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**IN THE COMPETITION**  
**APPEAL TRIBUNAL**

Case No: 1381/7/7/21

Salisbury Square House  
8 Salisbury Square  
London EC4Y 8AP

Monday 29<sup>th</sup> January – Friday 22<sup>nd</sup> March 2024

Before:  
The Honourable Mr Justice Waksman

Eamonn Doran

Derek Ridyard

(Sitting as a Tribunal in England and Wales)

**BETWEEN:**

Justin Le Patourel

**Class Representative**

v

2. BT Group PLC

3. British Telecommunications PLC

**Respondent**

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**A P P E A R A N C E S**

Ronit Kreisberger KC, Derek Spitz, Michael Armitage, Jack Williams and Matthew Barry (On behalf of Justin Le Patourel)

Daniel Beard KC, Sarah Love, Daisy Mackersie, Natalie Nguyen and Ali Al-Karim  
(on behalf of BT Group PLC and British Telecommunications PLC)

Jennifer MacLeod (On behalf of the Competition & Markets Authority)

1 Monday, 5 February 2024  
 2 (10.30 am)  
 3 Housekeeping  
 4 THE CHAIRMAN: Good morning. We just wanted to mention to  
 5 counsel a few housekeeping matters, starting with the  
 6 least, I suppose, in a way. We have got two glossaries,  
 7 one that came from your skeleton argument and then we  
 8 have got the BT one. Could somebody combine them,  
 9 please?  
 10 MS KREISBERGER: Yes.  
 11 THE CHAIRMAN: — without an enormous discussion as to which  
 12 one's explanation is to be preferred. They are both  
 13 very useful.  
 14 MS KREISBERGER: It is more convenient.  
 15 THE CHAIRMAN: We would just prefer to have it in one.  
 16 Thank you.  
 17 The second thing is that we have been reviewing the  
 18 timetable and we now consider, in the course of our  
 19 preparations of the questions for the hot tubs and  
 20 generally, that we think there is a real possibility  
 21 that we may need more than two days on market definition  
 22 and dominance in the hot tub. It does not mean we  
 23 necessarily would want the whole of the three days, but  
 24 we are pretty sure at the moment we will go over two.  
 25 Therefore, what we would like to do is to have the

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1 week — next week will be market definition and  
 2 dominance only. That will then knock the beginning of  
 3 limb 1 on to Monday, 19 February. Equally here, having  
 4 regard to the number of issues that we need to consider  
 5 with the experts, we equally think there is a real  
 6 possibility of going into a third day. Therefore, we  
 7 would like to have limb 1 occupying the whole of the  
 8 week commencing 19 February.  
 9 That said, as matters stand, we do not think we will  
 10 need more than one day on limb 2.  
 11 MS KREISBERGER: Yes.  
 12 THE CHAIRMAN: The result of that would be that there will  
 13 be two days for limb 2, one concurrent, one  
 14 cross-examination, starting in the week commencing 26th.  
 15 Wednesday the 28th will therefore be the start of  
 16 Class characteristics. Thursday will be the deceased  
 17 Class Members. Week commencing 4 March will be quantum  
 18 on the Monday and the Tuesday, so there is an extra day  
 19 overall.  
 20 That is what we want to provide for now, and we do  
 21 not think this should cause a difficulty for the parties  
 22 in terms of their closings. We appreciate, we know  
 23 there is an issue about what day the closings should be,  
 24 which we will come back to later in the week.  
 25 So that is what we wanted to do there, and just

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1 obviously so your experts know really. But what that  
 2 does mean is that next week is going to be Mr Parker and  
 3 Dr Jenkins only.  
 4 Thank you.  
 5 MS KREISBERGER: Sir, if I may say so, I am very grateful  
 6 for that and it all sounds extremely sensible.  
 7 THE CHAIRMAN: Right, well, thank you.  
 8 Now, there are, to use a familiar expression, some  
 9 rather more granular matters that I need to deal with  
 10 very quickly.  
 11 We are just thinking about some underlying factual  
 12 points, but before we go there, I just want to check: so  
 13 far as dominance is concerned, we understand that the  
 14 Class Representative's position on dominance is  
 15 dependent on having established the narrow market.  
 16 MS KREISBERGER: It is, yes.  
 17 THE CHAIRMAN: If you do not have the narrow market, that is  
 18 the end of it. It is the end of everything.  
 19 MS KREISBERGER: That is right. We depend on that,  
 20 absolutely.  
 21 THE CHAIRMAN: Yes, you depend on that. As we understand  
 22 it, it is not quite vice versa for BT, and that although  
 23 Dr Jenkins has spent most of her expert reports dealing  
 24 with dominance in the context of having established that  
 25 it is the wider market, she, as it were, reserves her

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1 position and says there are still points she would want  
 2 to make even if it is a narrower market. Have I got  
 3 that right?  
 4 MR BEARD: Yes, that is right. Because market definition is  
 5 a framework, she has other points that she wants —  
 6 THE CHAIRMAN: She has other points she wants to make, and  
 7 in particular the sort of countervailing factors,  
 8 arguments on market share and things like that.  
 9 MR BEARD: Yes, I think — obviously we try to deal with it  
 10 in summary form in our skeleton argument at  
 11 paragraph 102 onwards.  
 12 THE CHAIRMAN: Yes.  
 13 MR BEARD: But, yes, we refer to Dr Jenkins. I do not have  
 14 all of the references —  
 15 THE CHAIRMAN: That is fine. We have read everything, but  
 16 there is a lot to go through and sometimes — we just  
 17 wanted to make sure that was the parties' positions.  
 18 MR BEARD: Yes.  
 19 THE CHAIRMAN: Then if I can just turn to the factual  
 20 matters, and the other Members of the Tribunal will chip  
 21 in if I have not got something correct or if they want  
 22 to add something, but what we wanted to try and do is  
 23 have either in one place in a document, or at least  
 24 a discrete set of references, for what at the moment we  
 25 see are the underlying factual points, most of which we

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1 think are probably agreed or capable of agreement, and  
 2 forgive me if I am not being as scientific as I should,  
 3 and I will come back to anything tomorrow if they are  
 4 not, but we have divided these into three  
 5 sections: charges and prices, switching, and what I have  
 6 called profitability .  
 7 On charges, starting with --- and we are familiar  
 8 with the tables, but the Line Rental charges for each of  
 9 the relevant years and the percentage increase year on  
 10 year for that. Similarly for call charges. Thirdly,  
 11 there was something of a dispute where one has to have  
 12 a proxy as to whether it should be ARPU or ARPM,  
 13 although, from memory, where the experts grappled with  
 14 that, they did not seem to think it made much  
 15 difference, so I was not sure whether it is or could be  
 16 agreed that, where there is the proxy, it is ARPU?  
 17 MS KREISBERGER: I think that may be --- there is a risk of  
 18 oversimplification, but that is certainly the approach  
 19 on limb 1. But neither party takes that approach on  
 20 market definition .  
 21 THE CHAIRMAN: Right, right.  
 22 MS KREISBERGER: So they are both in play.  
 23 THE CHAIRMAN: They are both in play. All right.  
 24 MR BEARD: Well, we will see what they have to say. Because  
 25 of course if you look at section 7A of the joint expert

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1 report, calculation of actual prices. Revenues earned by  
 2 BT for SFV services could be used to estimate actual  
 3 prices for SFV services via an ARPU proxy, and that is  
 4 part of the agreed bit.  
 5 THE CHAIRMAN: Yes, that is why I was saying we just were  
 6 not sure what the position is. I do not want to take  
 7 any time on it now.  
 8 MS KREISBERGER: Understood.  
 9 THE CHAIRMAN: But if you could have a word with each other.  
 10 If it seems to be common ground in the experts'  
 11 statement, that should be it, but you may say it does  
 12 not cover everything.  
 13 MS KREISBERGER: I could just cut through by saying both  
 14 experts --- well, certainly I will speak for my expert,  
 15 also looks at ARPM on market definition and they lead to  
 16 the same place.  
 17 THE CHAIRMAN: They might look at them, but I am conscious  
 18 of the fact, having done some more reading, that there  
 19 are numerous places where they say, "look, I have done  
 20 it on that basis as well, but actually it does not make  
 21 any difference".  
 22 If it does not make any difference, I would rather  
 23 try and cut through.  
 24 MR BEARD: We understand where you are coming from.  
 25 THE CHAIRMAN: Right.

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1 Next. Some of these questions may or may not be  
 2 dealt with by Mr Bunt but I want to raise them anyway.  
 3 It will be done by comparison with BT's broadband  
 4 bundles, but the incremental price to the customers over  
 5 the standalone, the SFV prices.  
 6 Equally, and I am not sure this is something which  
 7 has emerged quite so easily, the incremental cost to BT  
 8 of supplying the broadband as well as the voice. It may  
 9 be somewhere in the --- I am not asking you to create  
 10 stuff, but if it is somewhere in the reports, we are  
 11 keen to see that.  
 12 MR BEARD: Sorry, just on the preceding one. Incremental  
 13 price, you refer to broadband bundles.  
 14 THE CHAIRMAN: Yes.  
 15 MR BEARD: Are you meaning the Line Rental price within the  
 16 bundle or the total bundle price that you are talking  
 17 about there?  
 18 THE CHAIRMAN: We are not really talking about the  
 19 incremental price, it is simply the difference between  
 20 the bundle price and the SFV price.  
 21 MS KREISBERGER: Yes. Dr Jenkins has a graph on that.  
 22 THE CHAIRMAN: I appreciate that.  
 23 MR BEARD: I was trying to clarify what it was.  
 24 THE CHAIRMAN: We have done our homework, but at least in my  
 25 case, not the others, but in my case I am forgetting

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1 where some of the tables are, and if we could be  
 2 reminded about that, that is all .  
 3 MS KREISBERGER: Yes.  
 4 THE CHAIRMAN: Then on the facts of switching, not the whys  
 5 of switching, again, that is a simple graph and we  
 6 would --- just to be reminded about the actual figures  
 7 going through for VOC and SPC from 2015–2022, what they  
 8 were, the new SFV customers in the customer figures, the  
 9 BT customer figures for the BT bundles over the period,  
 10 and I say this with some hesitancy given what was said  
 11 in the annexes to the joint statement, but the  
 12 proportion of bundle --- BT bundle customers that had  
 13 been SFV customers. There was an issue here about  
 14 Dr Jenkins' percentages and there was a correction made  
 15 by her in annex B to the joint statement.  
 16 MR BEARD: Yes.  
 17 THE CHAIRMAN: But if I could just have that confirmed.  
 18 Then, profitability . In the context of market  
 19 definition switching, and so on and so forth, there is  
 20 an issue between the experts as to whether it was more  
 21 profitable for BT to have the customers in the bundle  
 22 than to remain where they were. In that context, there  
 23 is the gross margin position, which is Dr Jenkins'  
 24 primary position; there is the net margin analysis used  
 25 by Mr Parker, which is his primary position; but then in

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1 table 5 in annex B to the joint expert statement,  
 2 Dr Jenkins has sort of run those models again on a net  
 3 margin basis, and we wanted to know whether the figures,  
 4 not the inferences or conclusions that can be drawn from  
 5 it, but whether all those figures in table 5 are agreed  
 6 or could be agreed.  
 7 MR BEARD: We will certainly ask.  
 8 THE CHAIRMAN: Yes. As I say, we are not concerned here  
 9 with what is going to be drawn from it.  
 10 That is all we wanted to --- that is "all"; that is  
 11 all we wanted to raise by way of that, and that is all  
 12 we wanted to raise by way of housekeeping.  
 13 MS KREISBERGER: Yes, I am grateful.  
 14 MR BEARD: I am grateful.  
 15 MS KREISBERGER: Thank you very much, sir.  
 16 MR BEARD: We do not have anything else.  
 17 THE CHAIRMAN: Thank you very much.  
 18 Right, Mr Bunt.  
 19 MR JONATHAN BUNT (affirmed)  
 20 Examination---in---chief by MR BEARD  
 21 MR BEARD: Mr Bunt, good morning.  
 22 A. Good morning.  
 23 Q. You have actually given three witness statements in  
 24 these proceedings, but I am just going to take you to  
 25 two of them which I think are the ones germane to the

1 matters that are now before the Tribunal.  
 2 I think you have in front of you, by looking at it,  
 3 a hard copy, I think, of your second and third witness  
 4 statements?  
 5 A. I do, yes.  
 6 Q. In addition, you will see there is a red folder there.  
 7 I do not know what is in the red folder but I think  
 8 those are hard copies of documents that Ms Kreisberger  
 9 may want to take you to in the course of her  
 10 cross-examination.  
 11 Let us just deal with the statements, if I may.  
 12 A. Okay.  
 13 Q. I will get them called up on the screen as well, so it  
 14 is {D/2/1}.  
 15 A. Yes.  
 16 Q. Does that match the document you have got in front of  
 17 you?  
 18 A. It does.  
 19 Q. If we could go through to page {D/2/43}. Is that your  
 20 signature?  
 21 A. That is my signature.  
 22 Q. Subject to one or two corrections you have, is this true  
 23 to the best of your knowledge and belief?  
 24 A. It is.  
 25 Q. Thank you.

1 Let us go to your third statement, which is {D/3/1}  
 2 on the electronic bundles, and you should have a hard  
 3 copy there as well.  
 4 A. Mm---hm.  
 5 Q. If we go through to the page {D/3/17} of that, is that  
 6 your signature?  
 7 A. Yes, it is.  
 8 Q. Subject to one correction, is that true to the best of  
 9 your knowledge and belief?  
 10 A. Yes, it is.  
 11 Q. Thank you. So if I may, I am just going to take you to  
 12 one or two corrections you indicated you had primarily  
 13 in relation to dates.  
 14 A. Yes.  
 15 Q. If we could go back to your second statement, and if we  
 16 could go to page {D/2/22}, at paragraph 79 you say:  
 17 "I had changed roles to Head of Voice Pricing  
 18 in July 2015, so around the time we were planning  
 19 Project Laika."  
 20 Did you have a correction in relation to that date?  
 21 A. A small correction there, which is that by July 2015 we  
 22 were executing Project Laika. It was already planned.  
 23 So "planning" should be "executed".  
 24 Q. "Planning" should be "executed". Okay, thank you.  
 25 If we could then go on to paragraph 92 {D/2/26}, you

1 say:  
 2 "I recall that the 2017/2018 price change was  
 3 particularly difficult because, as explained further in  
 4 the 2017 Review section below, between November 2016  
 5 and October 2017 BT was in the process of negotiating  
 6 a Line Rental discount for VO customers with Ofcom ..."  
 7 Did you have a clarification or correction in  
 8 relation to that?  
 9 A. That should specify the January 2018 price change,  
 10 rather than the 17/18 price change, because I recall  
 11 the January 2018 price was particularly difficult .  
 12 Q. Thank you.  
 13 If we go through to paragraph 107 {D/2/31}. This is  
 14 under a heading "September 2020 Price Change". If we go  
 15 down to paragraph 108, the final sentence says:  
 16 "The CLT ultimately chose to implement a CPI + 3.9%  
 17 price from September 2020."  
 18 A. They chose to implement CPI 3.9% price rise terms from  
 19 September 2020. They did not implement the price rise  
 20 then, but they changed our terms and conditions at that  
 21 point.  
 22 Q. They changed the terms and conditions. So when did they  
 23 actually implement the price rise?  
 24 A. At the end of March 2021.  
 25 Q. Right. So the September 2020 price change refers to

1 terms and conditions, and then implemented  
 2 in March 2021?  
 3 A. That is right .  
 4 Q. At paragraph 117, {D/2/33}:  
 5 "I also recall that Stuart Murray ... had a meeting  
 6 with Ofcom in early June 2016 (which I know to have  
 7 taken place on 8 June 2010 after seeing an email from  
 8 Stuart recounting the meeting) ..."  
 9 A. Yes, that should say "2016" rather than "2010". That is  
 10 a typo.  
 11 Q. Thank you.  
 12 Paragraph 143, {D/2/41}. I think this may be  
 13 another ... I think there is a date here.  
 14 A. That is right . Both the references to "September 2020"  
 15 should be "September 2019".  
 16 Q. Right.  
 17 Then further down, it refers to:  
 18 "Digital Voice is a home phone service operating via  
 19 broadband that BT Consumer hopes to migrate all  
 20 customers onto by 25 December 2023."  
 21 A. That should just be "December 2025".  
 22 Q. Thank you. So "2019" twice and "2025" are the  
 23 corrections?  
 24 A. Yes.  
 25 Q. Thank you.

13

1 Then if we go to annex 1, I think there is another  
 2 date here. {D/2/45}  
 3 A. That is right. In the third row, "Right Plan", it  
 4 should be "December 2014 to October 2017", rather than  
 5 "to date".  
 6 Q. Thank you.  
 7 Then annex 2, which is two pages further on,  
 8 {D/2/47}. I think you indicated that you might actually  
 9 be able to provide dates in relation to the NAs on the  
 10 far right-hand side?  
 11 A. That is right . The "September 2020", as mentioned,  
 12 should be "March 2021", at the bottom.  
 13 Q. Sorry, could you just clarify that first one?  
 14 A. So first of all , the two boxes at the top that are "NAs"  
 15 in the top right should be "January 2021" and  
 16 "January 2022".  
 17 Q. "January 2021" and "January 2022", thank you.  
 18 Then you said you had another?  
 19 A. Yes. So, yes, it should be -- it is sort of 31 March,  
 20 1 April. So to be consistent, "April 2021" in the  
 21 "Price Change Implemented" instead of "September 2020"  
 22 in the other ...  
 23 Q. Right. So the last three boxes on the "Price Change  
 24 Implemented" read "April 2020", "April 2021",  
 25 "April 2022"?

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1 A. That is right .  
 2 Q. Thank you. Do you have any other corrections in  
 3 relation to this statement?  
 4 A. Not in statement 2.  
 5 Q. Thank you. If you could just go to the third witness  
 6 statement, so this is {D/3/11}. This is not a date  
 7 correction, as I understand it?  
 8 A. Yes.  
 9 Q. This is in relation to pricing variable calls .  
 10 A. That is right .  
 11 Q. In paragraph 40, you say:  
 12 "As I explained above, each calling plan had  
 13 a specific charging structure for variable calls , which  
 14 included different call rates depending on the type of  
 15 call , the time of day (for P plans and C plans) and the  
 16 calling plan the customer was on."  
 17 What is it you would like to correct there, Mr Bunt?  
 18 A. That there was a set-up fee as well, so a set-up fee as  
 19 well as a price for the call rates. There are two  
 20 different parts to it .  
 21 Q. There was a set-up fee --  
 22 A. Yes.  
 23 Q. -- for each?  
 24 A. Yes.  
 25 Q. Right. So ...

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1 A. So each calling plan had a specific charging structure  
 2 for variable calls , which included different call rates  
 3 and set-up fees depending on the type of call and time  
 4 of day.  
 5 Q. Right, thank you. Were there any other corrections you  
 6 had to your third statement?  
 7 A. No.  
 8 MR BEARD: I am grateful. Unless the Tribunal has any  
 9 preliminary questions, I do not have any questions for  
 10 you, Mr Bunt. Therefore, it is going to be  
 11 Ms Kreisberger who has questions for you.  
 12 MS KREISBERGER: Good morning, Mr Bunt. Before I ask you  
 13 some questions, this one is really for the Tribunal.  
 14 Mr Beard did not take Mr Bunt to his first witness  
 15 statement and I will be going to that. That is the  
 16 first statement in the bundle.  
 17 MR BEARD: I will happily get that sworn. That is fine.  
 18 Could we go to your first witness statement, so this  
 19 is {D/1/1}.  
 20 A. Yes.  
 21 Q. Can we go to page {D/1/9}.  
 22 A. Yes.  
 23 Q. Is that your signature?  
 24 A. Yes, that is my signature.  
 25 Q. Is this statement true to the best of your knowledge and

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1 belief?  
 2 A. It is true to the best of my knowledge and belief.  
 3 MR BEARD: More than happy to oblige.  
 4 Cross—Examination by MS KREISBERGER  
 5 MR KREISBERGER: Thank you very much, Mr Beard.  
 6 Mr Bunt, I would like to begin by asking you  
 7 a little about the various positions you have held in BT  
 8 over the time period that you give evidence for.  
 9 A. Yes.  
 10 Q. Now, you should have your first witness statement there.  
 11 You should have all three.  
 12 A. I do.  
 13 Q. If we pick up your first witness statement at  
 14 paragraph 5 which is on the second page {D/1/2}. You  
 15 say there that you joined BT in November 2011. That is  
 16 right?  
 17 A. Yes.  
 18 Q. You go on to say at paragraph 8 that you were promoted  
 19 to Senior Propositions Manager of the Voice Propositions  
 20 Team in November — I am so sorry, this is in your  
 21 second statement. So if you could move forward to that,  
 22 that is {D/2/2}.  
 23 At paragraph 8, there you say:  
 24 "In November 2013, [you were] appointed to Senior  
 25 Propositions Manager of the Voice Propositions Team ...

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1 within BT Consumer."  
 2 A. Yes, appointed to, yes.  
 3 Q. In that role, you say you were responsible for creating  
 4 and managing voice products and services?  
 5 A. Yes, that is correct.  
 6 Q. But not products in the other three divisions, those are  
 7 broadband, television and sport?  
 8 A. That is correct.  
 9 Q. Each propositions team would be in charge of their own  
 10 products?  
 11 A. They would, yes.  
 12 Q. If we just then go back to your first statement,  
 13 Mr Bunt, at paragraph 6, so that is back to {D/1/2}.  
 14 Now, in that paragraph you describe your role as  
 15 "Propositions Manager for BT Consumer", but according to  
 16 your second statement, you say you were "Senior  
 17 Propositions Manager [for] Voice"?  
 18 A. Yes.  
 19 Q. Can we take it that the position is correctly set out in  
 20 your second statement?  
 21 A. That is right.  
 22 Q. So this is not right, so that the Tribunal has it. You  
 23 were Senior Propositions Manager for Voice, not  
 24 Propositions Manager for BT Consumer?  
 25 A. That is right.

