
Protecting voice-only landline telephone customers

Statement

[Protecting voice-only landline telephone customers](#) – Welsh overview

STATEMENT:

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1. Overview

The ongoing coronavirus (Covid-19) pandemic continues to highlight the increasing importance of telecoms services. This is particularly the case for a small number of customers who, now more than ever, rely on their landline phone to make calls. In 2020, there were 1.1m voice-only landline customers and over 75% of these customers take their service from BT.

Since April 2018, the prices these customers pay for their voice-only service have been protected by BT's voluntary commitments. These commitments expire on 31 March 2021 and we have now accepted a new offer from BT of further voluntary commitments to ensure continued protections for its voice-only customers until March 2026.

What we have decided

We have decided to accept BT's voluntary commitments, as follows:

- **BT will continue to apply an inflation-linked control (CPI+0%) on the basket of line rental and call charges for voice-only products.** We believe a continuation of prices which remain flat in real terms is a proportionate, clear and timely way to continue to protect consumers. BT has also committed to an annual CPI+0% limit on prices for its Home Phone Saver product and a safeguard cap of CPI+2.5% for its line rental product.
- **These commitments will last five years.** This will provide certainty for customers for the next five years and allow us to reassess the right protections once the public switched telephone network (PSTN) switch-off has taken place, which is scheduled to be completed by December 2025.
- **The commitments will apply to all BT branded voice-only products and services taken by its retail customers, regardless of the technology used to deliver the service.** This will ensure that customers are protected, irrespective of the technology used to deliver the service. We think this is particularly important as customers are migrated to different technologies – such as 'voice over internet protocol' (VoIP) – as a result of PSTN switch-off.
- **The commitments will also apply to any new products or services introduced throughout the five-year commitment period** that are offered on a voice-only basis.
- **BT will provide information to Ofcom on its compliance with the commitments on an annual basis.** Compliance is an important part of monitoring voluntary commitments. BT will provide us with an externally audited annual compliance report, and it will also publish an annual compliance report on its website.

These new commitments will come into effect on 31 March 2021.

Background

The overall number of customers taking voice-only products continues to decline, from 1.5 million customers in early 2017 to 1.1 million in 2020 – a decrease of over 25%. While BT's volumes are also declining, its total share of customers has increased to over 75% (from just over two-thirds in 2017).

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There are currently a limited number of providers, other than BT, serving voice-only customers and we expect the choice of providers to become even more limited as PSTN switch-off encourages providers to offer IP-based packages (which are more likely to include broadband). Levels of switching among voice-only customers are low and these customers also tend to be older, from lower socioeconomic groups, not working, and more financially vulnerable.

In 2017, we reviewed the market for standalone voice-only telephone services and raised concerns about a lack of competition and poor value for money for these customers. To address these concerns, we accepted voluntary commitments from BT to protect the prices of its voice-only services, including an initial price cut of £7 to monthly line rental and a cap on increases to line rental and call charges at the rate of inflation (CPI). These protections came into effect in April 2018 for a duration of three years.

We continue to believe that protection for voice-only customers remains necessary to address our previous concerns. In December 2020, we set out proposals to accept a further set of voluntary commitments from BT to protect prices for the next five years.

Our decision and next steps

In this document, we set out the responses we received to our December proposals and our decision to accept BT's further commitments. Our view is that they offer sufficient protections for voice-only customers, reflecting current market conditions. Our acceptance of these commitments does not prevent us from reviewing the market or considering regulatory intervention at a later date, if we consider it appropriate to do so.

The new commitments are set out in the Annex to this document and will come into effect on 31 March 2021. BT will provide us with information on an annual basis to ensure its compliance with the commitments.

2. Introduction and background

- 2.1 The fixed line phone remains essential for an increasingly small, but significant, number of customers who choose to take a voice-only service.¹ Since 1 April 2018, the prices which BT customers pay for these services have been protected under its voluntary commitments, which we accepted in 2017.
- 2.2 In this section, we outline our concerns arising from our 2017 review and how these led to the introduction of the existing commitments, together with updated information on BT's compliance with them. We also summarise our December 2020 consultation proposals to extend existing protections and provide an update on market developments since then. Finally, we explain our role in the protection of voice-only customers.

