online. Whilst some of our survey results confirm BT's results (such as the result which shows the number of people who had used the BT Phonebook in the last year), our research also shows that

- 24% of people say they do not use the BT Phonebook at all.
- 31% of people do not have a copy of the BT Phonebook currently – despite it being delivered to every home.
- 48% of all respondents do not find the BT Phonebook useful at all.
- 72% of people search for phone numbers online: 18% use the BT Phonebook.

By far the most important finding however is that 88% of people (incidentally, a uniform figure across the different age groups surveyed) would not pay anything for the Phonebook. This suggests that the current hidden costs that these customers are forced to contribute towards the BTPhonebook (through their line rental charges) are out of line with the expectations and preferences of the overwhelming majority of customers. It is not right that nine out of ten people who would avoid these costs if they could are currently unable to do so.

Conclusion

To the extent that printed BT Phonebooks continue to have value to certain sections of society / individual consumers, our recommendation is that their distribution is far more targeted. This would allow significant cost savings by reducing the number of copies being printed and also cut down on delivery costs.

Keeping in mind Ofcom's objectives to maximise overall consumer welfare, EE urges Ofcom to encourage this to happen as quickly as possible, by the immediate removal of the WLR subsidy to the BT Phonebook in its upcoming charge controls.

I would be happy to provide further details of our survey results if Ofcom would find this helpful.

Yours,

Kip

Kip Meek

Director of Public Policy

EE Ltd.

cc: David Clarkson, Ofcom



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