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1 Q. There is a discrepancy on the date as well. This refers  
 2 to October 2013. It is right that the date that you  
 3 moved to that role was November 2013?  
 4 A. I actually do think it is October 2013.  
 5 Q. So on the date we go to your first statement?  
 6 A. Yes.  
 7 Q. On the role we go to your second statement?  
 8 A. That is right.  
 9 Q. You also say, Mr Bunt, in your first statement, that you  
 10 were responsible for leading annual price change  
 11 programmes across all of BT Consumer's products. That  
 12 is at paragraph 6 at {D/1/2}.  
 13 A. That is right.  
 14 Q. So that is voice, internet, pay TV, sport and mobile?  
 15 A. Yes.  
 16 Q. Now, in your second statement, if we flick back to that  
 17 one, on page 8, paragraph 28, {D/2/8}, there you say  
 18 that Voice Propositions Team was responsible for  
 19 overseeing and co—ordinating price changes for the Voice  
 20 and Broadband Divisions in BT Consumer until 2019. So  
 21 just to be clear, we can add to that pay TV, sport and  
 22 mobile?  
 23 A. You certainly can. Yes, that is right.  
 24 Q. Now, while you were in this role you were responsible  
 25 for actually drafting slides about price?

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1 A. Yes, I was.  
 2 Q. That is at paragraph 16 of this statement. So you were  
 3 drafting slides about price for voice products?  
 4 A. Yes.  
 5 Q. Also voice services?  
 6 A. Yes.  
 7 Q. Now, if we go to paragraph 9 of your second statement.  
 8 That is at page {D/2/3}. We then move forward in time.  
 9 You were promoted to Head of Pricing within the Voice  
 10 Propositions Team. That was April 2015?  
 11 A. Yes.  
 12 Q. But if we look back at your first statement, that is  
 13 paragraph 7, {D/1/2}, you say you were promoted to that  
 14 role in July 2015?  
 15 A. Yes.  
 16 Q. Can we take it that the correct date is in your second  
 17 statement, Mr Bunt?  
 18 A. I think so, to the best of my recollection, yes.  
 19 Q. So that is an error in the first statement?  
 20 A. Yes.  
 21 Q. Now, you explain that in this role, Head of Voice  
 22 Pricing, you were heavily involved in managing price  
 23 changes for the Voice Division, so you carried on —  
 24 A. Absolutely.  
 25 Q. You also say you would oversee the preparation of

20

1 pricing presentations, you would develop recommendations  
 2 and conduct consumer research in that role?  
 3 A. Yes.  
 4 Q. If it helps, that is at paragraph --  
 5 A. 10?  
 6 Q. -- 30 of your second statement {D/2/8}.  
 7 A. Paragraph 10, I think?  
 8 Q. At paragraph 30, {D/2/8}, that is the one, I think you  
 9 describe it as doing the "leg work"?  
 10 A. Yes. Yes, that is right, absolutely. Sorry.  
 11 Q. You also say at paragraph 10 that you made pricing  
 12 recommendations for the BT Consumer CEO and senior  
 13 management on how to improve the commercial performance  
 14 of Voice. That is at paragraph 10. That is on {D/2/3}.  
 15 A. (Pause). In my second statement? I do not see the  
 16 reference to commercial in 10, but it is true that was  
 17 part of the role.  
 18 Q. Then, Mr Bunt, just following the chronology, you  
 19 stepped away from voice for five months from July 2016?  
 20 A. Yes.  
 21 Q. So that was July 2016 to November 2016. At that point  
 22 you took on the role of Head of Broadband and Bundles  
 23 Acquisitions Strategy?  
 24 A. That is right.  
 25 Q. So there you were dealing with broadband bundle pricing?

21

1 A. I was.  
 2 Q. That role was in the light of the ASA ruling in  
 3 April 2016?  
 4 A. The role existed and it would have -- pre and post that,  
 5 but yes, I was focused on that during my time in the  
 6 role.  
 7 Q. In December 2016, having spent some time with broadband  
 8 bundles, you went back to the voice team and you became  
 9 Acting General Manager for Voice. That was December --  
 10 A. I think November -- November/December, end  
 11 of November 2016 --  
 12 Q. So if we --  
 13 A. -- Acting General Manager of Voice, yes.  
 14 Q. If we pick up paragraph 11 of your second statement,  
 15 {D/2/3}, it does say in December 2016?  
 16 A. Yes, that is right.  
 17 Q. I think your two statements are consistent on that  
 18 point.  
 19 A. Yes.  
 20 Q. Then moving forward again, on 1 April 2017 you were  
 21 promoted to General Manager of Voice?  
 22 A. Yes.  
 23 Q. In that role you would make pricing recommendations to  
 24 the CEO of BT Consumer?  
 25 A. That is correct.

22

1 Q. You would coordinate pricing strategy with other  
 2 divisions within BT Consumer?  
 3 A. That is correct.  
 4 Q. You stayed in that role until March 2019?  
 5 A. That is right.  
 6 Q. Again, in terms of documents, so from April 2015 until  
 7 April 2019 you oversaw the preparation of slide decks on  
 8 price?  
 9 A. With the exception of that brief window when I was  
 10 Broadband Acquisition.  
 11 Q. You commented on them?  
 12 A. Yes.  
 13 Q. Just to bring it up to present day, in April 2019 you  
 14 were promoted to Director of Portfolio and Pricing for  
 15 BT Consumer?  
 16 A. That is right.  
 17 Q. So you continued to oversee Voice along with the other  
 18 divisions of BT Consumer?  
 19 A. That is right.  
 20 Q. Then in December 2019 you were appointed Consumer  
 21 Regulatory Affairs Director?  
 22 A. That is correct.  
 23 Q. You are now retail regulatory affairs director?  
 24 A. I am.  
 25 Q. Let us turn to Line Rental.

23

1 A. Okay.  
 2 Q. Mr Bunt, your evidence is that you never priced Line  
 3 Rentals specifically for SFV customers. You say you  
 4 were doing it for the entire base -- the entire Voice  
 5 base of 8/9 million people?  
 6 A. Yes.  
 7 Q. So that would include both SFV customers and bundle  
 8 customers?  
 9 A. It would.  
 10 Q. Just so you have it, that is at paragraph 18 of your  
 11 second statement.  
 12 A. Yes.  
 13 Q. If I could ask the EPE to pick up {F/604/1}, "PR Brief  
 14 on Specific Voice elements of Price Change". Do you  
 15 have that there on the screen?  
 16 A. On the screen I do, yes.  
 17 Q. Now, this document is dated 21 June 2018. I think you  
 18 need to see the metadata on Opus for that date, but we  
 19 have the metadata if it is helpful?  
 20 THE CHAIRMAN: Could we just have it expanded, please, on  
 21 the EP? Thank you.  
 22 MS KREISBERGER: Now, Mr Bunt, this document was authored by  
 23 you?  
 24 A. I expect so, yes.  
 25 Q. Again, we have that on the metadata. Just to situate

24

1 this in time, you were General Manager of Voice at this  
 2 time in 2018?  
 3 A. That is right .  
 4 Q. Now, the document is a PR brief for the 2018/2019 price  
 5 change?  
 6 A. Yes.  
 7 Q. That price change -- and if it is helpful, we can call  
 8 up {IR-A/12/10}. You just have there an uncontroversial  
 9 summary of the price changes.  
 10 MR BEARD: I am sorry. When there are documents that you  
 11 are referring to that are in hard copy, would you mind  
 12 just indicating to the witness if you know?  
 13 MS KREISBERGER: Of course.  
 14 MR BEARD: That is very kind of you. Thank you.  
 15 MS KREISBERGER: I think this one is ...  
 16 A. I do not think I have the hard copy.  
 17 MS KREISBERGER: It is just the lengthy ones which are in  
 18 hard copy.  
 19 MR BEARD: Thank you.  
 20 MS KREISBERGER: So the 2018/2019 price change, BT increased  
 21 the price of Line Rental by £1, from £18.99 to £19.99.  
 22 A. That is right .  
 23 Q. If we look at page 2 of this document, if you see the  
 24 heading there towards the -- sorry, we are going back to  
 25 {F/604/2}. Do you see the heading there, Mr Bunt,

25

1 "Split Service Line Rental"?  
 2 A. I cannot see it at the moment, sorry.  
 3 Q. If we could go down to that heading and blow that up,  
 4 perhaps. Thank you very much.  
 5 Your second bullet point, Mr Bunt, defines this  
 6 group as:  
 7 "... customers who have broadband with another  
 8 provider and Line Rental from BT ..."  
 9 You say:  
 10 "... (a strange state of affairs , but sometimes  
 11 rational , sometimes because people haven't updated their  
 12 account)."  
 13 A. Yes.  
 14 Q. Now, Ofcom calls these Customer Split Supplier  
 15 Purchasers?  
 16 A. They do.  
 17 Q. You are discussing here how these split service  
 18 purchasers will be affected by the price change, the  
 19 18/19 price change?  
 20 A. Yes.  
 21 Q. You say this in the fifth bullet point. You say:  
 22 "For me the important point in general is that  
 23 customers who are Truly Solus, tend to be older, poorer,  
 24 more landline dependent and by definition don't benefit  
 25 from the word of broadband, where prices generally are

26

1 falling ."  
 2 Those are what we call Voice Only Customers, that is  
 3 right?  
 4 A. VOCs, yes.  
 5 Q. Then you say this:  
 6 "Split service customers actually tend to be  
 7 wealthier [I think that should be "than"] bundle  
 8 customers ..."  
 9 A. Yes.  
 10 Q. "... and are usually in this position because they are  
 11 getting a good deal, or they don't care about what they  
 12 pay."  
 13 Then you say:  
 14 "We are writing to all these customers to suggest  
 15 they switch to BT for a bundle and save!"  
 16 "But we're also increasing their prices in the price  
 17 change."  
 18 Then the last bullet point there says:  
 19 "These are the only customers who pay £18.99 for  
 20 Line Rental today, that's because bundle customers don't  
 21 pay explicitly for Line Rental, they pay one price for  
 22 their line and broadband e.g. £28.99 and Truly Solus  
 23 customers have their £7 discount so they pay £11.99."  
 24 Mr Bunt, here you are saying that it is the split  
 25 service customers who are the only customers that pay

27

1 the increase in the Line Rental price?  
 2 A. This is -- this bears some explanation, if that is okay,  
 3 because I am explaining to the PR team, who will not be  
 4 familiar with the nuance of this category, how  
 5 the pricing works in a way that is relatively  
 6 accessible , without going into the level of depth that  
 7 I otherwise might to summarise a brief for them.  
 8 It is true that the only people who would have had  
 9 an £18.99 price point on their bill , like explicit with  
 10 £18.99 at that point, would have been Split Purchase  
 11 Customers or split supply customers, "SPCs". However,  
 12 there is more nuance to it than that. That group, with  
 13 the example of paying £28.99 for Line Rental and  
 14 broadband, if an individual in that group were to take  
 15 their broadband away, so were to switch their broadband  
 16 only to another provider, the Line Rental price they  
 17 would move to would also be £18.99 at this point.  
 18 Q. So your evidence is the bundle customer would be paying  
 19 the same amount of Line Rental as the standalone  
 20 customer?  
 21 A. That would be the -- the price they would end up paying,  
 22 yes.  
 23 Q. So they would pay the same price.  
 24 Let us have a look at another document on that,  
 25 please. Could we turn up {F/605/1}. Now, you do refer

28



1 to this document in your witness statement. Let us have  
 2 a look at the second paragraph on the first page. You  
 3 say:  
 4 "This document serves two purposes ..."  
 5 Sorry, I should say, can you see there on the first  
 6 page the heading is "Price Changes September 2018"?  
 7 A. Yes.  
 8 Q. "This document serves two purposes, firstly to act as  
 9 a record of the changes we are making and how we are  
 10 positioning them. Secondly, to anticipate the toughest  
 11 questions we might receive and have answers to tackle  
 12 them."  
 13 A. Yes.  
 14 Q. So if we go down, please, to the third page of this  
 15 document, {F/605/3}. You see there the question --  
 16 perhaps we could blow up the middle, that is it:  
 17 "Why has Line Rental gone up from £18.99 to £19.99  
 18 and which customers will pay that price?"  
 19 You see that question?  
 20 A. Mm--hm.  
 21 Q. Then the question is answered:  
 22 "Line Rental is going up for a very small group of  
 23 customers. Customers who only have a line from BT and  
 24 don't have broadband with BT or anyone else will  
 25 continue to pay the heavily discounted price of £11.99.

29

1 However, customers who have Line Rental from BT but  
 2 broadband from another ISP will pay £19.99 from  
 3 September 16. This is the first increase in Line Rental  
 4 since July 2016."  
 5 Then do you see there the last line:  
 6 "Customers who have line and broadband bundles with  
 7 BT are not affected."  
 8 So, Mr Bunt, BT is saying there explicitly that it  
 9 is not applying the £1 increase in the price of Line  
 10 Rental in September 2018 to bundle customers, so that is  
 11 contrary to the example you just gave?  
 12 A. So this is complex, as I said, and does not bear the  
 13 sort of simple answer to a PR question that this is  
 14 designed for. It is still, as I said a moment ago, the  
 15 case that those customers with line and broadband, if  
 16 they took their broadband away, the Line Rental price  
 17 they would default back to would be the price that was  
 18 increasing to £19.99, so it would have affected them in  
 19 that regard.  
 20 On their bill, which is the customer reference point  
 21 for price, they would have seen a single asset, a single  
 22 number that referred to their total bundle price that  
 23 was going up in price, I think in that price change by  
 24 £2, if I recall. So essentially for kind of simplicity,  
 25 accessibility sake we explained it like that. But the

30

1 underlying dynamics of the price point, the asset in the  
 2 system changed from £18.99 to £19.99, so the consequent  
 3 effect on a customer in that situation would have been  
 4 that a line and broadband bundle customer, if they took  
 5 their broadband away, would revert to £19.99. So  
 6 essentially that price is the same for all of them.  
 7 Q. Let us just look at that, Mr Bunt. So you are saying  
 8 that if a Line Rental customer stops -- sorry, if  
 9 a bundle customer stops buying a bundle they will then  
 10 pay the standalone Line Rental price?  
 11 A. So assuming they move their broadband to somebody else.  
 12 If they became a VOC then they would pay the discounted  
 13 price.  
 14 Q. If a customer stops buying a bundle and becomes  
 15 a standalone customer, they pay the higher price, do  
 16 they not, Mr Bunt?  
 17 A. It would depend. If they stopped buying a bundle and  
 18 just became a VOC or if they stopped buying a bundle and  
 19 became an SPC. But if they became an SPC, they would  
 20 pay the £19.99.  
 21 Q. Mr Bunt, it says here:  
 22 "Customers who have line and broadband bundles are  
 23 not affected by the price increase."  
 24 That is right, is it not?  
 25 A. It says it -- it says that, yes, that is right.

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1 Q. It is correct, is it not?  
 2 A. No. So first of all, as I said, there was a price  
 3 increase for those customers then as well. Their price  
 4 went up by £2. Secondly, the way they would have been  
 5 impacted by it, and this is an oversimplification here  
 6 for PR purposes, rather than getting into the nuanced  
 7 detail of it, is that a customer in that position, if  
 8 they had taken their broadband away, would have ended up  
 9 paying £19.99. So it is nuanced, I appreciate, but that  
 10 is different.  
 11 Q. Let us have a look at the nuanced detail on that then,  
 12 shall we?  
 13 A. Mm--hm.  
 14 Q. This should be on the EPE, it is {F/880/1}, and you  
 15 should have a hard copy of this which I hope is helpful.  
 16 I stand corrected, I am not sure you do have a hard  
 17 copy. It is a long document but I am only taking you to  
 18 a couple of pages.  
 19 This is the BT Consumer Price Guide and, as you see  
 20 there, it says "Effective 16 January 2018"?  
 21 A. Yes.  
 22 Q. So these are your prices. Now, these are your prices  
 23 before the 2018/2019 price change?  
 24 A. This is our best record of them, yes.  
 25 Q. Yes, this is your best record of those prices.

32

1 If you could go to page {F/880/4}, you see there  
 2 that is headed "Line Rental – Residential Lines"?  
 3 A. Yes.  
 4 Q. Can you see there, Mr Bunt, the price of Standard Line  
 5 Rental in the very first line?  
 6 A. Yes.  
 7 Q. That is £18.99?  
 8 A. Yes.  
 9 Q. So in January 2018 the price of Line Rental was £18.99,  
 10 Standard Line Rental?  
 11 A. It was.  
 12 Q. If we could now go forward to page {F/880/142} in the  
 13 document. That is the one. So that says "Standard  
 14 Broadband & Calls Packages". This table sets out  
 15 the prices of dual play bundles?  
 16 A. Yes.  
 17 Q. That is right, is it not?  
 18 A. It does, yes.  
 19 Q. We see here the prices of standard BT dual play bundle  
 20 in the first column. Do you see that?  
 21 A. I do.  
 22 Q. The first price there is £24.99, and that is for new  
 23 customers during their minimum contract period?  
 24 A. That is right, standard prices, yes.  
 25 Q. So that is the price for front book customers?

33

1 A. Yes, standard price.  
 2 Q. Then the second row, you see the price there £37.99?  
 3 A. Yes, I do.  
 4 Q. That is back book, that is existing customers, back book  
 5 customers, after minimum contract?  
 6 A. I do not think it is that simple. The back book are  
 7 paying many prices for broadband. What this is saying  
 8 is that if you take that product, the £24.99 product, at  
 9 the end of your term the price will go to £37.99.  
 10 Q. Yes. That is right, is it not?  
 11 Now, if we have a look at another price guide. Let  
 12 us pick up the October 2019 price guide, so that is  
 13 after the price change. That is at {F/883/1}. So you  
 14 see there on the front page "Effective from  
 15 25th October 2019"?  
 16 A. Mm—hm.  
 17 Q. So these are following the price changes. If we could  
 18 please go to page {F/883/4}. I am sorry, it is page  
 19 {F/883/5} on Opus. You see there again the same table,  
 20 Standard Line Rental, £19.99?  
 21 A. Yes.  
 22 Q. So that is the £1 increase in the Line Rental price?  
 23 A. It is.  
 24 Q. Then if we go forward — I should just show you annex 2  
 25 of your second witness statement. That is {D/2/47}. We

34

1 saw this in your corrections list, Mr Bunt.  
 2 A. Yes.  
 3 Q. You note that the price of broadband in the 18/19 price  
 4 change, can you see there, September 2018 is when it was  
 5 implemented?  
 6 A. Yes.  
 7 Q. You have there the £1 on Line Rental, I have just shown  
 8 you that, £19.99, and £2.50 on broadband?  
 9 A. That is right.  
 10 Q. Now, can we go to page 6 within this document, so it is  
 11 the next page. Here we have standard broadband and  
 12 calls packages. Sorry, we are going back, I am so  
 13 sorry. It is {F/883/6}. There we go.  
 14 Do you see that, Mr Bunt?  
 15 A. Yes.  
 16 Q. That is again a table setting out the prices of BT's  
 17 dual play bundles?  
 18 A. Mm—hm.  
 19 Q. If you look at the first row, it says £24.99 for new  
 20 customers during their minimum contract period?  
 21 A. Yes.  
 22 Q. So that is the same price that I showed you as before  
 23 the price change?  
 24 A. That is right. I will have to check if it was the same  
 25 product though.

35

1 Q. Well, it is Standard Line Rental. These are our  
 2 standard prices.  
 3 A. You are referring to the broadband 15 gigabyte product,  
 4 right?  
 5 Q. Yes —  
 6 A. I would need to see —  
 7 Q. The same broadband product?  
 8 A. Are you sure it is? I might need to see that one.  
 9 Q. We will go back in a moment.  
 10 MR BEARD: I think it is only fair the witness is shown the  
 11 other document.  
 12 THE CHAIRMAN: Can you just go back to the other one to  
 13 cross-check it now?  
 14 MS KREISBERGER: Yes, it is {F/880/142}. You see at —  
 15 A. Yes, it is.  
 16 Q. — bottom there —  
 17 A. It is the same 15 gigabyte allowance, yes.  
 18 Q. So it is same product?  
 19 A. It is.  
 20 Q. So we are talking about the same product, Mr Bunt. You  
 21 see there that the £1 on Line Rental has not fed through  
 22 to that price.  
 23 If you want to have a look back —  
 24 A. Sorry, I understand what you are saying, but if we go to  
 25 883 then I can see that, sorry.