2017 review of the standalone landline telephone market

- 2.3 In 2016-17, we carried out a review of the standalone landline telephone market (the '2017 review').² Our review raised concerns about a lack of competition and that customers buying these services on a standalone basis were receiving poor value for money. In February 2017, we provisionally concluded that BT held significant market power (SMP) and proposed several options for regulation, including a one-off price cut on BT's retail line rental price.³
- 2.4 In response, BT voluntarily committed to:
- a one-off line rental price reduction of £7 per month (including VAT) and limiting subsequent increases to CPI+2.5%;
 - raise the prices of a basket of call and line rental products by no more than inflation (CPI+0%) each year;
 - not increase the charges for Home Phone Saver before 1 April 2021;⁴
 - report information to allow Ofcom to monitor BT's compliance with the voluntary commitments; and
 - work to improve the information available, to ensure that both voice-only customers and split purchasers were aware of possible savings.⁵

¹ "Voice-only" refers to voice-only landline products which feature a call service to and from a fixed connection, the majority of which are currently delivered via the analogue public switched telephone network (PSTN), but which may also increasingly be delivered over digital internet-based (IP) technologies. In this document, we use the terms 'voice-only' and 'standalone landline' interchangeably.

² Ofcom, 2017: [Review of the market for standalone landline telephone services](#) – consultation and statement.

³ The concept of 'SMP' is, in this context, defined under legislation as being equivalent to the competition law concept of 'dominance', namely a firm is deemed to have SMP if, either individually or jointly with others, it enjoys a position equivalent to dominance, that is to say a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers.

⁴ The Home Phone Saver product bundles line rental, calls and features into a package. See BT's website: [Learn about Home Phone Saver](#) (retrieved 22 March 2021).

⁵ Split purchase customers take a voice-only service from one provider and a broadband service from a different provider.

- 2.5 We considered the commitments would benefit customers more quickly than formal regulation, and we accepted BT's offer. Those voluntary commitments covered a period of three years, from 1 April 2018 to 31 March 2021.

December 2020 consultation

- 2.6 In December 2020, we published a consultation setting out our proposed approach to ensuring continued protections for voice-only customers after expiry of the current commitments on 31 March 2021 (the 'December consultation').⁶ We outlined market developments since the 2017 review and set out why continued protections for voice-only customers were necessary.
- 2.7 Our analysis of price trends suggested that the majority of voice-only customers benefited from the implementation of the line rental price reduction, and we noted that there is still little competition for this group of customers. We explained that BT continues to supply the vast majority of customers and that voice-only customers were less likely to switch providers or engage with their existing provider. We also noted that these customers tend to be more dependent on their voice-only service, and to be disproportionately older, from lower socioeconomic grades, not working, and more financially vulnerable.
- 2.8 We noted that over the next five to ten years, with the migration to VoIP and ensuing copper switch-off, we expect to see substantial changes to the underlying technology which supports voice-only services. PSTN switch-off and withdrawal of copper-based services will result in consumers needing to take IP-based packages to stay connected, and such packages are more likely to include broadband and less likely to offer a voice-only service.
- 2.9 In our consultation, we explained that BT had offered a further set of voluntary commitments, including a continued price cap for voice-only products and a commitment duration of five years, which we proposed to accept in order to ensure ongoing protections on the prices paid by voice-only customers.
- 2.10 Our consultation closed on 21 January 2021. We received six responses, which we have summarised in Section 3.⁷

Market developments

- 2.11 In our December consultation, we explained that the number of voice-only customers had continued to decline from 1.5m in 2017 to 1.2m in 2019, and that BT had a share of over 75% of these customers.
- 2.12 More recent data collected from the main providers indicates that the total number of voice-only lines has further decreased to 1.1m in 2020.⁸ This is a decline of more than 25%

⁶ Ofcom, December 2020: [Protecting voice-only landline telephone customers](#).

⁷ All non-confidential responses are available on [our website](#).