36

1 Q. Let us go back to {F/883/142} and you see there, I am  
 2 afraid there is a bit of flicking, I am so sorry.  
 3 Could we do side by side, so {F/880/142} and then  
 4 {F/883/6}. That should make it much easier.  
 5 A. That is great.  
 6 Q. There we go. There you see we are talking about the  
 7 same product —  
 8 A. Yes, we are.  
 9 Q. — and the same price. So this is before and after the  
 10 Line Rental price increase —  
 11 A. Mm—hm.  
 12 Q. — broadband customers, broadband bundle customers were  
 13 paying £24.99 before and after the new, we are staying  
 14 with the first row, during the minimum contract period?  
 15 A. Yes. So this is complex, if I may explain. The  
 16 customers who took that product on in the 2018 tariff  
 17 guide, on the left hand side as I am looking at it,  
 18 would have seen their price increase. We would then  
 19 introduce a new front book product at £24.99 so the  
 20 customers who took that price in future would not see an  
 21 increase.  
 22 So to say, as I think you did, that the customers  
 23 who took the £24.99 price point, that product that we  
 24 are looking at there, would have had — did not see  
 25 their price increase is not correct. Those customers

37

1 who took that product did see a price increase. We  
 2 would then, when we did a price change, introduce a new  
 3 front book of products.  
 4 Q. Let us go through this again.  
 5 A. Please.  
 6 Q. So in — before the 18/19 price change, the price that  
 7 BT was offering bundles for to new customers was £24.99?  
 8 A. That is right.  
 9 Q. BT then increased the price of Line Rental by £1?  
 10 A. Mm—hm.  
 11 Q. Then by October 2019 the price that BT was offering  
 12 bundles to new customers was still £24.99?  
 13 A. That is absolutely true.  
 14 Q. That price did not go up?  
 15 A. I agree with that, absolutely.  
 16 Q. Let us then look at the price for existing BT broadband  
 17 customers. Let us go back to the 2018 pre—price change  
 18 price. Can you see there existing broadband customers  
 19 per month, £37.99?  
 20 A. I see that.  
 21 Q. Do you see that on the left—hand side?  
 22 A. I do.  
 23 Q. Then if we look at the post—price change side, do you  
 24 see there £40.49 for the same group of customers?  
 25 A. I see that, absolutely.

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1 Q. So there is a £2.50 increase?  
 2 A. Yes.  
 3 Q. Do you recall I showed you the annex to your second  
 4 witness statement?  
 5 A. Yes.  
 6 Q. Could we just pull that up for a moment. {D/2/47}.  
 7 Thank you.  
 8 You see there —  
 9 A. Yes.  
 10 Q. — that broadband went up by £2.50. So you do see  
 11 reflected in that price —  
 12 A. In that price.  
 13 Q. That is the £2.50 on broadband, is it not?  
 14 A. Absolutely.  
 15 Q. So, Mr Bunt, it is clear from these price guides that  
 16 the £1 increase on Line Rental did not apply to these  
 17 bundle customers, did it?  
 18 A. That is not clear to me from this. May I elaborate?  
 19 First of all, you can see at the top of the page  
 20 a reference in the small print to the "includes £19.99  
 21 Standard Line Rental".  
 22 THE CHAIRMAN: Just a moment.  
 23 A. Right at the top of the 883 page. {F/883/6}.  
 24 MR BEARD: Is it worth just putting it on one page?  
 25 THE CHAIRMAN: Yes, it might be more helpful.

39

1 MR BEARD: Sorry. It is very sensible showing them in  
 2 parallel, as Ms Kreisberger was, but just for the moment  
 3 to read that small print.  
 4 THE CHAIRMAN: Yes. Just a moment. (Pause)  
 5 A. So can you see in the first sentence there it says:  
 6 "Standard & discounted monthly prices [referring to  
 7 broadband prices] detailed below [or bundle prices]  
 8 include £19.99 Standard Line Rental."  
 9 So that is — and the example — the point  
 10 I mentioned before about how, if a customer took their  
 11 broadband away, what would happen to their Line Rental  
 12 price, that is reflective of that.  
 13 MS KREISBERGER: But Mr Bunt, I am not talking about  
 14 customers who give up their broadband, am I? I am  
 15 talking about customers who buy bundles from you.  
 16 A. That is right.  
 17 Q. Those customers did not get a £1 additional charge on  
 18 their bundle price, did they? We have just seen  
 19 the prices did not vary.  
 20 A. That is not correct. This £24.99 price point is, as  
 21 I said, a front book price, a price we would introduce  
 22 to the market after making our price change. So whilst  
 23 this tariff guide is from, I think, is it October 2019  
 24 we are looking at? I cannot remember.  
 25 Q. Yes.

40

1 A. Once — when we make that price change that you are  
 2 referring to in September 18, we will retire our  
 3 existing front book, it will go into our back book,  
 4 create a new set of products, determine new prices for  
 5 those, determine the back book. The out of contract  
 6 price should go to £40.49 in keeping with the £2.50  
 7 increase, but to remain competitive in the broadband  
 8 market we retained the front book price at £24.99.  
 9 However, as you can see, the component — the Line  
 10 Rental component of it is a greater component of it and  
 11 the broadband component is smaller in this version of  
 12 the product.  
 13 Q. Mr Bunt, the price to existing broadband users is £2.50  
 14 on broadband.  
 15 A. That is definitely true, but I need to be explicit. If  
 16 a customer took the £24.99 product you were showing me  
 17 from the earlier tariff guide prior to September 2018,  
 18 their price would have gone up from £24.99 to whatever  
 19 that is, 27.49 when we did the price change as well. So  
 20 those customers would have seen their price increase.  
 21 Then we introduced a new front book to retain  
 22 competitive acquisition pricing for customers at £24.99.  
 23 Q. At no — with no £1 Line Rental increase?  
 24 A. With a £1 Line Rental increase which is reflected in the  
 25 sentence at a top, and a lower broadband to maintain the

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1 sub-£25 price.  
 2 Q. So the price did not go up from —  
 3 A. No, for the £24.99 we obviously — we clearly thought  
 4 over this period, and I do not believe I am setting  
 5 broadband prices at this point, but our broadband team  
 6 clearly felt at this period the — that they wanted to  
 7 keep that front book price attractive at £24.99. So  
 8 that is right, they changed the broadband. The price of  
 9 broadband in that bundle was — between the two was  
 10 changed, absolutely.  
 11 Q. But your team was quite careful to say that the price  
 12 "detailed below includes £19.99 Standard Line Rental".  
 13 This is after the Ofcom commitments, is it not?  
 14 A. It is after the Ofcom commitments. They were careful.  
 15 Although I must say in tariff guides errors do happen  
 16 because there are other prices and lots of information  
 17 there, but that looks correct to me, absolutely.  
 18 Q. So it is correct, despite the fact that the prices  
 19 themselves do not go up from 2018?  
 20 A. Well, again, as we said, the prices do — customers  
 21 experience that price change. That really happens. It  
 22 is the new price that we introduce when we make a price  
 23 change to retain competitive front book prices in the  
 24 case of the broadband bundle that is unchanged.  
 25 Q. As is the existing BT broadband customer price. We have

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1 established that. That went up by £2.50?  
 2 A. Yes.  
 3 Q. So that —  
 4 A. (Overspeaking) — not change. That goes up by £2.50 as  
 5 you said.  
 6 Q. So those two prices did not change?  
 7 A. What two prices did not change, sorry?  
 8 Q. So we have on the slide — shall we have them side by  
 9 side one last time —  
 10 A. Sure.  
 11 Q. — so we can see the nuance. {F/883/6}.  
 12 So one last time, new BT broadband customers are  
 13 paying £24.99 —  
 14 A. Yep.  
 15 Q. — in January 2018?  
 16 A. Mm—hm.  
 17 Q. In October 2019 they are paying £24.99. That is right,  
 18 is it not?  
 19 A. That is correct.  
 20 Q. Then existing BT broadband customers are paying £37.99  
 21 in January 2018?  
 22 A. That is correct.  
 23 Q. Their price goes up to £40.49 —  
 24 A. Yep.  
 25 Q. — which reflects a £2.50 increase in the price of

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1 broadband —  
 2 A. So, yes, out of contract products on that 15 gigabyte  
 3 broadband product for those customers who have seen  
 4 their price — out of contract price go up to £40.49.  
 5 We also moved the front book out of contract price up to  
 6 £40.49 which is what you are looking at on the  
 7 right—hand side. New customers taking the product would  
 8 have taken it at £24.99. It would have gone up to  
 9 £40.49. But existing customers who took the £24.99  
 10 product prior to the price increase would have seen  
 11 their out of contract price go to £40.49.  
 12 Q. Yes. So the £40.49, for the first two rows, that is  
 13 £2.50 extra on the broadband price —  
 14 A. Yes.  
 15 Q. — so we do not see the Line Rental increase?  
 16 A. That is correct.  
 17 THE CHAIRMAN: Sorry, Mr Bunt, you were looking quizzically  
 18 at that comment made by —  
 19 A. (Overspeaking) We do not see the Line Rental increase,  
 20 it is a slightly strange way of putting that, because we  
 21 do see the Line Rental increase, it is explicit at the  
 22 top of the page. So if a customer was paying £40.49 and  
 23 they took their broadband away, given the example that  
 24 I have given before, they would fall back to the  
 25 component part of the bundle, i.e. the Line Rental, which

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1 would now be £19.99 and not £18.99. So the customer has  
 2 experienced a £2.50 price increase in their bundle. It  
 3 is gone up from, if I can be clear, £37.99 to £40.49.  
 4 The components of that are effectively £1 of Line  
 5 Rental, £1.50 of broadband, and we know that because if  
 6 the customer took their broadband away their Line Rental  
 7 price to which they would go would be £19.99.  
 8 THE CHAIRMAN: Just one moment, please.  
 9 MS KREISBERGER: But Mr Bunt, you already agreed that the  
 10 difference in those two prices is accounted for by the  
 11 £2.50 increase in the broadband price.  
 12 A. Sorry, perhaps I have not articulated myself clearly.  
 13 What I am saying is it is a £2.50 increase in the bundle  
 14 price, not the broadband price but the bundle price.  
 15 Maybe that is unclear. That is a fair point. But that  
 16 is what we are saying, the bundle price the customer is  
 17 paying has gone up by £2.50.  
 18 Q. Mr Bunt, a standalone broadband customer's price went up  
 19 in this period by £2.50. That is in your annex to your  
 20 witness statement.  
 21 A. Standalone broadband. Do you mean broadband and Line  
 22 Rental, or do you mean like solus broadband? It is  
 23 a different product entirely we are talking about.  
 24 Q. Let us have a look at your annex to your witness  
 25 statement which is ...

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1 So we have got that on the screen again.  
 2 September 2018, £2.50 on broadband?  
 3 A. Yes.  
 4 Q. {D/2/47} So broadband bundles went up by £2.50?  
 5 A. Yes.  
 6 Q. So the difference in price between the 2018 price and  
 7 the 2019 price coincides with the £2.50 increase on  
 8 broadband?  
 9 A. Yes. On broadband bundles, yes.  
 10 Q. I think we can move on, Mr Bunt.  
 11 Let us go back to your witness statement. Your  
 12 second statement at {D/2/5}, paragraph 22.  
 13 Halfway down that paragraph, Mr Bunt you say --  
 14 sorry, let us go to paragraph 100 first and we will come  
 15 back to this one. {D/2/29}.  
 16 At the top of the page there you say -- you refer to  
 17 the £1 Line Rental price rise on 16 September 2018?  
 18 A. Mm--hm.  
 19 Q. That is the one we have just been looking at, is it not?  
 20 A. It is, yes.  
 21 Q. You say the price of Line Rental was increased for  
 22 everyone except Voice Only Customers?  
 23 A. Mm--hm.  
 24 Q. That is not right, is it?  
 25 A. No, it is right as I have just been saying.

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1 Q. You go on:  
 2 "I remember at the time that I felt strongly in  
 3 favour of raising the price of Line Rental for [split  
 4 purchase] customers along with all other customers."  
 5 A. Yes.  
 6 Q. That is not right, is it?  
 7 A. No, it is right.  
 8 Q. It was only the Split Purchase Customers and the  
 9 Voice Only Customers paying the Line Rental increase?  
 10 A. That is not right. It went up for everybody.  
 11 Q. Then halfway down paragraph 22, if we go back to that,  
 12 {D/2/5}:  
 13 "The overall price of a bundle [you say] is  
 14 therefore the total of each component's price. Treating  
 15 bundles in this way made it easier to implement  
 16 BT Consumer's price changes, as we simply took the  
 17 individual price of each component and increased it by  
 18 a certain amount. Each product would have an increase,  
 19 that when combined would make the overall bundle price  
 20 increase."  
 21 Then you give an example.  
 22 A. Yes.  
 23 Q. "The customer's bill would then outline each component  
 24 ... For example, if a customer paid £25 for a bundle ...  
 25 [£10 Line Rental] and broadband (£15) and we raised

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1 the prices of these components by 10%, their bill would  
 2 show the price of Line Rental increasing by £1 and  
 3 broadband by £1.50."  
 4 What you are saying here is that price increases in  
 5 the components fed through to the bundle price?  
 6 A. Yes, I am saying that.  
 7 Q. But that is not what happened, is it?  
 8 A. This is complicated, I acknowledge, but can I please  
 9 elaborate a bit to explain.  
 10 After the ASA change in 2016 we -- rather than have  
 11 the customers who were bundle customers seeing two  
 12 components on their bill, seeing Line Rental as  
 13 a particular number and seeing broadband as a particular  
 14 number, after that price change in I think April 2017 we  
 15 combined those prices on the bill. So from a billing  
 16 perspective, and this is referring to a customer's bill  
 17 here in my statement, there is a single asset for  
 18 a bundle customer for the first time, previously they  
 19 have seen two assets, and that asset increases by £2.50  
 20 in the September 18 price change. That asset is  
 21 comprised of broadband and Line Rental service, and the  
 22 Line Rental service, as you could see from the page you  
 23 showed me in the tariff guide, went up to £19.99.  
 24 MR RIDYARD: Sorry, I am slightly hesitant to get involved  
 25 here, but I am just trying to understand the --

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1 obviously there is a confusion or a mismatch between the  
2 two perceptions here.

3 Is the problem here that if you have a broadband  
4 deal for new customers in year 1, and let us say it is  
5 £25, and you then have a broadband deal for new  
6 customers in year 2, and that also happens to be £25,  
7 those have to be different customers. So there is not  
8 a customer who therefore pays the same price in the  
9 two years, because if I am a new customer in year 1,  
10 I cannot be a new customer in year 2.

11 So I think maybe what Mr Bunt is saying is that the  
12 customer who paid £25 in year 1 actually pays £26  
13 whatever in year 2, so it is not the case that the price  
14 has stayed the same for that customer even though  
15 the price for new customers has stayed the same between  
16 two years --

17 A. That is correct --

18 MR RIDYARD: I think that is the reason why there is  
19 a mismatch in perceptions.

20 MS KREISBERGER: I am grateful for that.

21 Mr Bunt, I am going to give you one more chance on  
22 these slides that we looked at. If we could have  
23 {F/880/142} up, next to ...

24 THE CHAIRMAN: Sorry, just before we do that, I am sorry,  
25 but I need to ask something in the light of what

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1 Mr Ridyard has asked.

2 You said that for new customers, whether they are  
3 new customers in 2018 or 2019, they are going to be  
4 paying £24.99?

5 A. That is right.

6 THE CHAIRMAN: Someone who was a new customer in 2018, and,  
7 by definition, is not in 2019, would be subject to the  
8 £1 price increase?

9 A. On Line Rental, yes, and if they were a bundle customer  
10 £2.50 on their bundle, yes.

11 THE CHAIRMAN: "2.50 -- that would be --

12 A. That is a total, sorry. £1 is not incremental to that.  
13 £2.50 includes the Line Rental.

14 THE CHAIRMAN: That is what I wanted to -- so it is not  
15 correct to say that -- you can say that the following  
16 year they would be subject to a £1 increase in Line  
17 Rental but it would not be £1 plus £2.50.

18 A. No, it would not. It would be £1.

19 THE CHAIRMAN: It would still be an overall total of £2.50.

20 A. That is absolutely right.

21 THE CHAIRMAN: That is what I wanted to get out.

22 MS KREISBERGER: I am grateful for that.

23 If we just look back at your annex, Mr Bunt. That  
24 is {D/2/47}, 18/19 price change. You say the price  
25 rises there are £1 on Line Rental, is that right --

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1 A. It does say that.

2 Q. -- and £2.50 on broadband?

3 A. Yes.

4 Q. You have just told the Tribunal that is not what you  
5 mean to say.

6 A. So I am sorry, the terminology is complex but I am  
7 saying £2.50 on the bundle inclusive of the £1 Line  
8 Rental. That is what happened. You can see it in the  
9 tariff guide very clearly, and the reason that is  
10 different in that year rather than the previous years is  
11 because we have changed how that price is reflected to  
12 customers. So we would no longer talk about a bundle  
13 customer as -- the customer's bill would no longer be  
14 Line Rental and a broadband asset. It would be a single  
15 broadband bundle asset which would have increased by  
16 £2.50. We know and we show in the tariff guide the  
17 composition of that asset is £19.99 Line Rental plus  
18 a broadband price but from a customer's perspective that  
19 is now shown as a single amount consistent with the  
20 change in the industry which came with the ASA so we  
21 stopped referring to broadband as a separate price  
22 including Line Rental and started to refer to the bundle  
23 as a single price.

24 Q. Mr Bunt, you are aware the subject matter of this case  
25 are the price rises?

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1 A. Of course, yes.

2 Q. Your evidence in your second statement says that  
3 the price rises in 18/19 were £1 on Line Rental, £2.50  
4 on broadband. You are now changing your evidence?

5 A. I do not think I am changing my evidence. I am simply  
6 clarifying what it says here, but I think I have been  
7 completely consistent in what I am saying which is the  
8 bundle price has gone up by £2.50. That is a single  
9 asset referred to -- it is a different product category  
10 for us because it is different customers who take it,  
11 right, but it is a single asset that goes up £2.50.  
12 Those customers' prices for Line Rental if they took  
13 their broadband away would be £19.99, and it says that  
14 very explicitly in that tariff guide. So I think I have  
15 been consistent throughout.

16 MR DORAN: So the broadband reference here in annex 2 is to  
17 the Class of customers. It is not to the particular  
18 service. Is that the point you are making?

19 A. Yes, I think that is a way of explaining it, absolutely.  
20 It should probably say bundles, probably clumsy on my  
21 part and it should say bundle but, yes, bundle customers  
22 would see a £2.50 increase; an SPC would see a £1  
23 increase.

24 MR DORAN: Thank you.

25 MS KREISBERGER: Mr Bunt, let us stay with the Line Rental

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1 price increases.  
 2 THE CHAIRMAN: Before we do that, can we just take a break.  
 3 Thank you.  
 4 (11.46 am)  
 5 (A short break)  
 6 (12.00 pm)  
 7 THE CHAIRMAN: Just before we continue with the  
 8 cross-examination, it is my error, but I forgot to give  
 9 the usual warning for the live stream participants,  
 10 viewers. I am just going to do that now.  
 11 Some of you are joining live stream on our website  
 12 so I should give you the customary warning: an official  
 13 recording is being made and an authorised transcript  
 14 will be produced. It is strictly prohibited for anyone  
 15 else to make an unauthorised recording, either audio or  
 16 visual, of the proceedings, and breach of that provision  
 17 is punishable as a contempt of court.  
 18 Right.  
 19 MR BEARD: Just on warnings, just to confirm for the benefit  
 20 of all, Mr Bunt had been warned that he cannot discuss  
 21 his witness evidence with anyone during the course of  
 22 his testimony.  
 23 THE CHAIRMAN: Yes, thank you, because that was my second  
 24 omission just before the break.  
 25 MR BEARD: It had already been done, so he knows he has

1 a lonely lunchtime ahead.  
 2 THE CHAIRMAN: Good. Well, thank you for that.  
 3 Right, yes.  
 4 MS KREISBERGER: Thank you, sir.  
 5 So Mr Bunt, staying with the Line Rental price  
 6 increases. I want to show you a slide deck, it is at  
 7 {F/836/1}. I do not think you have this in hard copy.  
 8 Mr Bunt, you see there from the front page, they are  
 9 headed "Consumer [Regulatory] Affairs. Carmen Slides  
 10 for Philip. January 2021".  
 11 So these slides were prepared for the departing CEO  
 12 of BT, Philip Jansen?  
 13 A. Now departing, yes.  
 14 Q. Now departed, yes. By this stage you were Consumer  
 15 Regulatory Affairs Director?  
 16 A. I was.  
 17 Q. This is a Consumer Regulatory Affairs document?  
 18 A. Mm—hm.  
 19 Q. So you oversaw the preparation of this slide deck?  
 20 A. I would need to flick through to check, but I believe  
 21 so.  
 22 Q. If we could go forward —  
 23 A. Could I just have a look at a couple of pages so I  
 24 can —  
 25 MR BEARD: Can he just flick through the hard copy so he can

1 answer that question?  
 2 MS KREISBERGER: You see these are draft slides?  
 3 A. Very much in draft. So I certainly would have been  
 4 involved in their production. I cannot say at what  
 5 stage this is at and whether I would have been involved  
 6 at this stage.  
 7 Q. If we go forward to page {F/836/5} in the document,  
 8 headed "Historic Context", the slide summarises the  
 9 context for the Carmen discount that you gave to  
 10 Voice Only Customers.  
 11 I would like you to read the bullet points on the  
 12 slide under "Historic Context". (Pause)  
 13 A. To myself, presumably?  
 14 Q. Yes. I am happy to read them to you, Mr Bunt —  
 15 A. No, it is all right. I was just checking you do not  
 16 want me to read them out loud, that is all. (Pause)  
 17 Okay.  
 18 Q. So if we have a look at the third bullet point there,  
 19 that says that by 2017, Line Rental prices had steadily  
 20 increased every year since 2009?  
 21 A. Yes, it essentially says that.  
 22 Q. It does say that?  
 23 A. Yes.  
 24 Q. 2009 was the year when all regulation was removed from  
 25 BT?

1 A. As I understand it, yes.  
 2 Q. It says on this slide that the rate of steady increase  
 3 was £1 a year?  
 4 A. Yes, circa £1, because there are some years where it is  
 5 different, but, yes.  
 6 Q. Then the next bullet point says that average bundle  
 7 prices went down over the same period, they fell over  
 8 the period?  
 9 A. That is right.  
 10 Q. Then the slide records that landline only customers did  
 11 incur those increases, landline only customers did incur  
 12 the Line Rental increases?  
 13 A. Yes.  
 14 Q. They also incurred increases to calls and calling plans,  
 15 correct?  
 16 A. It is correct that landline only customers incurred  
 17 those increases and also to calls and calling plans,  
 18 that is correct.  
 19 Q. In other words, bundle customers did not incur the  
 20 increases, correct?  
 21 A. They certainly incurred all the increases to calls and  
 22 calling plans. They also incurred the Line Rental  
 23 increases. But it is true that the average bundle price  
 24 fell, so the broadband component of the bundle fell over  
 25 that time.

1 Q. So you are agreeing, Mr Bunt, that average bundle prices  
 2 went down over the period that Line Rental prices went  
 3 up?  
 4 A. I am agreeing with that, yes.  
 5 Q. Now, you see there in the graph, and it might be helpful  
 6 just to blow that up, on the bottom right-hand side,  
 7 Figure 3, that graph shows — that graph is taken from  
 8 Ofcom’s 2017 statement. You are familiar with that  
 9 document?  
 10 A. I am familiar with that, yes.  
 11 Q. That graph shows the rising Line Rental prices with BT  
 12 the top line there in green?  
 13 A. Yes.  
 14 Q. It also shows wholesale prices going down over the same  
 15 period?  
 16 A. It does.  
 17 Q. If we just go back to the script in this slide, please,  
 18 to the bullet points. If we then go back to the third  
 19 bullet point. According to this, BT is recording that  
 20 the £1 a year on Line Rental was a mechanic for driving  
 21 revenue growth in the consumer base?  
 22 A. Yes.  
 23 Q. That is right?  
 24 A. That is right.  
 25 Q. So what we can take from this slide is that the

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1 customers driving revenue growth were the landline only  
 2 customers?  
 3 A. I do not think that is true, no.  
 4 Q. Mr Bunt, it says that:  
 5 “... price had steadily increased since 2009 at  
 6 a rate of £1 a year as a mechanic for driving revenue  
 7 growth in the consumer base ...”  
 8 A. There are two reasons why I see that differently. The  
 9 first is, as I said, calls and calling plan prices which  
 10 are part of driving the overall revenue growth apply to  
 11 everybody. Secondly, the reference to average bundle  
 12 prices falling over the period is a kind of general  
 13 across-the-market — like a new price reference. As  
 14 I am sure you are aware, Ofcom would regularly survey  
 15 what prices were paid for broadband across the board,  
 16 but at any point where we increased price — increased  
 17 Line Rental by £1, it was felt by broadband customers it  
 18 would have put their price up and that would have  
 19 contributed to revenue growth for BT. Broadband  
 20 customers may have acted and switched and changed and  
 21 moved to new products with different providers or with  
 22 existing providers, but certainly that £1 mechanic  
 23 landed(?) for a broadband customer and increased revenue  
 24 for us.  
 25 Q. Mr Bunt, I am going to ask the question again.

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1 This slide says that landline only customers did  
 2 incur the £1 Line Rental increases, correct?  
 3 A. Absolutely.  
 4 Q. It also says that average bundle price fell over the  
 5 period; is that correct?  
 6 A. I think that is correct for our kind of — our base,  
 7 although I would have to check, but certainly average  
 8 bundle prices in the market fell over that period, that  
 9 is certainly true.  
 10 Q. Mr Bunt, you do not refer to this slide in your  
 11 evidence, do you?  
 12 A. I do not believe I do, no.  
 13 Q. Let us have a look at what you say in your second  
 14 witness statement. That is at {D/2/5}. Mr Bunt, that  
 15 is paragraph 19(c).  
 16 It begins:  
 17 “Before Ofcom intervened ...”  
 18 So we are talking about the same period as covered  
 19 by the slide?  
 20 A. Yes. Yes, we are, absolutely.  
 21 Q. “... we in the Voice Division did not, and indeed could  
 22 not, vary the price of Line Rental for different  
 23 customer groups ... Therefore, when the price of Line  
 24 Rental was increased [you say] this change automatically  
 25 applied to all of our customers (irrespective of whether

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1 they had a broadband connection or not).”  
 2 A. That is right.  
 3 Q. But we have just seen that Line Rental price increases  
 4 were not reflected in average bundle prices in the  
 5 market?  
 6 A. I think that is being taken slightly out of context.  
 7 The point there is that average bundle prices across the  
 8 market were — as customers transacted, the data  
 9 suggests that is falling. But again, I cannot be more  
 10 clear on this I do not think, when we put the price of  
 11 Line Rental up for our customers, whether you were  
 12 a broadband customer, a bundle customer or a landline  
 13 only customer, your price went up. The asset on the  
 14 bill went up by £1 and therefore your price had to go  
 15 up.  
 16 Q. So your evidence, Mr Bunt, so that it is clear for the  
 17 Tribunal, is that your customer base of around  
 18 8/9 million voice customers all paid £1 more on Line  
 19 Rental when the Line Rental prices went up, and your  
 20 bundle customers within that base, their prices went  
 21 up —  
 22 A. That is right.  
 23 Q. — even though it is not reflected in the data I have  
 24 just shown you?  
 25 A. So what data is it not reflected in?

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1 Q. You agreed that average bundle prices go down over the  
2 same period that Line Rental prices --  
3 A. (Overspeaking) I would not describe that as data. But  
4 you showed me a sentence which I explained already  
5 refers to, I think, average prices across the market and  
6 the prices paid for broadband which, as I said, is  
7 a kind of established point measured across the board.  
8 But, yes, absolutely, clearly when we put the price of  
9 Line Rental up, it goes up for everyone.  
10 Q. That is very clear that that is your evidence, Mr Bunt.  
11 MR DORAN: Could I just ask a follow-up?  
12 With average broadband prices falling, is that the  
13 average of the new price per each --  
14 A. (Overspeaking) I mean, the document was written  
15 three years ago, but my assumption is exactly what you  
16 said, yes, that what you would see -- if a customer did  
17 nothing -- a broadband customer from, say, 2009 did  
18 nothing, their price would increase.  
19 MR DORAN: So --  
20 A. -- customers transact, they either move to a different  
21 provider to a new price, or they even re-contract to get  
22 a better deal with their existing provider. Prices for  
23 customers can fall as a result of that.  
24 MR DORAN: Just so I understand this. So in 2009, if I was  
25 a bundle customer with BT, the landline component of my

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1 bundle would have increased by £1 per year --  
2 A. (Overspeaking) Approximately.  
3 MR DORAN: -- the process.  
4 A. Approximately.  
5 MR DORAN: That sort of order of magnitude.  
6 A. Absolutely.  
7 MR DORAN: If I had switched away or switched back, I might  
8 have gotten a better deal.  
9 A. Exactly.  
10 MR DORAN: The average that is being referred to is the  
11 average of those new acquisition prices, not the  
12 back book? I am trying to use your jargon --  
13 A. (Overspeaking) -- what average I am referring to here,  
14 whether I am referring to BT customers only or across  
15 the market. But certainly the broadband component of  
16 bundles, both ours and the market, dropped over that  
17 period. So that would have affected the balance.  
18 So even though Line Rental prices are going up, if  
19 the broadband component drops, then in many of those  
20 datasets the average price of broadband falls as  
21 a result of what -- or the broadband bundle falls as  
22 a result. Does that make ...  
23 MR DORAN: Thank you, I think that is helpful.  
24 MS KREISBERGER: Mr Bunt, just to complete the point, can we  
25 turn up Ofcom's 2017 statement at {IR-C/3/1}. You see

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1 there that is the statement. You are familiar with  
2 that?  
3 A. Yes.  
4 Q. Then if we could go down to page 11, please.  
5 {IR-C/3/11}. You see there Figure 3, that is the same  
6 graph as set out in your slide, and Ofcom explain what  
7 this graph shows at paragraph 2.6, please, just above  
8 the graph:  
9 "As Figure 3 shows, these customers have been  
10 progressively exposed to increasing Line Rental prices  
11 since 2009. This has been occurring despite wholesale  
12 charges for products used to provide Line Rental falling  
13 by up to 27% in real terms."  
14 Yes?  
15 A. Absolutely right.  
16 Q. "Wholesale costs are represented by the WLR [line] and  
17 MPF (metallic path facility) lines ..."  
18 A. Yes.  
19 Q. So, Mr Bunt, if we come back to your witness statement,  
20 where you say "the change automatically applied to all  
21 our customers", average bundle prices in the market are  
22 dropping at the time you say all of your 8/9 million  
23 voice customers were paying additional charges on their  
24 Line Rental. That is your evidence?  
25 A. I think that is -- yes, I think that is right, yes.

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1 Q. So an automatic increase to your customers.  
2 Let us turn up another BT document {F/394/1}.  
3 I would like to turn to, with this, BT strategy. This  
4 should be in hard copy in your bundle.  
5 A. I do have it, yes.  
6 Q. You should see that front page there?  
7 A. Yes, I do.  
8 Q. Now, Mr Bunt, just in terms of chronology, you were Head  
9 of Voice Pricing at this time, this was 1 January 2016?  
10 A. Yes.  
11 Q. Now, if we go down -- you have seen the front page  
12 there. If we go down to page 12, please {F/394/12} and  
13 you see there the heading "Calls and Lines Market".  
14 Then it says this:  
15 "Providers are prioritising winning bundled  
16 customers over stand-alone voice customers with deep  
17 broadband only deals, which include richer optional call  
18 plans and more expensive out of plan rates."  
19 So, Mr Bunt, this is a strategy document. The  
20 strategy recorded here for winning bundle customers is  
21 to offer them deep broadband only deals?  
22 A. This is not a strategy document. It is a document  
23 written by our marketing and competitor insight team, so  
24 it is a kind of observation on the market. We are  
25 a part of that market, but it is a kind of observation

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1 on what is happening in the market, and they are  
 2 observing that that is what is going on in the market.  
 3 Q. So what is going on in the market is deep broadband only  
 4 deals?  
 5 A. That is right.  
 6 Q. Now, let us move back to page 2 in this document  
 7 {F/394/2}, "Executive Summary". The heading here is  
 8 "Market & Competitor Context".  
 9 It says this:  
 10 "Line growth is at ... 1% per year, due to continued  
 11 broadband household formation demand, expected to  
 12 continue at [around] 260k per year. BT's share of lines  
 13 has declined to 35.8%, as consumers consolidate to take  
 14 advantage of bundled deals, now at 56% of households.  
 15 Bundling has changed the composition of the BT base,  
 16 with 68.4% taking a bundle."  
 17 That is right?  
 18 A. It says that, yes.  
 19 Q. So this group of customers, 68.4% who take a bundle, are  
 20 taking advantage of bundle deals?  
 21 A. They are.  
 22 Q. Then the next line on this slide moves to voice only.  
 23 It says this:  
 24 "The solus line base is relatively stable at ...  
 25 1.5 million, attributable to BT's older legacy customers

1 and last group to adopt broadband.  
 2 Mr Bunt, "legacy customers" means customers BT  
 3 inherited?  
 4 A. I think so. I did not write this but I assume that is  
 5 what they mean.  
 6 Q. The usual meaning of "legacy" is something transmitted  
 7 or received from the past.  
 8 It goes on:  
 9 "To offset continued declining fixed call volumes  
 10 and revenue, providers have steadily increased Line  
 11 Rental prices over the last 4 years with latest  
 12 increases being implemented in H2 2015."  
 13 So this slide is referring to the Line Rental price  
 14 increases in the context of solus customers, is it not?  
 15 A. Yes.  
 16 Q. They are the ones who pay the steadily increasing  
 17 prices?  
 18 A. They are amongst the ones who pay the steadily  
 19 increasing prices.  
 20 Q. You agree that they pay --  
 21 A. They definitely pay it.  
 22 Q. I think we can agree they pay the steadily increasing  
 23 prices?  
 24 A. They definitely do, yes.  
 25 Q. So their prices generate the revenue which makes up for

1 falling volumes. That is what it says on this slide.  
 2 A. Sorry, can you just reiterate that point? I am not sure  
 3 I quite understood what you said.  
 4 Q. It says on the slide:  
 5 "To offset continued declining fixed call volumes  
 6 and revenue --"  
 7 A. Yes, so it is fixed call volumes that are declining.  
 8 Q. Revenue --  
 9 A. Those price increases in Line Rental do offset that.  
 10 Q. They do offset that --  
 11 A. It is the fixed call volume, not the volume of  
 12 customers. I thought that was what you were referring  
 13 to.  
 14 THE CHAIRMAN: Just a minute. Lower call volumes per  
 15 customer, as it were.  
 16 A. Absolutely.  
 17 MR DORAN: This is referring, this is across both  
 18 voice only -- this affects the whole market?  
 19 A. It does. Falling call volumes affected the whole  
 20 market. I think this sentence is just referring to  
 21 voice only. I did not write it but I believe it is  
 22 referring to Voice Only Customers. But it is true that  
 23 volumes of fixed calls were falling across the board.  
 24 MS KREISBERGER: Mr Bunt, this slide contrasts, in these  
 25 first two paragraphs, contrasts the position of bundle

1 customers, that is the 68.4% that were taking advantage  
 2 of bundle deals, correct?  
 3 A. Yes.  
 4 Q. It contrasts them with the solus line base who have  
 5 their Line Rental price increases over the period which  
 6 offsets the decline in revenue, correct?  
 7 Mr Bunt, are you taking issue with this slide?  
 8 A. I am not taking issue with the slide, I am taking issue  
 9 with your interpretation of it in contrasting them.  
 10 I think both statements are true. I am not arguing with  
 11 the points here. I think it is important to note if you  
 12 are implying that the Line Rental price increases did  
 13 not impact the bundle customers, that is not the case.  
 14 Q. Mr Bunt, we saw at paragraph 19(c) of your statement  
 15 where you say that the Line Rental price increases  
 16 applied to all of your 8-9 million base. You do not  
 17 refer to this document in your evidence, do you?  
 18 A. I do not believe I do, no.  
 19 Q. I would like to show you another document from July that  
 20 year on the impact of these increases. So this  
 21 is July 2016, it is 5 July. I will give the Opus  
 22 reference, it is {F/469/1}. You have a hard copy of  
 23 this document.  
 24 A. I do, thank you.  
 25 Q. I am afraid I am relying on last minute information on

1 your hard copies.  
 2 Now, Simon Lowth, I am getting that right?  
 3 A. Yes.  
 4 Q. Simon Lowth had just joined as CFO in July of that year,  
 5 I understand?  
 6 A. I think so.  
 7 Q. So this was a briefing document for him.  
 8 A. Okay.  
 9 Q. If we move forward to page {F/469/13}, if you could look  
 10 at the heading of this slide, "Voice Deep Dive", it is  
 11 a deep dive into Voice:  
 12 "Voice is our largest and most margin-rich product,  
 13 benefiting in recent years from significant annual price  
 14 increases and the fact that price competition is focused  
 15 on headline Broadband prices. However, declining  
 16 volumes in both lines and call minutes limit the scope  
 17 for future growth from this product."  
 18 Then if you have a look at the right-hand column,  
 19 perhaps we could just blow that up for a moment. "Key  
 20 Dynamics". It is far too small, this writing, for my  
 21 short-sighted eyes. You see there:  
 22 "Long-term decline in line volumes, offset through  
 23 annual pricing of £1 on Standard Line Rental."  
 24 That is referring to the £1 price rises?  
 25 A. It is.

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1 Q. So just pausing there. This deep dive is explaining for  
 2 Mr Lowth's benefit that the purpose of the annual £1  
 3 Line Rental price increases was to offset declining line  
 4 volumes?  
 5 A. Yes.  
 6 Q. It describes the annual price increases as  
 7 "significant"?  
 8 A. Where, sorry? In the top bit?  
 9 Q. In the heading "Significant Annual Price Increases".  
 10 A. That is right, it says that.  
 11 Q. We have established in the earlier slide these are paid  
 12 by standalone customers, these Line Rental increases?  
 13 A. Also by broadband customers.  
 14 Q. That is your evidence?  
 15 A. It is, and the declining volumes also refer to both  
 16 voice only lines and also bundle customers.  
 17 Q. Let us have a look -- this slide records that, thanks to  
 18 these increases, voice is a margin-rich product, and it  
 19 is saying that these annual line increases have proved  
 20 a profitable strategy, correct?  
 21 A. It is saying that, yes.  
 22 Q. Then if we go down to the bottom left-hand corner under  
 23 the heading "Voice Looking Back Trends", the first  
 24 bullet point says:  
 25 "Despite decline in revenues, the gross margin has

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1 continued to increase [year on year] which is driven by  
 2 pricing (100% margin) and lower rental costs (Openreach)  
 3 and call costs (3rd party termination costs)."  
 4 A. Yes.  
 5 Q. Then if you see there the final bullet point. It is  
 6 slightly ... I wonder if we can blow up "Voice Looking  
 7 Back Trends":  
 8 "Costs have reduced, primarily due to regulated  
 9 reductions in input prices, primarily Openreach's  
 10 wholesale Line Rental charge, combining with pricing to  
 11 drive margin growth."  
 12 A. Yes.  
 13 Q. So this document is recording that price increases have  
 14 driven growth in margins?  
 15 A. Mm-hm.  
 16 Q. Volumes may be going down, but margins are going up  
 17 year-on-year on voice?  
 18 A. Volumes may be going down, definitely. Margins by  
 19 customer are going up certainly, I agree with that. But  
 20 I do not know if it is saying kind of overall total  
 21 margin. I cannot infer that from that sentence.  
 22 Q. It says:  
 23 "... the gross margin has continued to increase  
 24 [year-on-year] which is driven by pricing (100% margin)  
 25 ..."

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1 A. I think that may well be true. I think it is sort of  
 2 borne out by the numbers in the table as well, yes.  
 3 Q. Turning back to your witness statement at {D/2/11},  
 4 paragraph 40, you say ... if we could blow up  
 5 paragraph 40 and then we will go over the page in  
 6 a moment:  
 7 "One of the ways for service providers to be  
 8 competitive was to offer seemingly better value  
 9 broadband packages than their competitors."  
 10 You say at the end there:  
 11 "To balance this, however, service providers  
 12 increased Line Rental prices to ensure their broadband  
 13 (and other) services remained profitable."  
 14 So you are saying here that the purpose of the Line  
 15 Rental price increases was to ensure that broadband  
 16 remained profitable; that is your evidence --  
 17 A. (Overspeaking) If by "broadband" you mean the bundle,  
 18 yes.  
 19 Q. Yes. But this document does not say anything about Line  
 20 Rental -- when I say "this document", back to  
 21 {F/469/13}, does not say anything about Line Rental  
 22 increases ensuring that broadband remained profitable,  
 23 does it?  
 24 A. It actually does in the header of the page you were  
 25 showing me. So that is at page 13:

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1 "Voice is our largest and most margin-rich product,  
 2 benefiting in recent years from significant annual price  
 3 increases and the fact that price competition is focused  
 4 on headline Broadband prices."  
 5 Which is the point I am making in paragraph 40. So  
 6 I think that is consistent.  
 7 Q. Mr Bunt, this document does not say that the purpose of  
 8 the Line Rental increase was to ensure that broadband  
 9 remained profitable. It says that voice is a highly  
 10 profitable product year-on-year --  
 11 A. Definitely.  
 12 Q. -- margin-rich.  
 13 A. So yes, I think this is a kind of technicality that  
 14 makes that difference in terms of how accounting is  
 15 done. We are looking here at the voice P&L which  
 16 includes Line Rental. As you can see from the volume  
 17 numbers in there, that is Line Rental for broadband  
 18 customers and bundle customers as well as for standalone  
 19 or VOCs or SFVs, sorry. So that is that point. That is  
 20 why Line Rental is discussed here. Line Rental is part  
 21 of the bundle, and so that approach to pricing that I am  
 22 talking about, which is referred to in the header of the  
 23 slide, is consistent with what I am saying here.  
 24 Q. Let us have a look at another document on this, Mr Bunt.  
 25 If we just have a look at our skeleton, just so you can

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1 see there again. That is {A/12/10}. I have shown you  
 2 this before. This is the amount and date of the Line  
 3 Rental increases.  
 4 A. Mm-hm.  
 5 Q. Perhaps you could just cast your eye over that table.  
 6 A. Yes. (Pause)  
 7 Q. I am just going to see if you can have a hard copy of  
 8 that so we do not have to keep flipping back to it.  
 9 A. That would be great.  
 10 Q. You see there ...  
 11 (Handed)  
 12 A. Thank you.  
 13 Q. If we could call up on the EPE {F/189/1}. You see there  
 14 the heading "Senior Props Roles Notes"?  
 15 A. Yes.  
 16 Q. The date is -- I am giving you this from the metadata,  
 17 taking it off the Opus system. The date is  
 18 17 October 2013.  
 19 A. That is right, yes.  
 20 Q. You are the author?  
 21 A. That is right.  
 22 Q. Now, when you wrote these notes there had been a series  
 23 of price increases on Line Rental since 2009. You have  
 24 that document now, we can see there are a number of  
 25 them, Bordeaux, Pacific, Atlantic, White and Beech?