⁸ We received responses from BT, OVO (previously part of SSE Retail), Post Office, Sky, TalkTalk and Virgin Media.

since 2017. As noted in our consultation, although some of this decline is due to voice-only customers switching over to dual play (telephone and broadband) options, providers have reported that a large source of ceased voice-only services relates to the death of the bill payer. There is also limited uptake of voice-only services by new customers as the marketing of these products is limited, with several providers having stopped offering voice-only services to new customers.⁹

- 2.13 Our updated data also shows that BT continues to hold by far the majority share of customers, serving over 75% of total voice-only customers in 2020 (an increase from 69% in 2017).¹⁰ Post Office held the second largest share, although its volumes have declined since 2017. Post Office, together with four other providers (OVO, Sky, TalkTalk and Virgin Media), collectively held less than 25% of voice-only customers in 2020.
- 2.14 Our annual switching tracker research suggests that standalone landline customers are generally less likely to switch provider than consumers taking landline and broadband together. In 2020, 9% of standalone landline customers and 14% of dual play customers (excluding those who moved house) switched provider in the previous 12 months.¹¹

BT's compliance with its existing commitments

- 2.15 In our December consultation, we provisionally assessed BT's compliance with the voluntary commitments. BT has subsequently provided us with updated information on its line rental and call price changes, including its final prices for 31 March 2021. We set out our updated assessment of its compliance below.

BT's commitment to limit line rental price increases to CPI+2.5%

- 2.16 Following the initial £7 reduction in the monthly price of line rental to £11.99 on 1 April 2018, BT subsequently increased the price by 1.25% to £12.14 on 31 March 2020. This was below the 4.8% increase for 2019/20 permitted under the voluntary commitments. BT plans to decrease the price of line rental by 3.4% to £11.73 on 31 March 2021, though the voluntary commitments would have allowed a price increase of up to 4% (i.e. up to £12.63).¹²

⁹ BT does not actively market fixed voice-only products, although offers for customers who want to take a voice service without broadband are available through its telephone contact centre. Virgin Media advertises its voice-only products on its website. Sky and TalkTalk no longer market voice-only services. Earlier this month, Shell Energy completed its purchase of Post Office's broadband and telephony business. Post Office's voice-only customers will therefore start moving over to Shell Energy.

¹⁰ Shares estimated from information collected from providers under our formal investigation powers.

¹¹ Ofcom, [Switching Tracker 2020](#).

¹² BT response dated 24 February 2021 to question 2 of the section 135 notice dated 1 February 2021. BT's planned price change is also shown in its [BT Consumer Price Guide](#) (effective from 10 February 2021). As CPI was 1.5% in November 2019, the maximum increase in the line rental price would have been 1.5% + 2.5% = 4.0%.

BT's commitment to limit the basket of line rental and call products price increases to CPI+0%

- 2.17 BT has provided us with information showing how its line rental and call price changes compared to the voluntary commitments for the financial periods 2018/19, 2019/20 and 2020/21.¹³ Over the three-year period as a whole, BT met its voluntary commitment.
- 2.18 Figure 1 below shows the price changes relating to the basket of line rental and call products allowed under the voluntary commitments (CPI), compared to the actual price changes which BT made.¹⁴

Figure 1: Basket of line rental and calls – price changes

	2018/19	2019/20	2020/21	Three-year total
Allowed price change (CPI)	3.16%	2.29%	1.50%	7.11%
Actual price change	3.98%	0.34%	-0.63%	3.68%

- 2.19 We note that BT did not meet its voluntary commitments in 2018/19 as a result of a modelling error. BT made a charitable donation of £142k to recognise the impact of this error.
- 2.20 Figure 1 also shows that, over the three-year period, BT increased basket prices by less than allowed under its voluntary commitments, with basket prices increasing by 3.68% compared to the 7.11% permitted under the commitments. The basket price reduction in 2020/21 was mostly due to BT capping the monthly price of some out of bundle calls at £5 in response to the impact of the Covid-19 pandemic.¹⁵

Our role in protecting voice-only customers

- 2.21 In Section 3, we explain our decision to accept BT's further voluntary commitments to protect voice-only customers. The legal framework relevant to this decision is set out in Part 2 of the Communications Act 2003 (the '2003 Act'). Specifically, one type of forward-looking regulation we may impose on communications providers (such as BT) is SMP conditions.
- 2.22 In light of BT's further voluntary commitments, we have decided against the imposition of formal SMP regulation at this time. Our decision has been reached after taking into

¹³ Spreadsheet provided in BT response dated 24 February 2021 to question 2 of the section 135 notice dated 1 February 2021.

¹⁴ Figure 1 includes BT's price changes for 31 March 2021. As explained in paragraph 3.31, we have agreed to BT ending the existing commitments on 30 March 2021 and starting the new commitments on 31 March 2021. Omitting the price changes for 31 March 2021 would not make a material difference to the figures presented in Figure 1 (as they only affect one day in the 2020/21 year).

¹⁵ See BT website: [Keeping us all connected at a critical time, 20 March 2020](#) (retrieved 25 February 2021).

account similar considerations to those under the market review process we conducted in 2017.

- 2.23 In particular, in deciding to accept BT's commitments, our focus has been to address our continuing concerns about the need to protect voice-only customers by seeking to secure the performance of our general duties under section 3 of the 2003 Act in furthering the interests of citizens and of consumers. In so doing, we have had regard to various factors including:
- the desirability of promoting and facilitating the development and use of effective forms of self-regulation;
 - the needs of persons with disabilities, of the elderly and of those on low incomes;
 - the different interests of persons in the different parts of the United Kingdom, of the different ethnic communities within the United Kingdom and of persons living in rural and in urban areas; and
 - the interests of those consumers in respect of choice, price, quality of service and value for money.
- 2.24 In performing our general duties in this context, we have also had regard to the principles under which our regulatory activities should be transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed, including by reference to Ofcom's general regulatory principles. Additionally, our decision seeks to secure that we do not impose on BT any unnecessary regulatory burdens in light of our view that its further voluntary commitments sufficiently address our continuing concerns in relation to voice-only customers.

Impact assessment

- 2.25 The analysis presented in the whole of this document represents an impact assessment, as defined in section 7 of the 2003 Act.
- 2.26 Impact assessments provide a valuable way of assessing different options for regulation and showing why the preferred option was chosen. They form part of best practice policy-making. This is reflected in section 7 of the 2003 Act, which means that generally Ofcom has to carry out impact assessments where its proposals would be likely to have a significant effect on businesses or the general public, or when there is a major change in Ofcom's activities. However, as a matter of policy Ofcom is committed to carrying out and publishing impact assessments in relation to the great majority of its policy decisions. For further information about Ofcom's approach to impact assessments, see our guidelines, [Better policy-making: Ofcom's approach to impact assessment](#).
- 2.27 Specifically, pursuant to section 7, an impact assessment must set out how, in our opinion, the performance of our general duties (within the meaning of section 3 of the 2003 Act) is secured or furthered by or in relation to what we have decided.

Equality impact assessment

- 2.28 Section 149 of the Equality Act 2010 (the “EA 2010”) imposes a duty on Ofcom, when carrying out its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct related to the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation. The EA 2010 also requires Ofcom to have due regard to the need to advance equality of opportunity and foster good relations between persons who share specified protected characteristics and persons who do not.
- 2.29 Section 75 of the Northern Ireland Act 1998 (the “NI 1998”) also imposes a duty on Ofcom, when carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity and regard to the desirability of promoting good relations across a range of categories outlined in the NI 1998. Ofcom’s Revised Northern Ireland Equality Scheme explains how we comply with our statutory duties under the NI 1998.¹⁶
- 2.30 To help us comply with our duties under the EA 2010 and the NI 1998, we have assessed the impact of our decision on persons sharing protected characteristics and in particular whether they may discriminate against such persons or impact on equality of opportunity or good relations.
- 2.31 We do not consider that our decision has equality implications under the EA 2010 or the NI 1998.

¹⁶ Ofcom, 2014. [Revised Northern Ireland Equality Scheme for Ofcom, January 2014](#) (updated December 2019).

3. Decision on protections for voice-only customers

3.1 In this section, we explain our decision to accept BT's proposal of further voluntary commitments to protect its voice-only customers. In reaching our decision, we have considered the responses to our December consultation and our updated assessment of the potential value to consumers from the new commitments.