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1 {A/12/10}  
 2 A. Yes.  
 3 Q. Picturesque names. The effect of those price increases  
 4 was to put the Line Rental price up from £12.50 on  
 5 1 January 2009 to £15.45 by January 2013?  
 6 A. Yes.  
 7 Q. So that is a 24% increase?  
 8 A. Sure.  
 9 Q. Now, if we have a look at this document at the bottom of  
 10 page 1, could we scroll down to and blow up under slide  
 11 4. Solus churn trial. It says this {F/189/1}:  
 12 "Solus Churn Trial -- is owned by Kelly L."  
 13 That is Kelly Liu?  
 14 A. Kelly Liu, absolutely.  
 15 Q. She was senior propositions manager in voice?  
 16 A. A peer of mine, yes.  
 17 Q. "5m solus out of 10 ..."  
 18 That is standalone voice customers, is it not,  
 19 solus?  
 20 A. That is clearly a wrong number. These are the notes  
 21 from my first day in the job, so obviously I got that  
 22 wrong. But that is what it says, absolutely.  
 23 Q. But you are referring to, aside from the number, you are  
 24 referring to solus, so these are standalone voice  
 25 customers?

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1 A. Absolutely, yes.  
 2 Q. Out of a total of 10 you refer in your evidence to  
 3 8-9 million for the full customer base. So we are in  
 4 the right ballpark?  
 5 A. Absolutely. 5 is wrong, but 10, yes, is ballpark.  
 6 Q. "... of which 60% are high propensity [broadband] so we  
 7 offer them [broadband] bundles to upsell and ensure we  
 8 keep. Of the remaining 2m what do we do with them ...  
 9 given their low propensity to [broadband] (some we don't  
 10 want to touch because they are likely to wake up and  
 11 realise how over-priced we are if we do), others are  
 12 more sticky or already on the way out so we can try  
 13 offers on them to keep them, especially the high value  
 14 ones. Essentially high value customers are the least  
 15 rational/conscious in behaviour. They will have UWC  
 16 [that is Unlimited Weekend Calls] and [I think that  
 17 should be 'then' rather than 'the'] call on evenings and  
 18 day times."  
 19 So you are referring here to Voice Only Customers  
 20 when you say "low propensity to broadband". They must  
 21 be voice only because they do not have broadband?  
 22 A. Absolutely, that is right.  
 23 Q. You are asking yourself what to do with these customers,  
 24 and your answer is that you do not want to touch them,  
 25 because they might wake up to how over-priced their

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1 standalone voice product from BT is. Mr Bunt, you are  
 2 acknowledging there how over-priced BT is for Voice Only  
 3 Customers?  
 4 A. As I said, these are not my sort of considered thoughts  
 5 after a long time in the role. These are my first week  
 6 notes, as it says in the title. So I think what I am  
 7 doing there is reflecting the conversation I am having  
 8 with Kelly at that point in my notes. How accurately  
 9 that reflects the kind of received wisdom in the team is  
 10 hard for me to say. I do not remember over a decade ago  
 11 but certainly they are my notes. I do think that that  
 12 point around we do not want to engage those customers  
 13 and weigh them up and realise -- I am definitely saying  
 14 that. I am not disputing that at all.  
 15 Q. Others you say are "more sticky". "Sticky" means they  
 16 are likely to keep buying standalone voice from BT, they  
 17 stick with you?  
 18 A. I think so. I think that is what I mean there, yes.  
 19 Q. They are more sticky than the ones who might wake up?  
 20 A. Or the ones who are already on the way out, who are  
 21 switching.  
 22 Q. So in other words, you do not need to worry about the  
 23 sticky customers, unlike the ones who are on their way  
 24 out?  
 25 A. I think I am characterising the base like more or less

1 any base where there are some customers who are less  
 2 likely to churn than others.  
 3 Q. The ones who are on their way out, they are the ones  
 4 that you can try offers on?  
 5 A. Again, yes, in these notes, first week, that is what  
 6 I am saying there, absolutely.  
 7 Q. They have woken up, as it were?  
 8 A. Yes, I guess so.  
 9 Q. You also note that the high value customers are the  
 10 least rational. They make -- these are the customers  
 11 that make their calls in the evenings and daytime even  
 12 though they have got unlimited weekend calls with you?  
 13 A. Yes. We had a broad portfolio of products, so it is  
 14 almost a truism, which is to say, you know, because if  
 15 you made your calls in, say, the daytime and during the  
 16 week, and you did not have -- and you made plenty of  
 17 calls, and you did not have our Unlimited Anytime plan  
 18 or calls package, then you would have paid more for  
 19 them. So it is almost, by definition, the customers who  
 20 did not have the -- that could -- were not making  
 21 savings from the calling plans were paying the most  
 22 money, that is right.  
 23 Q. They were high value for BT?  
 24 A. Yes, because their -- yes, their offers would have been  
 25 higher, that is true.

1 Q. These notes that you made, Mr Bunt, in your first week,  
 2 you do not refer to these in your evidence, do you?  
 3 A. No, I do not. As I said, as I spent more time getting  
 4 to know the P&L products, the customers, I refined my  
 5 understanding of it, but this is what I am saying on  
 6 week 1.  
 7 Q. If we just turn back to your statement at 19(b), that is  
 8 your second statement, {D/2/5}. You say:  
 9 "BT Consumer's overall business strategy was to  
 10 encourage broadband uptake across all customer segments.  
 11 BT viewed those customers without broadband not as their  
 12 own customer base ..."  
 13 I think that means not as a distinct customer base.  
 14 "... but as customers who needed to move onto  
 15 broadband. The reason for this was that broadband  
 16 bundles (i.e. Line Rental and broadband) were more  
 17 profitable for BT than 'solus' customers who only took  
 18 one service."  
 19 A. Yes.  
 20 Q. But in these notes you are not saying that these  
 21 customers are customers who need to move on to bundles,  
 22 you say you do not want to wake them up?  
 23 A. So a high value customer would be an even higher value  
 24 customer if they took a bundle from us. We are talking  
 25 in that second sort of part of the paragraph you showed

1 me a moment ago about customers who, our data tells us,  
 2 have a low broadband propensity. So we would -- whilst  
 3 we would want to get every customer on to broadband, we  
 4 were always trying to be efficient in our use of  
 5 marketing spend and effort with customers, so we would  
 6 want to write to customers who were more likely to take  
 7 broadband, and to be more efficient to drive calls from  
 8 those customers.  
 9 So it is definitely true that some customers are  
 10 more likely to take broadband than others. Those  
 11 customers in -- that we were referring to in those notes  
 12 from my first week will be less likely to, yes.  
 13 Q. So although you do not say this here, it was the  
 14 interests in efficiency that meant you did not want to  
 15 touch these customers because they might wake up and  
 16 realise how over-priced you are?  
 17 A. I think there are a lot of factors that decided when we  
 18 wrote to customers. I think it is definitely what  
 19 I have said there, that we are concerned about engaging  
 20 customers who are already, you know, in a contented  
 21 relationship with us and high value, that is true.  
 22 Q. Mr Bunt, let us call up another document. But just  
 23 before we do, you cover the Project Laika price increase  
 24 in your second statement.  
 25 A. Mm-hm.

1 Q. You have a number of paragraphs. I will just give you  
2 the references, we do not need to call them up, but it  
3 is paragraph 79–84 that you cover Project Laika.  
4 A. Sure.  
5 Q. Laika included £1 on Line Rental in 2015?  
6 A. It did.  
7 Q. I would like to show you a document from that time.  
8 That is {F/310/1}.  
9 A. Do I have this one? No, I do not.  
10 Q. No, that one is on the EPE, Mr Bunt.  
11 A. Sure.  
12 Q. That is {F/310/1}. This is, as you can see there,  
13 a paper called "Annual Price Change" and it is dated  
14 May 2015. I think that may be on the metadata. Sorry,  
15 it is — I can show you that on the final page if you  
16 need it?  
17 A. It feels about right, yes.  
18 Q. It is a paper you prepared, Mr Bunt?  
19 A. I did.  
20 Q. You may be aware that I took the Tribunal to this in  
21 opening submissions.  
22 I just want to have a look at page {F/310/3}. You  
23 sign off this document as "BT Consumer Senior Props  
24 Manager — Voice Revenue Optimisation", and there you see  
25 the date?

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1 A. Yes.  
2 Q. So "Voice Revenue Optimisation" had become part of your  
3 title at this stage?  
4 A. I think so, yes.  
5 Q. Then if we go back to page {F/310/2}, under the heading  
6 "Pricing Strategy" you say this:  
7 "Introduction. "  
8 At the top of the page.  
9 "To enable the business's profit position for 15–16  
10 and future years we will undertake our annual price  
11 change.  
12 "This will raise Line Rental pricing by £1 and most  
13 other prices by up to 6.94%."  
14 There you set out the incremental revenue benefit of  
15 91.1 million.  
16 A. Yes.  
17 Q. Then you say under the heading "Background":  
18 "Each year BT changes its prices. Historically this  
19 has been approximately inflationary, but increasingly  
20 super—inflationary price rises on largely inelastic  
21 products has provided significant upside for our  
22 business. This capital provides the oxygen for our  
23 business in the sense of its investment in content,  
24 spectrum etc."  
25 So, Mr Bunt, you are making three points here and

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1 I would like to take them in turn. The first is that BT  
2 has increasingly been charging super—inflationary price  
3 rises?  
4 A. Yes.  
5 Q. Those super—inflationary price rises include the £1 on  
6 Line Rental which you recommend in the line above, in  
7 the paragraph above in the introduction?  
8 A. Yes, it would include that.  
9 Q. The second point, Mr Bunt, you say these  
10 super—inflationary price increases are on "largely  
11 inelastic products". An inelastic product is a product  
12 whose sales do not go down when the price goes up?  
13 A. Yes, so I do use the word "inelastic" here and I use it  
14 a few times in some of the documents in the trial. That  
15 is essentially what I mean, that when we make that price  
16 change we do not see an immediate commensurate 6%  
17 reduction in volumes.  
18 Q. So, in other words, customers who buy that product are  
19 price insensitive. That is why it is inelastic?  
20 A. I do not think I would use that term. I understand the  
21 link you are making. I think many of the base of all  
22 customers who, and everyone who is receiving that Line  
23 Rental price change for example, are price-sensitive.  
24 But it is definitely true that when we made the change,  
25 for example in Laika as you are referring to here, we

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1 did not see an immediate 6% churn. We may have seen  
2 that contribute to customers moving out but it is very  
3 hard to determine exactly what the drivers of our 15%  
4 analysed churn we had at the time was.  
5 Q. Standalone fixed voice is an inelastic product, is it  
6 not?  
7 A. By the definition that I am using here, i.e. we can put  
8 up the price change, we put up the price in a price  
9 change and we do not see immediate reduction in volume.  
10 Line Rental is. I do not think that is the case on  
11 calls where we see like raised reduction in usage, so  
12 that our rate of usage increases at the point of price  
13 changes but Line Rental does not follow that rule that  
14 I sort of set-up, i.e. you put up the price by 6%, we do  
15 not see 6% of the customers leave.  
16 Q. That is why you describe some of your standalone  
17 customers as not having woken up has to high over-priced  
18 BT is in the earlier document?  
19 A. I took a note from what someone said to the effect.  
20 Q. Mr Bunt, in this slide, you are not referring to bundle  
21 customers are you? You cannot possibly mean that  
22 bundles are inelastic?  
23 A. So this document is referring to our price change which  
24 is applied to everybody. It is referring to our Line  
25 Rental price change which applied to all bundles and to

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1 the Line Rental component of that. It also is referring  
 2 to the broadband price changes that we made in those  
 3 years and, again, we did not see that, that same kind of  
 4 definition that I applied a moment ago, we did not see  
 5 when we put up broadband bundle prices by 6.5%, we did  
 6 not see 6.5% of our customers leave immediately.  
 7 We did see, again across those bases, churn rates of  
 8 around 15% over the year. Very hard to work out how  
 9 much of that is directly or indirectly related to our  
 10 price change, but this would — what I am speaking here  
 11 absolutely about are whole base, so all voice customers  
 12 i.e. including bundle customers because they have  
 13 voice only.  
 14 Q. So your evidence is even though we saw on the  
 15 Simon Lowth slide deck that bundle customers are taking  
 16 advantage of deep deals — that is BT wording — you are  
 17 saying that bundles are an inelastic product?  
 18 A. Okay. So what I am saying is, just to repeat, that when  
 19 we make a price change we do not see a high — we do not  
 20 see 6% of our bundle customers leaving when we put up  
 21 the price by 6% immediately. We do not see that  
 22 immediate customer response.  
 23 The bundle market is a complicated market with lots  
 24 of different customers transacting in different ways and  
 25 one of the things we might have driven from our price

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1 change — very hard to measure — is more customers  
 2 going into the market to partake of bundle deals like  
 3 the ones described in the Simon Lowth deck or the other  
 4 competitor market deck that you showed me before. Very  
 5 hard to draw a line between those things though.  
 6 Q. Mr Bunt, you are not referring to bundles as an  
 7 inelastic product here. When you talk about inelastic  
 8 products you are not referring to bundles, are you?  
 9 A. I am because I am referring to the price changes like  
 10 the up to 6.94% we made across the board and we are  
 11 putting up the broadband component bundle prices by that  
 12 amount as well as the Line Rental component, so, yes,  
 13 I am.  
 14 Q. So your evidence is when you talk about largely  
 15 inelastic products you are referring to bundles. That  
 16 is clear from —  
 17 A. I am referring to the behaviour of the base which  
 18 includes absolutely bundle customers and how they  
 19 responded to —  
 20 Q. So inelastic is the full suite.  
 21 Now, Mr Bunt, your third point is that these price  
 22 rises provided significant upside as oxygen to fuel BT's  
 23 investments. I am going to bring you back to that.  
 24 A. Okay.  
 25 Q. Now, if we could go to your witness statement, please,

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1 your second statement at {D/2/49}.  
 2 THE CHAIRMAN: Which paragraph number, please?  
 3 MR KREISBERGER: It is not a paragraph, sir. It is an  
 4 annex 3 in fact.  
 5 THE CHAIRMAN: Yes, thank you.  
 6 MS KREISBERGER: But it is top of the page.  
 7 This is a reference to the document I just showed  
 8 you?  
 9 A. Mm—hm.  
 10 Q. That is {F/310/1}.  
 11 A. Yes.  
 12 Q. So this is in the list of documents which you refer to  
 13 for the purposes of providing the evidence set out in  
 14 your statement. So Mr Bunt, this document was brought  
 15 to your attention —  
 16 A. It was.  
 17 Q. — by your legal team?  
 18 A. Yes, absolutely.  
 19 Q. But, Mr Bunt, you do not mention it in your evidence?  
 20 A. I am not familiar with how this works but would I not  
 21 look for footnote 26 to find where I mention that  
 22 document or I refer to that document, which I found here  
 23 at paragraph 76? Is that how it works? Because it says  
 24 26 against the document; is that right?  
 25 Q. No, these are not footnote references?

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1 A. It is just a list of things.  
 2 Q. To save you some time we checked and it is not —  
 3 A. I was not trying to check. I am sure if you say so,  
 4 that is fine.  
 5 Q. You do have six paragraphs on the Project Laika price  
 6 increase and this is a paper on that price increase?  
 7 A. Yes.  
 8 Q. Referring to inelastic products but you do not mention  
 9 it in your evidence?  
 10 A. I have to take that.  
 11 Q. Let us move forward from Laika to the 16/17 price  
 12 change. If we could call up {F/369/1}. I am going to  
 13 refer in a moment to some slides which are in your hard  
 14 copy bundle but this email is not.  
 15 On 11 December you see that on page 1, you emailed  
 16 a slide deck to Ms Blight?  
 17 A. Yes.  
 18 Q. Cc'ing Mr Wall. On page {F/369/3} of that document, you  
 19 see the date where you send the slide deck:  
 20 "Some stuff is draft, especially Dom's."  
 21 So you are emailing the slide deck there?  
 22 A. Yes.  
 23 Q. Then that slide deck — perhaps we could just call that  
 24 up. So that is at {F/865/1}. That is the slide deck  
 25 with your email dated 11 December 2015. I wonder if we

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1 could go back to having a split screen so we could have  
 2 both documents on the screen. So that is {F/369/1}.

3 Yes, thank you. Now, these slides were a presentation  
 4 to Gavin Patterson who was CEO?

5 A. Yes.

6 Q. If we go back up in the email on the right you see that  
 7 Ms Blight replies to you with some comments on the same  
 8 day. Do you see that, December 11, 11.52?

9 A. Yes.

10 Q. You then responded only to Mr Wall. You see that at  
 11 12.24?

12 A. Yes, that is right.

13 Q. On the 11th?

14 A. Possibly an error, but, yes.

15 Q. Now —

16 A. Because I am the next points but ....

17 Q. You say answers in line. I would like to go down to  
 18 page {F/369/2}, please. I do not know how clear this is  
 19 on the EPE, but the first sentence is Ms Blight's  
 20 original email and the slightly greyed out text from  
 21 there to the end of that paragraph is your email. So  
 22 you can see a shading change?

23 A. In which paragraph?

24 Q. If you have a look at slide 11.

25 A. Slide 11, okay, sorry.

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1 Q. Ms Blight says:  
 2 "I like that we're adding a competitive comparison  
 3 but it needs commentary. What are you planning on  
 4 calling out?"

5 Now, this is the slide she is talking about. This  
 6 is slide 11. So you have that on the left—hand side and  
 7 you see there are Line Rental prices, top line: BT  
 8 £17.99 going up to either £18.99 or 19.25, you were  
 9 debating that. Then you see prices for your other  
 10 providers Virgin, TalkTalk and Sky on the right. She  
 11 says:  
 12 "I like that we're adding this comparison but it  
 13 needs commentary. What are you planning on calling  
 14 out?"

15 You say this:  
 16 "Previously we haven't had commentary and I think  
 17 I'd feel embarrassed calling anything out like 'we're  
 18 very expensive and as far as we know [Virgin Media] are  
 19 not increasing voice pricing, but it's ok because  
 20 customers are price insensitive! Happy to take guidance  
 21 on it but not sure there is a story there (maybe best in  
 22 back up — but Kelly was convinced he would ask about  
 23 it)."

24 So, Mr Bunt, you are saying there three things to  
 25 Ms Blight: the first is an acknowledgement that BT's

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1 Line Rental is very expensive compared to other  
 2 providers. "We're very expensive"?

3 A. It definitely says that, yes.

4 Q. You are saying that?

5 A. Yes.

6 Q. Your second point — now your evidence in relation to  
 7 the last document I showed you on price inelastic  
 8 products was that you do not use the term  
 9 "price—insensitive". But here you do that use that  
 10 term, do not you?

11 A. Definitely.

12 Q. You say customers are price—insensitive and you  
 13 emphasise that with an exclamation mark?

14 A. I do.

15 Q. In other words, these customers will swallow the price  
 16 increases without switching away?

17 A. Similar to how I phrased it before. Customers who you  
 18 would not see a direct or immediate response. You would  
 19 not see 6% of our customers switch when we made that  
 20 change.

21 Q. It is the same point: people do not switch. The third  
 22 point you made to Mr Wall, in fact, you do not send this  
 23 back to Ms Blight, is that you would be embarrassed  
 24 about drawing attention to the fact that you are taking  
 25 advantage of their price—insensitivity.

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1 "I think I'd feel embarrassed calling anything out."  
 2 A. Yes. I am not sure I say taking advantage but I agree  
 3 that I definitely say I would feel embarrassed there.

4 Q. You are not sure that this pricing strategy is a story?

5 A. Yes, I think on the story point I am saying that I am  
 6 not sure there is a narrative to put on this slide  
 7 particularly.

8 Q. There is right: there is not a good narrative to put on  
 9 the slide?

10 A. There is not a narrative to put on the slide but, yes,  
 11 I am not disputing any of those things, that I said all  
 12 that.

13 Q. Mr Bunt, you cover the 16/17 price change in your second  
 14 statement, do you not?

15 A. Yes, I do.

16 Q. There are over two pages on it but you do not refer to  
 17 this email about that price change?

18 A. No, I do not.

19 Q. You do not address the fact that you said pricing was  
 20 based on customer price—insensitivity?

21 A. No, I do not say that in my statement, no.

22 Q. You remain embarrassed to call this one out?

23 A. I do not think it is a very useful slide nor us to  
 24 include. It shows the growing delta between our price  
 25 and other CP's prices. I agree with that.

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1 THE CHAIRMAN: Just a moment, please. (Pause). Yes.  
 2 MS KREISBERGER: Could we, please, turn up {F/379/1}.  
 3 Mr Bunt, this is an email exchange between you and  
 4 Ms Arti Babbar. It is dated 29 December 2015. Now,  
 5 Ms Babbar, as it says there, was head of Customer  
 6 Acquisition Strategy at the time?  
 7 A. Yes.  
 8 Q. Her email summarises a discussion between the two of  
 9 you. She says:  
 10 "I've pulled together a summary of what we talked  
 11 about ..."  
 12 She asks if you have got any changes to make. We  
 13 see that you say:  
 14 "Just a couple of tiny additions/changes" and  
 15 a smiley face?  
 16 A. That is what I say.  
 17 Q. So this combined product of your conversation refers to  
 18 three customer groups. The first is broadband and line  
 19 customers. That is a reference to bundles, bundle  
 20 customers?  
 21 A. It is, yes.  
 22 Q. The second is BT line only, no broadband with any  
 23 provider. So that is what we call Voice Only Customers.  
 24 BT line only, no broadband.  
 25 A. Yes.