Our December proposals

3.2 In December 2020, we proposed to accept the following voluntary commitments from BT:

- **BT would continue to apply an inflation-linked control (CPI+0%) on the basket of line rental and call charges for voice-only products.** We said that we believed a continuation of prices which remain flat in real terms is a proportionate, clear and timely way to continue to protect consumers. BT also committed to an annual CPI+0% limit on prices for its Home Phone Saver product and a safeguard cap of CPI+2.5% for its line rental product.
- **The commitments would last five years.** Our view was that this would provide certainty for customers for the next five years and allow us to reassess the right protections once the PSTN switch-off has taken place (expected by December 2025).
- **The commitments would apply to all BT branded voice-only products and services taken by its retail customers, regardless of the technology used to deliver the service.** We said this would ensure that customers are protected, irrespective of the technology used to deliver the service, and that this is particularly important as customers are migrated to different technologies (e.g. VoIP) due to PSTN switch-off.
- **The commitments would also apply to any new products or services introduced throughout the 5-year commitment period that are offered on a voice-only basis.**
- **BT would provide information to Ofcom on its compliance with the commitments on an annual basis.** Specifically, BT would provide Ofcom with an externally audited annual compliance statement and it would also publish an annual compliance statement on its website.

Our assessment of consultation responses

3.3 We received six responses to our December consultation from: BT, the Communications Consumer Panel and ACOD (CCP-ACOD), Gamma, the Joint Radio Company (JRC), Simwood and an individual respondent.

3.4 Respondents generally welcomed the proposed commitments and recognised the need to protect this vulnerable group of customers, and there were no responses which objected to the principle of the commitments. CCP-ACOD also noted particular support for the commitments having a duration of five years.

- 3.5 Some respondents, however, did raise some specific points of concern. We set them out, together with our response, below.

Ensuring the commitments are technology neutral

Stakeholder comments

- 3.6 Two respondents (Simwood and Gamma) raised concerns about the wording of the commitment requiring BT to apply the price protections to all voice-only products, regardless of the technology used. In particular they were concerned that the wording could mean that, while the initial price BT set for new voice-only IP-based products would be in line with the commitments, it could subsequently apply significant price increases beyond the levels permitted in the commitments.
- 3.7 Simwood also said that the explicit inclusion of the Home Phone Saver product in the commitments was superfluous because this was already captured by the broader reference to voice-only products.

Our response

- 3.8 The wording of this part of the commitments explicitly states that it will apply to voice-only services taken by the relevant customers *“regardless of the technology used to deliver the service”*. This means that the commitments will apply to any products which are taken by relevant customers, both at the point when a new voice-only product is introduced, and subsequently to any price increases made throughout the applicable period of the commitments.
- 3.9 BT has also confirmed to us that if, for example, it were to introduce a new voice-only fibre line rental product, then the application of this commitment would mean that the initial price would be the same as for the equivalent copper product, and then any future price increases would be subject to the relevant safeguard caps as set out in the commitments.¹⁷
- 3.10 While the commitments would permit a price increase beyond inflation for specific products which have a low weighting in the basket, prices for other products would have to increase by less than inflation for BT to comply with the basket commitment. We consider that the basket commitment will act as a brake on any further significant price increase overall. In addition, the technology-neutral safeguard cap on line rental means that customers who take voice-only products would be protected by the commitments even if they migrate to an IP-based service while the commitments are in effect.¹⁸
- 3.11 In response to Simwood’s comment about Home Phone Saver, we believe that retaining an explicit reference to this product in the wording is helpful for clarity and emphasis – particularly given that a number of voice-only customers continue to take this service.

¹⁷ BT email dated 1 March 2021.

¹⁸ As set out in paragraph 3.37, we have agreed with BT to some broader changes to the wording of the commitments to ensure simplicity and further clarity. Annex 1 contains BT’s updated commitments.

Use of voluntary commitments

Stakeholder comments

3.12 Simwood and Gamma both suggested that Ofcom consider using its powers to change the commitments into a formal undertaking made under the Enterprise Act or SMP remedies, to provide additional reassurance that BT would not act against or exploit its commitments.

Our response

3.13 In 2017, we accepted the original voluntary commitments from BT in lieu of imposing formal regulation. At the time, we considered that the commitments addressed our concerns and that customers would benefit from protections being put in place sooner compared to if we pursued formal intervention. The subsequent reduction in price for BT's voice-only customers, and across the market more generally, demonstrate that these voluntary commitments have been effective in securing better value for money.¹⁹

3.14 In considering whether to use our formal powers when the current commitments end, we have taken into account the effectiveness of the voluntary approach in securing these outcomes, the regulatory burden involved with any formal intervention, and the need to secure continued value for money for voice-only customers in a timely way. We continue to believe that voluntary commitments from BT, which protect the majority of voice-only customers, are the most appropriate mechanism to address our concerns at this point. We note that BT has committed to an annual assessment of its compliance with the commitments, including an external audit. Our acceptance of these commitments does not prevent us from reviewing the market, or considering regulatory intervention, at a later date if we were to identify concerns with BT's adherence to its commitments.

Voice-only services for business customers

Stakeholder comments

3.15 The JRC response noted that BT's proposed commitments related to residential line rental and calls products only. It said, however, that many business customers, including critical national infrastructure and utilities providers, also use voice-only connections to deliver resilient voice communications. It therefore said BT should also advise Ofcom of its proposals for business users of voice-only products and services.

Our response

3.16 In our 2017 review, we noted differences between the residential and business markets for voice-only services in terms of competitors to BT, in particular the existence of specialist

¹⁹ As set out in our December consultation (paragraphs 3.6 to 3.8), pricing trends information suggests that while line rental prices fell overall, this was driven by BT and Post Office price reductions with other providers holding prices relatively flat in real terms (whereas prior to the commitments prices were steadily increasing in real terms).

providers in the business market. We therefore concluded that we did not have a basis for including voice-only services for business in the relevant market. We consider that this conclusion remains valid, and that BT's further commitments address the specific concerns we have identified with the residential voice-only market (particularly in relation to more vulnerable consumers).²⁰

- 3.17 These voluntary commitments from BT are separate to the ongoing cross-sectoral work to prepare for IP migration and PSTN switch-off. In that regard, Openreach has stated that the PSTN, which currently delivers the majority of voice-only landline services, will be switched off by December 2025, and industry is leading the process of migration to IP-based services across the UK. We are working closely with providers on the migration to IP with the aim of protecting consumers from harm and minimising disruption.²¹ We believe that the application of BT's commitments regardless of the technology used will ensure the majority of voice-only customers continue to be protected as services are migrated to IP-based networks. The five-year duration of the commitments will also allow us to reassess the appropriate protections once the PSTN switch-off has taken place.

Split purchase customers and refunds for overpayments

Stakeholder comments

- 3.18 CCP-ACOD believed that split purchase customers, not just voice-only customers, should also be protected by BT's voluntary commitments. It also suggested strengthening the commitments so that consumers who overpay could be guaranteed a refund of any overpayment.

Our response

- 3.19 As noted in our December 2020 consultation and 2017 review, split purchasers are typically younger and more technologically literate than voice-only customers, and, by definition, have internet access which allows them to access alternative offers more easily. Unlike voice-only customers, split purchasers have a wider range of choices available to them, such as dual play bundles.²² We also note that our new rules on end-of-contract notifications (introduced in February 2020) will mean that customers will be advised through those notifications that they may be able to save money by bundling their services.²³ We therefore remain of the view that it is appropriate to exclude split purchase customers from the scope of the commitments.
- 3.20 On CCP's question of refunds, these commitments are forward-looking and designed to protect voice-only customers over the duration of the next five years. The price caps BT

²⁰ Ofcom, February 2017: [The review of the market for standalone landline telephone services: Provisional conclusions](#) (paragraphs 3.53–3.56).

²¹ December 2020, [Ofcom's proposed plan of work 2021/22](#) (p.36).

²² See paragraphs 3.13-3.22 and 4.5-4.8 of the October 2017 statement, [Review of the market for standalone landline telephone services](#).

²³ Ofcom, May 2019: [Helping customers get better deals, statement on end-of-contract notifications and annual best tariff information](#).

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has agreed to will ensure that these customers are protected from above inflation price increases (or inflation+2.5% for line rental). We will continue to monitor BT's compliance with the commitments on an annual basis and if we were to identify future concerns, we would consider what action would be appropriate to address those concerns.

Calls to mobiles included in packages

Stakeholder comments

3.21 CCP-ACOD said calls to mobiles should be included in the products and services which are covered by the commitments.