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1 Q. Is that right?  
 2 A. Yes, sorry.  
 3 Q. The third group is BT line only customers who have  
 4 broadband with another provider. That is what Ofcom  
 5 refers to as split supplier. It is a subset of split  
 6 purchaser?  
 7 A. SPCs, exactly, yes.  
 8 Q. Let us have a look at what you say about Voice Only  
 9 Customers. You say that:  
 10 "[They] will continue to deteriorate at today's rate  
 11 largely driven by high mortality rates (current base  
 12 1.5 million)."  
 13 So you are saying the main reason for the decline in  
 14 this base is high mortality rates?  
 15 A. Arti is saying that but I am not correcting her. I  
 16 appreciate that. I probably should have corrected it  
 17 more and referred to Post Office switching as an example  
 18 but I did not.  
 19 Q. So you now disavow this statement that?  
 20 A. Can you help me on what "disavow" means, sorry?  
 21 Q. You are quite right to pull me up. Let us just have  
 22 a look at your second witness statement. That is at  
 23 {D/2/20}, paragraph 72. I will put the point again,  
 24 Mr Bunt, very fairly. What you may be thinking about is  
 25 the first sentence. You say:

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1 "I remember the Voice Division also monitored what  
 2 BT termed 'bereavement' when assessing the performance  
 3 of the 'true solus' customer base. However, bereavement  
 4 was not the main reason for churn in this customer  
 5 base."  
 6 But in this email, and you endorsed it with a smiley  
 7 face, it says that:  
 8 "[it] will continue to deteriorate at today's rate  
 9 largely driven by high mortality rates?"  
 10 A. So I should have challenged Arti more there because my  
 11 view at the time, and my view in my evidence, certainly,  
 12 reflects the perspective that whilst bereavement was  
 13 a factor in churn of a line only base, it was by far  
 14 from the only factor, and I guess I do refer I think in  
 15 my note to Home Phone Saver which is a product we  
 16 introduced because of landline only churn — sorry,  
 17 switching rather than churn, so as to be clear in my  
 18 language.  
 19 Even in the paragraph you refer to in 72, as you say  
 20 I go on to talk about voice only switches which was  
 21 a significant issue for us and the reason that we  
 22 created Home Phone Saver.  
 23 Q. So your email that you endorsed at the time, your  
 24 evidence is that it has that wrong?  
 25 A. Yes, I definitely could have been and should have been

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1 bolder in making that point in that email, yes.  
 2 Q. Now, let us turn back to {F/379/1}. The rest of the  
 3 paragraph — we are sticking with the voice only  
 4 category:  
 5 "Any product decisions [I think that should be  
 6 'product' decisions] these customers do make are based  
 7 on significant headline price points (Line Rental or  
 8 Home Phone Saver — £20.99). Although broadband upsell  
 9 in the aim is to make these customers stickier?  
 10 A. Yes.  
 11 Q. "... is an opportunity to support broadband growth,  
 12 aggressive deals to date have not persuaded them to  
 13 take-up broadband. Therefore a step change here is  
 14 unlikely."  
 15 A. So obviously you've gone from my comments into Arti's  
 16 original there in the way you have read that. It  
 17 probably needs to be looked at compartmentalised. Arti  
 18 is saying originally what I read, because it did not  
 19 have my blue edit when I first read it, it did not have  
 20 my comments in it when I first read it is that although  
 21 broadband upsell is the aim here to make customers  
 22 stickier aggressive deals to date have not persuaded  
 23 them to take up broadband.  
 24 I think the point I am making here is when the —  
 25 and we are talking here about ASA changes, that is why

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1 I am having this conversation and so the change to  
 2 integrate grate the price of broadband and Line Rental,  
 3 people in this cohort in the BT landline only customer  
 4 cohort would understand their price as, I cannot  
 5 remember where we are in time for the price of Line  
 6 Rental but I think £17.99 or 16.99 at this point they  
 7 would understand their Home Phone Saver as being £19.99,  
 8 we would then show them a price for broadband at, say,  
 9 for example a price of £25 and that would not be  
 10 a significant jump, because they are already used to  
 11 this kind of large headline price point. As opposed to  
 12 the marketing of broadband at the time which was  
 13 broadband for £5, right, and that kind of association  
 14 with broadband being a cheap service. It was broadband  
 15 for £5, asterisks, including Line Rental of £15/£16  
 16 whatever. So that is the —

17 THE CHAIRMAN: That is the plus Line Rental.

18 A. Plus Line Rental, exactly. Sorry, plus, absolutely  
 19 right, sorry, so that is the distinction I am trying to  
 20 draw here in terms of the behavioural way these  
 21 customers shop or behave. That is the point I am  
 22 making.

23 MS KREISBERGER: But the point on the email that you have  
 24 endorsed is that aggressive deals to date have not  
 25 persuaded them to take up broadband, therefore a step

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1 change here is unlikely. You do not expect the  
 2 voice only Class to switch to a bundle, do you?  
 3 A. We definitely expected a fewer of them to switch to  
 4 a bundle than the bottom section, those with broadband  
 5 with another provider. But, yes, so I am commenting,  
 6 building on Arti's version of our conversation here.  
 7 Just on the point on endorsement, which I think is  
 8 a bit strange, I am adding some more to it to make it  
 9 more reflective of our conversation. Obviously the  
 10 conversation happened in 2015. I cannot recall  
 11 everything that we said to each other in detail but  
 12 those are the adds I am making there. That is true.  
 13 Endorsement with a smiley face — endorsement is  
 14 probably a bit strong but those are the additions that  
 15 I am making.

16 Q. I will try it one more time, Mr Bunt. This email notes  
 17 you and Ms Babbar that aggressive deals to date have not  
 18 persuaded Voice Only Customers to take up broadband  
 19 a step change here is unlikely?

20 A. Yes, that is right, and I stand by that position.

21 Q. Right, let us move to the last category.

22 THE CHAIRMAN: Well —

23 MS KREISBERGER: Ah, sorry, would you like to finish this  
 24 document or ...

25 THE CHAIRMAN: If it is not going to take too long.

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1 MS KREISBERGER: I do not think so. Thank you.

2 Just looking at what you say about split supplier  
 3 customers. So these are split purchasers who have  
 4 landline with you and broadband with someone else. You  
 5 say:

6 "These customers are likely to be highly inert  
 7 whilst also having a strong brand affiliation with BT  
 8 specifically as a landline provider."

9 That is right?

10 A. The email has jumped off the screen while you were  
 11 talking.

12 Q. I am so sorry, let us get that back up.

13 A. While we get it back can I just make one further point  
 14 on that middle section on solus voice which is  
 15 responsive to your question, just to say, it should have  
 16 occurred to me a moment ago, I think it is important to  
 17 note here that like this group by definition have not  
 18 taken broadband, otherwise they would not be in this  
 19 group. So we have offered them attractive broadband  
 20 deals and they have not taken them. If they had taken  
 21 them, they would no longer be in that section of  
 22 landline only customers. I think that is important to  
 23 distinguish.

24 Q. That is right.

25 A. Okay, sorry.

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1 Q. So moving to split supplier customers, broadband with  
 2 another provider, you describe these customers as  
 3 "likely to be highly inert whilst also having a strong  
 4 brand affiliation with BT specifically as a landline  
 5 provider"?

6 A. Yes, Arti uses that language, yes, absolutely.

7 Q. You say:

8 "These customers have not reacted to FREE deals  
 9 advertised so unlikely threat for competitors to gain  
 10 line through consolidation."

11 A. Yes, that is what Arti says and I challenge that in my  
 12 last line.

13 Q. Yes. You say:

14 "This segment might become more desirable for  
 15 competitors to pursue as consolidation for this base  
 16 looks the same before and after the change."

17 A. Yes, and what I mean by that is whereas now for  
 18 everybody else broadband has gone from being £5 in the  
 19 advert to £20 or £25 in the advert, for this base  
 20 because they already have a line, talking about  
 21 broadband for them is this much catchier sort of £5  
 22 number because they already have a line from somewhere  
 23 else. The integration does not change the position for  
 24 those customers. That is what I am saying.

25 Q. These customers who are likely to be highly inert, that

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1 means their price—insensitive, does it not?  
 2 A. I think they were quite a mysterious group this to us.  
 3 I think there is a mixed bag here. We have not talked  
 4 about it on other questions so if you do not mind I will  
 5 elaborate quickly, which is to say there were many  
 6 customers in this group that we thought were getting  
 7 incredibly good broadband deals, so free broadband or  
 8 similar when they took Sky TV as an example of a deal.  
 9 So their inertia would not necessarily be because  
 10 they were price insensitive. It might actually be  
 11 because they were very rational. They were not acting  
 12 because they already had the best possible deal  
 13 i.e. free broadband.  
 14 There will be some customers in that base who would  
 15 have been paying more for standalone broadband from  
 16 other providers. I do not — we did not know who they  
 17 were taking their broadband from and how much they were  
 18 paying at an individual customer level. But we were  
 19 certainly aware of those deals like the one I describe  
 20 from Sky that would have meant a very rational inertia  
 21 for those customers.  
 22 Q. Yet what you say on the email is that these customers  
 23 have a strong brand affiliation with BT specifically as  
 24 a landline provider?  
 25 A. Arti says that, and I think that is right, because for

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1 those customers to move their landline to Sky may have  
 2 been neutral or relatively neutral. The price would  
 3 have been the same but they remained with us for their  
 4 landline, so they valued that service from us,  
 5 absolutely.  
 6 MS KREISBERGER: Sir, I think if that is a convenient moment  
 7 and we can stop there.  
 8 THE CHAIRMAN: Just give me one moment, please. (Pause)  
 9 I checked what you said about the middle group.  
 10 That is the voice only, and you were saying effectively  
 11 that you have not persuaded them to take up broadband,  
 12 a step change is unlikely, and your answer said here:  
 13 people in this cohort in BT landline only customer would  
 14 understand their price, for example, their Home Phone  
 15 Saver as being £19.99. We would then show them a price  
 16 for broadband, say £25 and that would not be  
 17 a significant jump because they are already used to this  
 18 kind of large headline price point.  
 19 A. Yes.  
 20 THE CHAIRMAN: Just what did you mean by that?  
 21 A. Shall I elaborate on that?  
 22 THE CHAIRMAN: Please.  
 23 A. Sure, of course. So it is really hard to conceive now  
 24 because the broadband has changed as a result of the ASA  
 25 intervention but we were having this conversation prior

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1 to that. So it was very typical at the time to see  
 2 broadband advertised for £5 or even as free in some  
 3 cases. A lot of customers therefore would take  
 4 broadband plus Line Rental, as you pointed out before,  
 5 but would kind of associate their kind of primary price  
 6 point in their head as being this free or £5 thing which  
 7 is why the ASA change was implemented to make sure  
 8 customers had a better view of the overall value of what  
 9 they were buying.  
 10 That is not the case for this group we are talking  
 11 about here because the primary product they are buying,  
 12 the main association is the Line Rental or Home Phone  
 13 Saver or equivalent product. That is a higher price,  
 14 high teens, typically £20 maybe, and therefore when  
 15 presented with a £25 product that might be perceived as  
 16 a 5 to £10 jump rather than the kind of change we were  
 17 considering for the whole base of £5 all of a sudden  
 18 becoming £25 in an advert. So that is the difference.  
 19 THE CHAIRMAN: Therefore, are you meaning that should have  
 20 been attractive to them?  
 21 A. It might make it more attractive to them.  
 22 THE CHAIRMAN: Because in their eyes they are already paying  
 23 this significant amount of, say, £20 a month?  
 24 A. Exactly.  
 25 THE CHAIRMAN: Then they are told yes, but you can get the

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1 bundle for £25 a month and yet they did not jump.  
 2 A. No, many of them did jump but we were sort of  
 3 speculating because it has not happened yet as it has  
 4 not happened yet as to how this base is going to —  
 5 THE CHAIRMAN: That is what I am trying to ask, but you say  
 6 here: is an opportunity but the aggressive deals to date  
 7 have not persuaded them to take broadband.  
 8 A. That is absolutely true.  
 9 THE CHAIRMAN: So presumably the aggressive deals, which to  
 10 them might not seem like a big deal because they are  
 11 just changing from 20 to 25, has not persuaded them and  
 12 so a step change is unlikely.  
 13 A. So no, the aggressive deals they would have been seeing  
 14 at this point would have been free or £5 because we are  
 15 still in pre—ASA world. Yes, it has not had the desired  
 16 effect.  
 17 Now, those aggressive deals in general which are  
 18 applying to all three categories here have become for  
 19 the most part or to a bundle customer less attractive  
 20 because all of a sudden you are looking at this heavier,  
 21 price point but that is not the case for this group  
 22 because of their —  
 23 THE CHAIRMAN: No, sorry to labour the point. I follow  
 24 that. It would not be such a change in perception  
 25 because they are already paying this £20 thing, so they

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1 are used to seeing a total figure in that region.  
 2 A. Yes.  
 3 THE CHAIRMAN: But what is your conclusion here: but still  
 4 they did not appear to be moving?  
 5 A. It is definitely true we had already tried to transact  
 6 with this base. We are talking here in the pre-ASA  
 7 stage. We have tried hard to sell broadband to these  
 8 customers and those that remain have not taken it.  
 9 Obviously those who have taken it —  
 10 THE CHAIRMAN: Obviously some have, all right. Thank you.  
 11 Quarter past 2, please. Thank you.  
 12 (1.15 pm)  
 13 (Luncheon Adjournment)  
 14 (2.15 pm)  
 15 THE CHAIRMAN: Yes, Ms Kreisberger.  
 16 MS KREISBERGER: Good afternoon. Thank you.  
 17 Mr Bunt, let us have a look at some strategy  
 18 documents on voice price rises. If we could go to  
 19 {F/180/1} on the EPE. You do have a hard copy of this  
 20 one.  
 21 Right, so that is a document called "Returning to  
 22 Profitable Revenue Growth in UK Consumer and Business  
 23 Markets. March 2012 Board Strategy", and it refers to  
 24 Mr Patterson who was CEO at the time. So this pre-dates  
 25 your time in voice?

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1 A. It does.  
 2 Q. Let us move forward to page 17. You see the heading  
 3 there:  
 4 "We will maximise value from our legacy fixed voice  
 5 business and build new personal communications offers."  
 6 Then in the bottom left-hand box:  
 7 "Overall the fixed voice market is in decline.  
 8 "We are managing revenue and margin via price rises  
 9 and migration to unlimited plans."  
 10 So before your time, but this document shows that  
 11 BT's board recognised back in 2012 that the fixed voice  
 12 market is a market in decline —  
 13 A. Yes.  
 14 Q. — and that this created a problem of declining revenue?  
 15 A. Yes, it meant that the revenue for that market would  
 16 decline as well, yes.  
 17 Q. Yes, and that is a problem that the board proposed  
 18 managing via price rises?  
 19 A. Also migration to unlimited plans.  
 20 Q. Yes. Let us have a look at some strategy documents,  
 21 again on voice price rises. Sorry, I am going to go  
 22 forward. Yes, this is in your time as General Manager  
 23 at Voice in 2017. That is {F/833/1}. This is also in  
 24 your hard copy bundle.  
 25 A. Thank you.

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1 Q. So the date of these slides is 14 July 2017.  
 2 A. Yes.  
 3 Q. Just to situate the document, could I ask you to turn to  
 4 page {F/833/6}. This slide summarises "Dynamics of base  
 5 that cannot be priced". The first box relates to "Truly  
 6 Solus Customers":  
 7 "Voice customers who do not take broadband with BT  
 8 or any ... [communications provider]."  
 9 "Will be subject to price cap regulation by Ofcom  
 10 (initial £[6] reduction and further price increases to  
 11 LR/plans capped at CPI), though PPM and call products  
 12 can be adjusted."  
 13 So that is the Voice Only Customers who received the  
 14 Carmen discount.  
 15 Then "BT Basic":  
 16 "Low Line Rental, call allowance and monthly price  
 17 cap for qualifying customers.  
 18 "Price not historically changed and difficult to  
 19 achieve politically."  
 20 So that is BT Basic.  
 21 Then thirdly, "Home Phone Saver":  
 22 "Line Rental, calls and features bundle.  
 23 "Price of package guaranteed for promise period  
 24 (latest 2020)."  
 25 So these are three groups of customers who, by

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1 July 2017, you could not increase the price to?  
 2 A. I mean, it is definitely the case on Home Phone Saver.  
 3 On BT Basic we did not want or feel that we could, and  
 4 on truly solus, we had not reached the commitments with  
 5 Ofcom yet and got the wrong number in there of £6,  
 6 because we are still negotiating or still talking to  
 7 Ofcom, but that is — that will eventually be treated by  
 8 the time we do the price changer.  
 9 Q. So that is right then?  
 10 A. Yes.  
 11 Q. If we go forward to page {F/833/9}. Could you, Mr Bunt,  
 12 perhaps if you could just read to yourself, and then  
 13 I will take you through it, "Strategic Considerations  
 14 and Key Principles". (Pause)  
 15 A. Okay.  
 16 Q. So the first set of bullet points under "Strategic  
 17 Considerations", this confirms what I just put to you  
 18 about the former slide, so these are customers to whom  
 19 you could not increase the price:  
 20 "The base of customers from which we can price  
 21 change has decreased."  
 22 That includes the Carmen discount?  
 23 A. It does.  
 24 Q. Perhaps for the Tribunal's benefit, PCPs are  
 25 personalised calling plans, and BB Plus is a broadband

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1 product with out—of—contract price increases.  
 2 So you are referring to customers, that you cannot  
 3 raise their prices, and what you draw from this is:  
 4 "This means we have an even greater challenge to  
 5 using price change to meet MTP ..."  
 6 Medium term planning.  
 7 A. Yes.  
 8 Q. "... we need an intelligent approach to pricing what  
 9 remains in our control."  
 10 So you are looking here at where you can put  
 11 the price up, excluding these customers?  
 12 A. That is right.  
 13 Q. Then we move down to "Key Principles":  
 14 "Price rises should be shared across products based  
 15 on:  
 16 "Price history ...  
 17 "Current assessment of [value for money] as  
 18 perceived by customer and relative to competition ...  
 19 "Price elasticity (what is likely to happen as  
 20 a result)."  
 21 Then you say this:  
 22 "Products should not be excluded arbitrarily from  
 23 price changes, owing to the fact that we have a smaller  
 24 pool of products/props to play with."  
 25 So, again, you are looking to see where can you put

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1 prices up?  
 2 A. Yes.  
 3 Q. You then make the point that up—selling to bundles or  
 4 up—spinning is rational because it is profitable to BT.  
 5 Then you say this, the last two bullet points on the  
 6 slide:  
 7 "Price changes are a key source of value for the  
 8 business and commensurate business effort should be  
 9 embraced (i.e. [do] not put too high a premium on  
 10 ease/simplicity)."  
 11 Then your final point there is:  
 12 "We should recognise declining markets and price  
 13 accordingly to maximise value (e.g. split purchase  
 14 Solus)."  
 15 So, Mr Bunt, here you are recognising that split  
 16 purchasers, they make a declining market?  
 17 A. Yes, they do.  
 18 Q. Your strategy for that declining market is to maximise  
 19 value through pricing to them?  
 20 A. Yes, that is true.  
 21 Q. That just means charging split purchasers higher prices?  
 22 A. I think it does, yes.  
 23 Q. If we turn back to your statement, if we go to your  
 24 third statement at paragraph 26, {D/3/7}.  
 25 A. Page 9, paragraph 36, did you say?

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1 Q. Sorry, paragraph 26.  
 2 A. Sorry, got it.  
 3 Q. Mr Bunt, your evidence here is that the primary way that  
 4 the Voice Division seeks to drive revenue growth is to  
 5 get landline customers to take a bundle, usually  
 6 a broadband bundle. You say this is and always has been  
 7 the primary way that BT drives revenue, converting  
 8 customers to bundles.  
 9 A. It was always the best outcome for us, absolutely, to  
 10 get the customer to (inaudible).  
 11 Q. You make the first point in your first statement, at  
 12 paragraph 33. You say that conversion goal is a key  
 13 driver?  
 14 A. I do.  
 15 Q. But the document I have just shown you in 2017 suggests  
 16 that the key driver of BT's strategy to split purchasers  
 17 was to charge them high prices to maximise value from  
 18 this declining base?  
 19 A. I think — I am not sure it shows that. It definitely  
 20 says that is a thing we are doing in general across the  
 21 base. It uses Split Purchase Customers as an example,  
 22 which I agree with. I do not think it is saying that is  
 23 the key objective for that base.  
 24 Q. It is just the objective recorded —  
 25 A. It is certainly —

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1 Q. — on that document?  
 2 A. Sorry, to interrupt you. It is certainly preferable for  
 3 us if those customers take broadband. That would always  
 4 have been a preferable situation.  
 5 Q. But that is not noted on that document?  
 6 A. It does not say that there.  
 7 THE CHAIRMAN: Just one moment, please. (Pause). Yes.  
 8 MS KREISBERGER: Moving to a different topic. Mr Bunt, if  
 9 you could take up your witness statement, the second  
 10 statement, at paragraph 44, please, at {D/2/12}.  
 11 A. I have {D/2/13} for paragraph 44.  
 12 Q. D2 should be page 12 — page 13, paragraph 44.  
 13 {D/2/13}.  
 14 Here, Mr Bunt, it is your evidence that between 2013  
 15 and 2019 BT used consumer price change revenue to part  
 16 fund consumer investments, like installing 5G towers,  
 17 underground fibre—optic lines, and acquiring the  
 18 Champions League rights?  
 19 A. Mm—hm.  
 20 Q. Let us go back to your annual price change paper. That  
 21 is at {F/310/1}. I have shown you this before.  
 22 A. Yes.  
 23 Q. You will recall this is your paper where you refer to  
 24 super—inflationary price increases on largely inelastic  
 25 products.