Our response

3.22 We can confirm that calls to mobiles are included within the basket of services covered by these commitments.²⁴

3.23 The question of whether such calls are included within BT's call packages will vary depending on the specific product the customer is taking. We are aware that some of BT's voice-only bundles include calls to mobiles, whereas some legacy products in particular may not, and customers will be charged individually for these calls. We note that, as part of our end-of-contract and annual best tariff notification requirements, customers should be advised of the best tariff available from their provider, based on the customer's usage. We would therefore expect that if a voice-only customer could save money by moving to a package which includes mobile calls (because their usage shows that they make a number of these calls), they would be advised of the best tariff information in their end-of-contract or annual best tariff notification from BT.

Our updated assessment of the new BT commitments

Commitment to continued price protections and a safeguard cap

3.24 As a result of the existing BT commitments, voice-only customers benefited from an initial £7 price reduction in their monthly line rental and have subsequently experienced below inflation pricing of their voice-only services.

3.25 As set out in our December consultation, we believe a new commitment to cap price rises for BT's voice-only products to CPI+0%, and a safeguard cap of CPI+2.5% of the price of line rental, will continue to ensure that voice-only customers, many of whom may be vulnerable, do not face disproportionate price increases.

²⁴ In particular this means that, as part of BT's commitments, the average annual price change of a basket of call and rental products available to voice-only customers will be limited to CPI, but individual price changes, including calls to mobile, could be higher or lower than CPI, depending on their weight in the basket.

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- 3.26 We also consider that customers who take the Home Phone Saver product, which is also a voice-only service, should continue to be protected. BT has committed to an annual CPI+0% control on its Home Phone Saver product.²⁵
- 3.27 In our December consultation, we sought to illustrate the potential value to consumers from BT's proposed commitments.²⁶ We did this by comparing permitted prices under the new commitments to what may happen absent the new commitments (the counterfactual).²⁷ We have since updated our analysis and present below two scenarios for the counterfactual to provide an indicative range for customer benefits:
- a) **A gradual above inflation scenario:** absent the commitments, it seems likely that BT's prices would increase in real terms. Prior to the 2017 consultation, BT's line rental charges increased by around 4% per annum in real terms.²⁸ Moreover, for its mass-market offerings (including voice-only services), BT has stated that each year it will adjust the amount customers pay by CPI plus 3.9%.²⁹ For the first counterfactual scenario, we therefore assume that prices increase by 4% per annum in real terms.
 - b) **A steeper above inflation scenario:** in this scenario, we assume a reversal of the line rental reduction customers have benefitted from. Line rental prices were reduced by £7 a month in April 2018 and we consider it is possible that prices could eventually rise to the level preceding that reduction, absent new commitments. If this were to happen, the line rental price for voice-only customers could rise to the same level that BT charges other customers (e.g. those that take broadband with another provider).³⁰ We assume this happens over the next five years (the commitment period).³¹
- 3.28 We applied these counterfactual scenarios to BT's customer base over the commitment period.³² On this basis, an indicative range for the estimated benefit for customers would be around £6m to £15m in the first year and benefits would increase each year of the

²⁵ The Home Phone Saver is priced at £21.99 a month.

²⁶ The indicative estimations cover Home Phone Saver customers as well as voice-only customers who purchase the discounted line rental.

²⁷ As a simplifying assumption, the estimations do not explicitly calculate the value for call products. However, broadly speaking, if call prices were to rise by more than inflation, line rental would not because of the CPI+0% basket cap. Conversely, if call prices rise by less than inflation, line rental could rise by more than inflation but by no more than CPI+2.5% because of the sub-cap on line rental.

²⁸ Calculated over the period 2013 to 2017, although line rental had been increasing above inflation from around 2010.

²⁹ See [BT's website](#).

³⁰ From 31 March 2021, BT plans to charge customers £21.10 a month for the line rental, whereas customers with no broadband will pay the discounted price of £11.73 a month. See [BT's website](#) for more information.

³¹ This increase is only applied to the customers who use the discounted line offering. For Home Phone Saver customers, who did not receive a price reduction, the assumption is that there would be a 4% per annum real increase for these customers under both counterfactuals.