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1 I said we would come back to your third point. Here  
 2 you say this capital provides the oxygen for our  
 3 business in the sense of its investment in content  
 4 spectrum etc.  
 5 I am sorry, that is page 2. That is the one.  
 6 Perhaps we could blow up "Background". That is it.  
 7 Thank you. {F/310/2}  
 8 You say here that price rises on inelastic products  
 9 have a significant upside for the business?  
 10 A. Okay.  
 11 Q. You say that they generate oxygen for your business, and  
 12 oxygen is capital to invest in "content, spectrum,  
 13 etc."?  
 14 A. Yes.  
 15 Q. Again, "content" refers to the pay TV channel, for  
 16 example, BT Sport?  
 17 A. Yes.  
 18 Q. As you say in your witness evidence?  
 19 A. Absolutely.  
 20 Q. "Spectrum" refers to radio spectrum used by mobile  
 21 phones?  
 22 A. Yes, I think so, yes.  
 23 Q. Mr Bunt, those products are not part of the SFV services  
 24 that --  
 25 A. They are not.

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1 Q. They are products that are supplied to mobile customers  
 2 in terms of spectrum?  
 3 A. Yes.  
 4 Q. Champions League is provided to pay TV customers?  
 5 A. Yes, and broadband.  
 6 Q. Broadband customers?  
 7 A. Yes.  
 8 Q. They are often sold in a bundle?  
 9 A. Absolutely.  
 10 Q. So the revenue generated by landline only customers was  
 11 being used to invest in mobile and pay TV products?  
 12 A. The revenue generated from price increases landline only  
 13 customers, and all other customers being a part of that.  
 14 Q. On inelastic products, that is what you say --  
 15 A. It says it there, it definitely does. But also for all  
 16 products, revenue from price changes was invested.  
 17 Q. Mr Bunt, you also say in your evidence that BT was using  
 18 the price change revenue to invest in underground  
 19 fibre-optic lines?  
 20 A. Yes.  
 21 Q. That is funding BT's wholesale network business, is it  
 22 not?  
 23 A. That is not quite what I mean there, so let me clarify  
 24 that.  
 25 So the fibre roll-out you are referring to, the

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1 wholesale element done by Openreach, provides the last  
 2 mile of fibre-optic cables. But there is also  
 3 investment for individual downstream CPs to make in  
 4 order to consume that product. So without getting --  
 5 I am not an expert here.  
 6 THE CHAIRMAN: I would like a little clarification, because  
 7 we asked about this the other day. Because I had rather  
 8 simplistically thought that the fibre, instead of the  
 9 copper, is also part of the infrastructure which is  
 10 provided by Openreach, so why is BT investing in it? So  
 11 can you explain very briefly the fibre bit that BT is  
 12 dealing with.  
 13 A. I will do my best just to make the point. I am not  
 14 a networks expert.  
 15 THE CHAIRMAN: No, I am not going to hold you to anything,  
 16 but just so we have an idea.  
 17 A. My understanding of how it works is you effectively have  
 18 the access network, so that is the Openreach built and  
 19 funded element of what we call the last mile of  
 20 broadband, so from the telephone exchange to the  
 21 customer's premise, but then each CP will have its own  
 22 core network.  
 23 THE CHAIRMAN: CP being?  
 24 A. Communications Provider, so Sky --  
 25 THE CHAIRMAN: BT and its competitors.

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1 A. -- in this case BT Consumer --  
 2 THE CHAIRMAN: Yes.  
 3 A. -- will have its own core network that will actually --  
 4 I am really not technical here, but the data travels  
 5 through that as well, and as you roll out fibre, and the  
 6 capacity of data being used by customers on the network  
 7 increases, because they have more bandwidth over the  
 8 fibre cables rather than the copper cables, you need to,  
 9 in turn, expand the capacity of your core network to  
 10 process that.  
 11 It is not the same scale of investment, but there is  
 12 a significant investment made. Many millions of pounds,  
 13 £20 million a year, that kind of range.  
 14 THE CHAIRMAN: Each CP has their own separate core network?  
 15 A. Exactly. Certainly BT did, Sky did, TalkTalk did,  
 16 exactly.  
 17 THE CHAIRMAN: To that extent, they are not sharing --  
 18 whatever fibre thing they are doing, they are not  
 19 sharing it. They each have to do --  
 20 A. That is right, they are not sharing. It is a benefit to  
 21 BT customers.  
 22 THE CHAIRMAN: Thank you.  
 23 MS KREISBERGER: Let us move forward to {F/351/1}. You have  
 24 this one in your bundle.  
 25 A. Thank you.

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1 Q. You see that is a strategy document, "Consumer Voice  
2 Strategy 15/16 onwards".  
3 If we go down to page {F/351/3}. Again, just to  
4 situate it, you were senior propositions manager of  
5 voice at this point?  
6 A. That is right, yes.  
7 Q. You see there the heading "Revenue Optimisation", and  
8 then the subheading "Context". Perhaps we could zoom in  
9 because it is rather tiny text.  
10 It says:  
11 "Pricing remains significantly net profit accretive,  
12 generates oxygen for investment but also hurts our  
13 business as Line Rental price climbs:"  
14 Then if we go down to "Further Background", just --  
15 yes:  
16 "In 2011 we made a 5% increase in [Line Rental] with  
17 RPI at 5.2%, 2014 was 6 times RPI, whilst Rail fares  
18 increased by just 2.2% and energy suppliers held/lowered  
19 prices.  
20 "Our Back Book increasingly over-indexes on share of  
21 Voice variable and fixed revenues suggesting high usage  
22 and inertia."  
23 Pausing there.  
24 Mr Bunt, this slide acknowledges three things, does  
25 it not? First of all, that Line Rental prices were

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1 escalating?  
2 A. It does acknowledge that, yes.  
3 Q. This strategy document observes that these increases  
4 were well above the increases in rail fares and energy  
5 prices?  
6 A. Yes, that is right.  
7 Q. They were six times RPI?  
8 A. That is what it says. I cannot recall the RPI bit.  
9 Q. Secondly, it says these climbing prices have generated  
10 significant net profits for BT?  
11 A. You mean in the first sentence? Yes, okay.  
12 Q. Lastly, these net profits can be used to fuel  
13 investments. We see there the same term, "oxygen for  
14 investment"?  
15 A. It says that. It says other things as well, like it  
16 also hurts our business, and it points to concerns  
17 around value for money perception and things like that,  
18 but those things that you raised are definitely there.  
19 Q. We will have a look at some of this. If we stay with  
20 this document and go down to the left-hand side box,  
21 headed "Deliverables", on this page. You see there the  
22 second box under "Deliverables":  
23 "Price changes that don't stand out."  
24 You see there BT is contemplating a smaller price  
25 change compared to the 15/16 price change, aimed to

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1 align with RPI:  
2 "Smaller scale price change compared to 15/16 --  
3 aimed to align with RPI.  
4 "This approach will help to curb a falling value  
5 perception and might offer a meaningful alternative to  
6 price change."  
7 As you noted, Mr Bunt, you see there a concern that  
8 spiraling prices since 2009 might hurt BT's business.  
9 But that is not what happened, is it?  
10 A. We did not move to inflation-linked mechanisms for  
11 another three or four years after that point.  
12 Q. So six months later, six months after this document  
13 in September 2015, we had the Laika price change which  
14 we have talked about, and that was £1 on Line Rental?  
15 A. That is right, absolutely, yes.  
16 Q. Then in July the following year, 2016, another £1 on  
17 Line Rental?  
18 A. That is right.  
19 Q. I want to show you an email exchange, Mr Bunt, from  
20 21 August 2015. That is {F/323/1}. If we go down to  
21 page 2, you see an email there from a journalist called  
22 Mark Jackson. He emails Kina Kara at BT and he says  
23 this:  
24 "Hi Kina. Regarding the planned BT Consumer price  
25 rise for Line Rental (£16.99 per month to £17.99), can

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1 you tell us what aspects have caused the cost of Line  
2 Rental to rise so sharply this year given that inflation  
3 has been virtually flat?"  
4 Kina Kara responds, do you see that, Mr Bunt --  
5 A. I do.  
6 Q. -- at page {F/323/1}:  
7 "[Here is] a comment you can attribute to a BT  
8 [Spokesman]:  
9 "We are sensitive to the economic timings and we  
10 realise no-one welcomes a price rise. We are investing  
11 heavily in order to offer some of the best value bundles  
12 of lines, superfast ... broadband and TV for new and  
13 existing customers. We have looked after the most  
14 vulnerable customers by keeping BT Basic the same price  
15 of just £5.10 a month and adding the option of  
16 a broadband bundle for just £9.95, which is the cheapest  
17 in the UK."  
18 "Specifically, at BT, a line and Infinity is now 23  
19 per cent cheaper than five years ago. We are also  
20 giving value back with a 'double your data' offer for  
21 broadband customers ... a broadband ..."  
22 Mr Jackson replies on page 1:  
23 "Hi Kina. Yes but I asked what factors were  
24 impacting the price rise on the phone Line Rental  
25 specifically."

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1 Miss Kara then forwards this email to you and says:  
 2 "Do I need to say that the investments we are making  
 3 affect all our rises?"  
 4 We just saw your evidence on the investments.  
 5 You say this. You say:  
 6 "That would be my approach."  
 7 "His original question assumes there is a cost based  
 8 cause for increasing Line Rental which there isn't."  
 9 "We can't answer in that way, so I would keep it  
 10 vague."  
 11 Mr Bunt, so you are acknowledging here, internally  
 12 to your colleague, that Line Rental price increases are  
 13 not caused by cost increases?  
 14 A. Not direct cost increases. Per the graph you showed  
 15 before, with the price of WLR ...  
 16 Q. There is a disconnect. But you do not want to say that  
 17 to the journalist, so you tell her to "keep it vague"?  
 18 A. I do not think you can give a direct attribution of cost  
 19 to it. No, "We can't answer in that way", as I say, so  
 20 we talk more broadly -- maybe "broadly" would be  
 21 a better term rather than "vague" -- about our other  
 22 investments.  
 23 Q. Keep it broad, talking about bundles.  
 24 Let us have a look at another email exchange, it is  
 25 {F/826/1}.

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1 Now, Mr Bunt, this is an email from James Tickel.  
 2 If we could go down to page {F/826/3} of this document.  
 3 It is from Mr Tickel to Stuart Murray and Mark Shurmer.  
 4 Stuart Murray is at this time director of regulatory  
 5 affairs for BT Consumer, and Mark Shurmer is BT's group  
 6 director of regulatory affairs at this time. We see  
 7 there the subject is "Current version ..."  
 8 Now, these are emails regarding slides for a meeting  
 9 between John Petter, CEO of BT Consumer, with  
 10 Sharon White, who was head of Ofcom.  
 11 Now, I do not have Mr Murray here in these  
 12 proceedings so I am going to ask you about these emails.  
 13 A. Okay.  
 14 Q. I know you are not on the email chain.  
 15 Now, Mr Tickel poses what he describes as the  
 16 "Trickiest Q", the trickiest question:  
 17 "Why have you/others been focusing on price  
 18 increases on Line Rental and calls charges?"  
 19 Mr Murray responds:  
 20 "Whatever the answer, it's unlikely to be  
 21 attractive ..."  
 22 He then goes on to -- he offers a story. He says  
 23 that:  
 24 "Story is probably not that there is a focus on  
 25 increasing line charges, rather [the story is] there has

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1 been a focus on the vast majority of customers who buy  
 2 dual/triple play and getting the pricing right for those  
 3 customers [for the bundle customers]. And solus has  
 4 been a secondary consideration, rather than primary  
 5 focus?"  
 6 Mr Bunt, what Mr Murray is saying here is the story  
 7 that we can develop for Ofcom is that essentially BT has  
 8 not been paying much attention to standalone prices.  
 9 That is right, is it not?  
 10 A. I do not think he is saying it is a story we can develop  
 11 for Ofcom. I think he is using the word "story" --  
 12 I would probably say the word "narrative" is more  
 13 appropriate here -- as a description of what we were  
 14 doing when we executed our price changes and --  
 15 Q. So to use your word, the "narrative" is that --  
 16 A. "Description" would be a good word, yes.  
 17 Q. The "description" if you prefer?  
 18 A. Yes.  
 19 Q. Is that solus customers have been left behind, they are  
 20 not the primary focus? So I think the -- yes, I think  
 21 the implication of the "Trickiest Q" below is that they  
 22 are the primary focus of pricing, and we are looking to  
 23 rebut that. So you are focusing your price increases on  
 24 Line Rental and call charges and, as we discussed, they  
 25 affect the whole base. That is not targeting solus

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1 customers, which is the -- part of the subject of the  
 2 meeting.  
 3 Q. Mr Bunt, I appreciate your evidence is everything  
 4 applied to all the voice customers, but Mr Murray here  
 5 says "solus has been a secondary consideration". Solus  
 6 is standalone fixed voice?  
 7 A. It is, yes. You are asking me to sort of interpret what  
 8 someone else is saying here, and I am doing my best to  
 9 do that.  
 10 Q. I appreciate you are doing your best.  
 11 Mr Murray recognises that arguing that solus has  
 12 been a secondary consideration rather than a primary  
 13 focus is not a very attractive story?  
 14 A. I do not think it says that. I think it says ...  
 15 Q. He says:  
 16 "Whatever the answer, it's unlikely to be attractive  
 17 ..."  
 18 Does that not mean any answer is unlikely to be  
 19 unattractive?  
 20 A. Yes, that is what he means there. Then I think he then  
 21 puts his best foot forward as to how he would describe  
 22 what is going on to Ofcom, and that is what he is doing  
 23 there.  
 24 Q. That is right, that is his best foot forward.  
 25 We see him raising the same concerns a few months

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1 later. Let us go to {F/472/1}. This is an email thread  
 2 from 13 July 2016. Just to situate this document, we do  
 3 not need to turn it up, but you say at paragraph 117 of  
 4 your second statement that Stuart Murray had a meeting  
 5 with Ofcom in early June 2016. You did not attend that  
 6 one?  
 7 A. No.  
 8 Q. There was then a follow-up meeting on the 20th June 2016  
 9 which you did attend?  
 10 A. I think so.  
 11 Q. You are welcome to refresh your memory, Mr Bunt. That  
 12 is at 117 of your witness statement, your second  
 13 statement. (Pause)  
 14 A. Yes, it definitely says that, yes.  
 15 Q. You say at paragraph 127, that is {D/2/37}, that  
 16 following these meetings, BT made an offer to freeze  
 17 the price of Line Rental for two years. That was the  
 18 offer on the table?  
 19 A. That is right. That is right.  
 20 Q. So if we come back to {F/472/3}, you see that Mr Murray  
 21 attaches two draft letters to Ofcom setting out these  
 22 proposals:  
 23 "... attached are two draft letters for Ofcom  
 24 setting out our proposals."  
 25 You say that Jonathan Oxley — sorry, Mr Murray says

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1 Jonathan Oxley is still of the mind that BT is making  
 2 excessive returns on solus voice.  
 3 A. Sorry, where are we?  
 4 Q. The very bottom of page 3:  
 5 "On solus voice, Lindsey seemed much more  
 6 sympathetic than Jonathan, with Jonathan still of the  
 7 mind that we're making excessive concerns and appearing  
 8 somewhat less than impressed with our offer."  
 9 Do you see that there?  
 10 A. I do see that.  
 11 Q. Then let us go up to page {F/472/2}. You see there an  
 12 email from Mr Tickel, his name appears right at the  
 13 bottom of page 1, 14 July 2016, to Meg Blight,  
 14 Stuart Murray, Dee Cheek in the addressees.  
 15 It says:  
 16 "Is there anything we can add in here about cost  
 17 pressures and why we and other players have been looking  
 18 to increase certain charges? The strength of points in  
 19 the letter is undermined by [the] fact that in  
 20 competitive markets with informed and engaged customers,  
 21 prices would be expected to converge towards efficient  
 22 costs."  
 23 We have already had your evidence that the costs are  
 24 not a justification for the price increases?  
 25 A. No, that is — what I said was the WLR costs are falling

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1 over that period, but other costs in the business are  
 2 increasing.  
 3 Q. Then let us go up to Mr Murray's response at the top of  
 4 page 1, {F/472/1}:  
 5 "James, I get your point about prices falling  
 6 towards efficient costs, but ... the problem here is  
 7 that Jonathan [from Ofcom] would say, looking at costs  
 8 from a solus lines and calls made over those lines  
 9 perspective only, that we are making a significant  
 10 return. Whilst we can argue that the revenue and profit  
 11 made on calls has reduced as (i) call volumes have  
 12 reduced, and (ii) more customers take — to a greater or  
 13 lesser extent — inclusive call packages, the high  
 14 profitability that Jonathan points to, does persist?  
 15 I'm not sure how we get round this? I don't see an  
 16 obvious argument to justify (in a way that would satisfy  
 17 Jonathan) why Line Rental has increased at the rate that  
 18 it has (leaving aside the justification this year  
 19 created by the change in care level)?"  
 20 Mr Bunt, Mr Murray is here saying that it is the  
 21 rate at which Line Rental has increased that cannot be  
 22 justified, is he not?  
 23 A. He is saying that when you take a lens and apply it just  
 24 to solus customers, so you look at this price that was  
 25 charged to all customers through the lens of

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1 a particular group to whom it was charged, then it is  
 2 harder to see a commensurate cost there. I think that  
 3 there are lots of the investments we were making at the  
 4 time that benefited the truly solus base and the SFV  
 5 base, for example, onshoring call centres, for example,  
 6 the example that Stuart raises here of care level  
 7 increases. So there is a relationship between that  
 8 price increasing and investments in products and  
 9 services for those customers.  
 10 Q. Mr Bunt, Mr Murray here, let us stick with the email,  
 11 Mr Murray says there is no obvious argument that would  
 12 satisfy Ofcom on the "rate" at which Line Rental has  
 13 increased. That is right, is it not?  
 14 A. He says that, yes.  
 15 Q. BT's strategy of maximising value from these  
 16 price-insensitive customers is not a good story for  
 17 Ofcom, is it, Mr Bunt?  
 18 A. I think Stuart has not got the whole story here, and  
 19 I am not on the email to respond, but — and I do not  
 20 know if there was a response from the likes of Meg and  
 21 Laura who remained in the voice propositions team at  
 22 that point, but — so I think the story can and should  
 23 be broadened out, but that is how he is characterising  
 24 his view there.  
 25 Q. Let us move on, Mr Bunt. Your evidence is that the

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1 reason why BT priced SFV services at a significant  
 2 mark—up to costs was to encourage the take—up of  
 3 bundles?  
 4 A. Yes.  
 5 Q. That is right, is it not?  
 6 A. That is my evidence.  
 7 Q. If we just go to your first statement, {D/1/8},  
 8 paragraph 33. You begin by saying here:  
 9 "I agree with what is said in paragraphs 66 to 68 of  
 10 the Response about the competitive factors that  
 11 encouraged providers to incentivise the take—up of  
 12 bundles including broadband."  
 13 Let us just bring up the response. That is at  
 14 {K/3/25}, starting at paragraph — perhaps we could blow  
 15 up the second, the lower half of the page.  
 16 Paragraph 67 begins:  
 17 "There was also supply—side factors supporting the  
 18 adoption of pricing strategies that favoured bundles.  
 19 BT's competitors in the provision of fixed voice  
 20 services during the Claim Period including large third  
 21 parties (such as Sky and TalkTalk) which provide fixed  
 22 voice and broadband services by paying for wholesale  
 23 access to BT's network, largely in the form of local  
 24 loop unbundling ... For these providers, the cost of  
 25 wholesale unbundling is common to the provision of

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1 downstream services provide over fixed lines. There was  
 2 therefore a strong incentive to sell customers fixed  
 3 voice and broadband: it increased the total revenue  
 4 generated over each line and allowed the provider to  
 5 spread the recovery of common costs across a broader  
 6 range of services. (The same incentive ... applied to  
 7 Virgin Media ...)"  
 8 So what is being said here is that BT competed with  
 9 Sky and TalkTalk. There was a strong incentive to sell  
 10 customers both fixed voice and broadband to spread  
 11 recovery of common costs across a greater number of  
 12 services?  
 13 A. Mm—hm.  
 14 Q. Then you see the conclusion at paragraph 68:  
 15 "It therefore was economically rational for such  
 16 providers to incentivise the take—up of bundles by  
 17 setting Line Rental prices with a relatively significant  
 18 mark—up above costs compared with the incremental  
 19 broadband (or other services') prices — a pricing  
 20 structure that makes bundles attractive compared to  
 21 standalone services."  
 22 So that is a statement you are agreeing with in your  
 23 evidence positively?  
 24 A. Yes.  
 25 Q. Let us then turn back to your witness statement, again

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1 this is your first witness statement, back to  
 2 paragraph 33 on page {D/1/8}.  
 3 Just to note the heading in your statement is:  
 4 "BT's use of pricing and marketing strategies  
 5 aligned with the Government's digital inclusion  
 6 strategy."  
 7 So here you are giving evidence on BT's pricing  
 8 strategies.  
 9 Then at 33, we saw you agree with these paragraphs  
 10 in the response. You say:  
 11 "In my role within Voice Pricing, one of the key  
 12 drivers to BT's pricing strategy was to move customers  
 13 away from voice only services to broadband and bundles.  
 14 In fact, during my whole period at BT, the overall  
 15 strategy has been to get customers online using BT's  
 16 broadband packages, which we achieved in a number of  
 17 ways ... marketing generous broadband bundle offers to  
 18 new customers; ... cross—selling of broadband packages  
 19 to existing landline only customers; and ... launching  
 20 targeted products such as BT Basic plus broadband ..."  
 21 So in other words, here you are focusing on low  
 22 prices, good offers to people to encourage them to take  
 23 up a broadband bundle?  
 24 A. Yes, as well as that of kind of, yes, creating the  
 25 balance that Line Rental and broadband — sorry,

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1 the price of Line Rental and the price of an entry level  
 2 bundle are close together, so it is a small jump for  
 3 customers to make to take broadband.  
 4 Q. So this is your evidence here, but you also adopt the  
 5 point in the response that BT price Line Rental had  
 6 a relatively significant mark—up to costs compared to  
 7 broadband, and that was to incentivise — you put the  
 8 SFV up, a high mark—up, to encourage people to buy  
 9 bundles?  
 10 A. Yes, that is right.  
 11 Q. So in other words, you are saying that BT's aim was to  
 12 make Line Rental expensive enough that standalone  
 13 customers would be discouraged by the high prices and  
 14 that would move them to a bundle?  
 15 A. I think I would flip that to say it is about making the  
 16 jump to broadband small enough to ensure it did not  
 17 create a disincentive.  
 18 Q. Well, in the response what you say is a relatively  
 19 significant mark—up to costs compared to broadband in  
 20 order to incentivise the purchase of bundles?  
 21 A. Yes.  
 22 Q. So it is a kind of nudge theory, a nudge through high  
 23 pricing?  
 24 A. I am not good on nudge theory. But the point of like  
 25 a small jump was definitely part of it. If that is

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1 a nudge, then, yes.  
 2 Q. At paragraph 34 you add that this pricing was consistent  
 3 with the Government's digital inclusion strategy?  
 4 A. Yes, the approach I think to move as many customers to  
 5 broadband as possible was consistent with  
 6 the Government's digital inclusion strategy, yes.  
 7 Q. So it is a sort of altruistic pricing mechanism to get  
 8 Voice Only Customers on to digital, the digital world,  
 9 get them online?  
 10 A. I think what we are demonstrating is that that balance,  
 11 that kind of emphasis of moving customers towards  
 12 digital inclusion, and removing barriers to adopting  
 13 digital services, and there are other examples in there  
 14 like BT Basic broadband, which is clearly doing that,  
 15 was part of our intent, yes, and that was aligned with  
 16 the Government's strategy.  
 17 Q. Mr Bunt, I have shown you a number of internal documents  
 18 today and they record a number of reasons why BT  
 19 increased the prices of SFV services. We have seen the  
 20 reasons recorded were to "drive revenue growth" from  
 21 price-insensitive customers, using your language?  
 22 A. To drive revenue growth, yes. I understand, yes.  
 23 Q. To maximise value from this legacy base of customers?  
 24 A. Mm—hm.  
 25 Q. You recall that?