³² This also requires assumptions to be made regarding customer numbers in future years. In both scenarios, we take the updated volume data provided by BT for 2020 and assume that volumes decrease by 10% per annum for line rental customers and for Home Phone Saver customers. These assumptions are informed by BT's own forecasts and our own judgment based on recent trends because BT's forecasts didn't cover the whole period in question or the entire customer base.

commitment period. On average over the five-year period, customer benefits in these scenarios could be between £14m to £36m on an annualised basis.³³

- 3.29 The indicative range for customer benefits reflects the estimated benefits to BT's customers. In so far as the commitments act to limit how far other providers might change their own prices, customers of other providers may also benefit.

The commitments will last for five years

- 3.30 The commitments will last until March 2026, at which point we would expect to review them again. As explained in our December consultation, this provides voice-only customers with price certainty for the next five years, as well as allowing us to reassess the right protections as we get closer to PSTN switch-off. There should be more clarity at that point about use of technology, ongoing wholesale costs and the choice of providers that continue to serve these customers.

The new commitments will come into effect on 31 March 2021

- 3.31 Following the December consultation, BT suggested that its new commitments come into effect from 31 March 2021 (rather than 1 April). This is because BT now usually makes price changes annually on 31 March and aligning the commitments with this date would ensure that when assessing compliance, the relevant compliance year corresponds with BT's pricing year. We note this change will not have any impact on the prices paid by customers and will aid with assessing compliance. The existing commitments will therefore now expire on 30 March 2021, with the new commitments taking effect on 31 March 2021.

Approach to assessing BT's compliance with the new commitments

- 3.32 The provision of regular information allows us to monitor compliance and we consider that it is a key part of accepting BT's new voluntary commitments. BT has committed to provide us with a compliance report each year, reviewed by its auditors, and to publish a redacted version of the compliance report on its website. A template version of this compliance report is attached at Annex 2.³⁴ Each year, this will show the percentage change in average prices for voice-only line rental and calls and how this compares to the percentage change allowed under the commitments.
- 3.33 We consider that publishing this information will improve transparency to stakeholders about BT's compliance with its commitments. We also consider that external review of BT's compliance report by an independent third party will help provide assurance that inputs have been properly extracted from BT's systems and that the calculations in the compliance report are in accordance with BT's commitments. We will consider whether an

³³ The average is calculated on an annualised basis which recognises that a future £1 of benefit is worth less than £1 of benefit today, by applying the social discount rate of 3.5% (real). This is the Social Rate of Time Preference as specified in the HM Treasury [Green Book \(Central Government Guidance on Appraisal and Evaluation\)](#).

³⁴ This template is based on compliance reporting from previous years.

external review remains appropriate and proportionate three years into the new commitment period.

- 3.34 As noted previously, if we were to identify any concerns with compliance, we would consider the most appropriate course of action.

Our decision

- 3.35 In light of consultation responses and our updated assessment above, we have decided to accept BT's new commitments.
- 3.36 We consider that our decision will help to further the interests of citizens and consumers, especially voice-only customers, having regard also to the factors set out in Section 2 (see paragraph 2.23). We believe these new commitments to be sufficient to address our concerns, while providing price certainty, and effective and proportionate protections for voice-only customers. While the commitments would only apply to BT, its large share of voice-only customers means these protections will apply to the vast majority of customers on voice-only products. We also consider that these new commitments represent the least burdensome regulatory intervention.
- 3.37 As part of our decision, we have also agreed with BT some changes to the wording of its commitments to simplify them and provide greater clarity to its voice-only customers and other stakeholders. Apart from amending the start date of the commitments, as explained above, these changes do not affect the substance of what BT has agreed to do to protect the prices of its voice-only customers. The updated commitments are set out in Annex 1.

What happens next

- 3.38 BT's new voluntary commitments will come into effect on 31 March 2021, with an agreed duration of five years. BT's compliance with the commitments will be monitored annually.
- 3.39 Our decision to accept these commitments does not prevent us from reviewing the market or considering regulatory intervention at a later date, if we were to consider it appropriate to do so. We will also continue to monitor customer outcomes on an ongoing basis.

A1. BT's voluntary commitments

- A1.1 Full details of the commitments that BT has agreed to are set out in Annex 1. This annex has been [published separately](#) on the Ofcom website.

A2. BT compliance report template

- A2.1 Annex 2 is a template version of the annual compliance report which BT has committed to submit to Ofcom and to publish on its website. This annex has been [published separately](#) on the Ofcom website.