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1 A. Mm—hm.  
 2 Q. Also to generate capital for investments. Not one of  
 3 the documents I have shown you today says that BT was  
 4 pricing high to standalone customers in order to tip  
 5 them into bundles; not one of the documents I have shown  
 6 you say that?  
 7 A. I do not agree with that. I think the email you showed  
 8 me, an exchange between myself and Arti Babbar, does  
 9 speak to that point, and also you selected a set of  
 10 documents rather than showing, you know, all the  
 11 documents that are written on it. So yes, in that  
 12 selection, apart from the one that I referred to, that  
 13 is the case.  
 14 Q. Let us have a look at an email from you to Chloe Graf.  
 15 It is at {F/704/7}. We see an email — can we go to the  
 16 previous page, please, and you see there the sender is  
 17 Chloe Graf? {F/704/6}  
 18 A. Yes.  
 19 Q. She was head of External Communications?  
 20 A. Mm—hm.  
 21 Q. This is 18 December 2020. The email is called  
 22 "Background briefing points on Carmen".  
 23 It is marked "high importance". She says:  
 24 "Good morning Jonny.  
 25 "I'm updating media strategy for review today. Be

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1 grateful if you could send over the points you made" —  
 2 sorry, that is the one. You might want to just blow  
 3 that up, please, for the Tribunal.  
 4 "Be grateful if you could send over the points you  
 5 made at the end of yesterday's session, regarding state  
 6 of play back in 2015 when we had the initial review with  
 7 Ofcom ..."  
 8 "General landscape, competition, key players in the  
 9 market ..."  
 10 "Hopefully we can reach general agreement that we  
 11 can provide a version of these facts on background  
 12 should the story break — I'll put it on paper alongside  
 13 statement and QA for review."  
 14 The story that might break, Mr Bunt, that is this  
 15 Class Action, is it not?  
 16 A. I assume it is. It has to be either this Class Action  
 17 or the 2021 review that I have commented about, yes.  
 18 Q. Let us go up to page {F/704/3} of this document which  
 19 should help. There is an email there from Tom Engel,  
 20 who is director of external communications, on the same  
 21 day?  
 22 A. Yes.  
 23 Q. He says:  
 24 "The background points look good and I am not the  
 25 man to critique them (so thank you Jonny!)."

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1 That is a reference to you?  
 2 A. That is me.  
 3 Q. "I do still wonder if there is a scope to snarl a bit  
 4 (on background) about fatcat law firms drumming up  
 5 vexation cases that divert resource away from building  
 6 the connectivity the UK needs, but I accept that may be  
 7 waxing too lyrical."  
 8 I think the reference to fatcat law firms is  
 9 a reference to my team. That is probably one for the  
 10 website.  
 11 If we go down to your email which is a reply to  
 12 Ms Graf. That is on page {F/704/5} of this thread. You  
 13 set out some of your thoughts on BT's defences to this  
 14 litigation. You refer to HPS and Home Phone Saver and  
 15 BT Basic and also the Post Office.  
 16 Then you say this, and that is on page {F/704/6}:  
 17 "We also showed Ofcom the below back in 2016 and  
 18 this is important too as it shows the decline in this  
 19 group over time. The point here is that our landline  
 20 only base was declining fast (25% a year) driven by  
 21 bereavement but also by competition and these customers  
 22 taking up broadband. One of the arguments for not  
 23 reducing prices sooner was that this made sure the jump  
 24 from landline only to broadband services was only £5 to  
 25 £10. The discount now makes that much greater and a big

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1 jump from landline only to broadband means there is  
 2 a risk that older users are stranded and find it harder  
 3 to take up digital services.”  
 4 Just pausing there. That is the argument you just  
 5 made to me now. That is precisely what you are telling  
 6 the Tribunal the problem is. You raise the SFV price to  
 7 minimise the jump?  
 8 A. Mm—hm.  
 9 Q. Then you say this:  
 10 “This is a nuanced argument to run because we did  
 11 eventually drop the price but the idea of waiting until  
 12 as many customers had moved over to broadband \*might\* be  
 13 credible.”  
 14 So, Mr Bunt, this argument that the reason you put  
 15 up SFV prices was to reduce the jump for Voice Only  
 16 Customers from their SFV service price to the bundle  
 17 price, you describe that as a nuanced argument?  
 18 A. It is I think for a journalist trying to write a simple  
 19 story on this it is very complicated.  
 20 Q. A tricky argument. You say it “might be credible” and  
 21 you emphasise the word “might” with stars?  
 22 A. Yes, with stars, yes.  
 23 Q. You do not sound terribly convinced about the  
 24 credibility of this argument, do you, Mr Bunt?  
 25 A. I think it is not — you know, I wished — the use of

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1 the stars are not particularly helpful there, I agree  
 2 with that. I think what I am trying to say, if I may  
 3 clarify, is any nuanced argument like this when you are  
 4 dealing with a journalist looking to write a simple  
 5 story and you are talking on background, as the intent  
 6 of this is, I think needs to be clear and accessible and  
 7 simple. As we know, there is a lot of complexity in  
 8 this topic and issue and I think this point is complex  
 9 and that is what I am talking to. I am not casting  
 10 doubt on the factual basis of it. It is true.  
 11 Q. When you say the stars are not very helpful, do you mean  
 12 not helpful to your evidence in this case, Mr Bunt?  
 13 A. Yes, essentially that is what I am saying, yes.  
 14 Q. Mr Bunt, this is another story, is it not? Mr Murray  
 15 wanted a story for Ofcom. This was a story that you put  
 16 forward for Ofcom, is it not?  
 17 A. This was a description of what we were doing in the  
 18 business at the time and this equally is a description.  
 19 Q. Mr Bunt, let us turn up your second statement, page 32,  
 20 paragraph 110. {D/2/32}. Mr Bunt, here you are dealing  
 21 with the Ofcom review, 2017. You say that:  
 22 “Ofcom’s desire to review the market for SFV  
 23 services all started with a speech by Sharon White ...”  
 24 You say at the end of that paragraph that Ofcom’s  
 25 intention to monitor Line Rental prices began with their

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1 2016 annual plan?  
 2 A. Yes.  
 3 Q. Let us turn that up. That is at {C/340.1/1}. I had  
 4 better show you the front page. Sorry, this is not the  
 5 annual plan. This is 2014. Ofcom document on the “Cost  
 6 and value of communications services in the UK”.  
 7 A. Yes.  
 8 Q. So this is in fact two years before the annual plan in  
 9 2016?  
 10 A. Yes.  
 11 Q. If we could turn to page {C/340.1/3} of this document  
 12 and if we could zoom in on the first two paragraphs,  
 13 please:  
 14 “It is now ten years since Ofcom began regulating  
 15 communications services in the UK. Over that period  
 16 the prices of core telecoms services — broadband,  
 17 landlines and mobile — have fallen to levels which  
 18 compare well with anywhere in the world.”  
 19 “This document is a review of the development of  
 20 services and their cost over that period. It sets the  
 21 UK communications sector in its national and  
 22 international context. It also considers the cost of  
 23 core communications services for UK consumers”.  
 24 If we could please go down to page {C/340.1/11}. If  
 25 we could zoom in:

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1 “Some standalone Line Rental charges have risen over  
 2 recent years but ...”  
 3 Do you see that, Mr Bunt, the heading?  
 4 A. I do.  
 5 Q. If you could go to the bottom paragraph it says this:  
 6 “Despite this range of choice and the overall  
 7 positive trend in fixed voice costs, some retail prices  
 8 for Line Rental have increased in recent years. This is  
 9 related to the fact that landlines generally tend to be  
 10 sold as a bundle with other products — historically  
 11 with voice calls, more recently with broadband. Market  
 12 competition has tended to focus on the headline price of  
 13 the bundle, which has generally fallen. Consequently  
 14 consumers buying a landline service without broadband  
 15 may not before fully from the effects of competition.  
 16 Furthermore, some providers (TalkTalk and Virgin Media)  
 17 have recently ceased their standalone landline service.”  
 18 It ends with this:  
 19 “Ofcom will continue to monitor this situation  
 20 carefully.”  
 21 Then if we could just go over the page, please,  
 22 {C/340.1/12}, you see there a graph showing the trend in  
 23 standalone rental costs. You can see BT’s line in blue  
 24 at the top there. You see wholesale Line Rental going  
 25 down. Do you see that?

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1 A. I do.  
 2 Q. By January 2014 Ofcom had confirmed its intention to  
 3 monitor standalone Line Rental prices, had it not?  
 4 A. It had.  
 5 Q. It was monitoring these prices very closely?  
 6 A. If you say so, yes.  
 7 Q. That is Ofcom's language, not mine?  
 8 A. Okay, fine.  
 9 Q. That is what the graph shows here?  
 10 A. Okay, it shows the prices, yes.  
 11 Q. Let us go to {F/229/1}. This is 5 March 2014. So this  
 12 is during your tenure as senior voice propositions  
 13 manager. This is the Project Window pricing update?  
 14 A. I do not think I have this one, do I?  
 15 Q. No, I am afraid this is on the EPE.  
 16 A. I have lots of other Window updates but not this one,  
 17 okay.  
 18 Q. Let us go down to page 4 on Fixed Phone Saver.  
 19 {F/229/4}. Do you see there, Mr Bunt, the second bullet  
 20 point?  
 21 A. Yes.  
 22 Q. So this is on the product Fixed Phone Saver back in  
 23 2014.  
 24 "Rationale", there is "PR Defence", and then the  
 25 second rationale is:

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1 "Regulatory: Strong defence against Ofcom argument  
 2 that solus voice non-switchers are being penalised."  
 3 A. Yes.  
 4 Q. So by March 2014, the date of this document, BT was  
 5 aware that Ofcom was monitoring Line Rental prices very  
 6 closely?  
 7 A. Yes.  
 8 Q. You were developing propositions as a defence to that?  
 9 A. Yes. Although it was also — I mean, it is really  
 10 important to say this proposition was primarily created,  
 11 and it is the third bullet in the rationale, to deal  
 12 with solus voice churn — actually, this will be a slide  
 13 written by Kelly Liu, but I assume that is what she  
 14 means by this slide.  
 15 Q. Mr Bunt, my question was: it is right to say that by  
 16 2014, BT was consciously developing propositions in the  
 17 knowledge that it needed a strong defence against Ofcom  
 18 argument that solus voice non-switchers are being  
 19 penalised. That is right, is it not?  
 20 A. I fully understand the point you are making. I think  
 21 the only point I would take issue with is that it was  
 22 felt that we needed it at this point. It was felt it  
 23 was helpful, contributory. Certainly it was not  
 24 negated. It is definitely mentioned here, I am not  
 25 arguing with that at all. I do not think we felt the

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1 kind of level of urgency and acute focus of Ofcom that  
 2 we did after Sharon White's speech in 2015 at this  
 3 stage. It would have been a lower key issue for us.  
 4 Q. Let us have a look at paragraph 75 of your second  
 5 statement, Mr Bunt. That is {D/2/21}. Sorry, it is  
 6 paragraph — yes. Sorry, I am on the wrong page.  
 7 You say about halfway down the paragraph:  
 8 "... I recall that at the end of January 2014, Ofcom  
 9 published the results of an investigation into the cost  
 10 and value of UK communication services. This  
 11 consultation included an assessment of Line Rental  
 12 prices across the UK, primarily in the context of  
 13 bundles and broadband. We wanted to address some of the  
 14 issues raised in the investigation (such as the  
 15 affordability of Line Rental and broadband) by  
 16 developing more propositions aimed at customers  
 17 receiving certain government benefits."  
 18 So it is your evidence, Mr Bunt, that you were  
 19 developing propositions to address Ofcom's concerns in  
 20 2014?  
 21 A. Sort of. The proposition that I then talk about us  
 22 developing is one for low cost broadband.  
 23 MR KREISBERGER: Sir, is that a good moment to pause?  
 24 THE CHAIRMAN: Yes. We will take our break now.  
 25 (3.18 pm)

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1 (A short break)  
 2 (3.30 pm)  
 3 MS KREISBERGER: Mr Bunt, let us stay with the topic of  
 4 Ofcom. I would like to show you BT's submission in 2017  
 5 in response to Ofcom's provisional conclusions. But  
 6 first, let us have a look at your witness statement, the  
 7 second statement at paragraph 113 {D/2/32}. This is  
 8 under the heading "[Your] Role in the 2017 Review". You  
 9 say:  
 10 "Once I returned to the Voice Division in  
 11 December 2016, I became involved again in the  
 12 negotiations with Ofcom about the 2017 Review, and  
 13 worked on the matter until an agreement was reached with  
 14 Ofcom in October 2017. During this period, I assisted  
 15 with the preparation of our presentations for and  
 16 responses to Ofcom. I also worked with Finance to  
 17 compile statistics that underlined the competitive  
 18 nature of the wider voice market, the potential impact  
 19 of price rental reductions above certain amounts and  
 20 characteristics of voice customer groups in terms of  
 21 their willingness to switch."  
 22 Now, Ofcom published its provisional conclusions on  
 23 28 February 2017. BT submitted a response on  
 24 19 May 2017. Mr Bunt, you helped prepare that response?  
 25 A. Contributed to, yes.

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1 Q. That is at {C/5/4}, please. I think we need to go to  
 2 the next page to see paragraph 12. {C/5/5}  
 3 So this is BT's submission and it says this:  
 4 "Going forward, the ASA's intervention (which  
 5 prevents broadband providers from advertising the price  
 6 of broadband and Line Rental separately) is likely to  
 7 change these dynamics by reducing incentives to raise  
 8 the Line Rental price. Firms may, therefore, consider  
 9 Line Rental reduction as a further means of competing  
 10 for voice-only customers alongside product innovation  
 11 and discounts (although dual play providers may still  
 12 balance this with promoting further uptake of bundles by  
 13 keeping implicit broadband prices low)."  
 14 Then if we go forward to page {C/5/16},  
 15 paragraph 58, on the same theme:  
 16 "Following the ASA rule changes, Line Rental pricing  
 17 cannot be de-coupled from the incremental broadband  
 18 price; if Line Rental prices are reduced, this does not  
 19 jeopardise competitiveness by requiring an offsetting  
 20 increase in the incremental broadband prices ... Firms  
 21 may, therefore, consider Line Rental reductions as  
 22 a further means of competing for voice-only customers  
 23 alongside product innovation and discounts ..."  
 24 Then you have the same points about dual play  
 25 providers, keeping broadband prices low.

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1 Then you say this:  
 2 "[At] section 4 of this response and Oxera report  
 3 ... which considers that these obligations alone may  
 4 address the concerns that Ofcom has raised."  
 5 So Mr Bunt, you told Ofcom that firms may start  
 6 competing for Voice Only Customers by cutting the price  
 7 of Line Rental in response to the ASA ruling?  
 8 A. BT did, yes, and I contributed to this.  
 9 Q. That is the paragraph I have just shown you.  
 10 A. Yes.  
 11 Q. What is stressed here is that this "alone" would address  
 12 Ofcom's concerns about high Line Rental prices. Last  
 13 sentence.  
 14 A. "May address", yes.  
 15 Q. "Alone".  
 16 If we go back to the Line Rental price increases,  
 17 that is at {IR-A/12/1}, we can see that after the  
 18 commitments, that is -- Table 2 is on page 10,  
 19 {IR-A/12/10}, BT increased the price of Line Rental, as  
 20 I say, after the commitments. You see that in the  
 21 column for "(for SPCs)"?  
 22 A. Mm-hm.  
 23 Q. Because of course the commitments were introduced for  
 24 voice only.  
 25 A. Yes.

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1 Q. In September 2018, in March 2020, in March 2021 --  
 2 A. Yes.  
 3 Q. -- in March 2022 and in March 2023, yes?  
 4 A. Yes.  
 5 Q. Over that period, BT increased the Line Rental price  
 6 from £18.99 to £26.35?  
 7 A. That is correct.  
 8 Q. That is a 39% increase.  
 9 So your assurance to Ofcom in 2017 that the ASA  
 10 ruling alone would deal with the problem, that proved  
 11 not to be true?  
 12 A. I do not -- I think -- I am not sure exactly what the  
 13 term "counterfactual" means, but I do not think you are  
 14 using it correctly here.  
 15 What I mean by that, let me be clear, sorry, we are  
 16 writing a response to Ofcom in a world where there has  
 17 not been a £7 decrease in the price of Line Rental for  
 18 VOCs, where we can and cannot identify SPCs and VOCs  
 19 separately. It is in a completely different context to  
 20 the one in which we then start -- we then raise  
 21 the price for SPCs.  
 22 I think the context in which you are writing that is  
 23 ahead of the change. Then a £7 price-down commitment is  
 24 made, and then you see this pricing behaviour. You  
 25 cannot compare the two.

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1 Q. So is your evidence, Mr Bunt, that without the  
 2 commitments we would have seen tumbling Line Rental  
 3 prices to Voice Only Customers?  
 4 A. I cannot know what would have happened in the future.  
 5 I think the argument we make in that Ofcom submission is  
 6 credible and we say "may" cause this. The rationale for  
 7 it is also credible prior to a reduction in the price of  
 8 Voice Only Customers, at which point the market dynamics  
 9 are completely different.  
 10 Q. You do not mention any of this in your witness  
 11 statement, do you, Mr Bunt?  
 12 A. No.  
 13 THE CHAIRMAN: Can I just ask about that, because you have  
 14 asked a couple of questions, saying it is not mentioned  
 15 in his witness statement. Are you putting to him  
 16 anything about that, like it should be in his witness  
 17 statement, or it is misleading, or something like that?  
 18 MS KREISBERGER: I am, sir, because Mr Bunt's evidence, as  
 19 I understand it now to the Tribunal, is that in the  
 20 absence of the commitments, BT would have voluntarily  
 21 charged different prices to voice only and Split  
 22 Purchase Customers.  
 23 A. That is not what it says in the Ofcom submissions and  
 24 not what I have said either. We said -- I think we  
 25 said -- if you could go back to it, we can read it, but

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1 I cannot see it on the screen right now.  
 2 Q. Yes, that is fair. Let us go back to page -- sorry, it  
 3 is {C/5} ...  
 4 MR BEARD: It is at page {Day5/148:3} in the transcript. Do  
 5 you actually want Mr Bunt's evidence:  
 6 "I cannot know what would have happened in the  
 7 future. I think the argument we make in that Ofcom  
 8 submission is credible and we say 'may' cause this."  
 9 I do not understand. Ms Kreisberger cannot put  
 10 summaries of the witness's evidence which are not  
 11 accurate.  
 12 THE CHAIRMAN: No, all right. She is going to back to ask  
 13 a supplemental --  
 14 MS KREISBERGER: Let us go back to it. {C/5/16}.  
 15 A. (inaudible).  
 16 Q. Let us take this in stages. Could we blow up  
 17 paragraph 58:  
 18 "Following the ASA rule changes, Line Rental pricing  
 19 cannot be de-coupled from the incremental broadband  
 20 price; if Line Rental prices are reduced, this does not  
 21 jeopardise competitiveness by requiring an offsetting  
 22 increase in the incremental broadband prices (which was  
 23 formerly the focus of competitive activity). Firms may,  
 24 therefore, consider Line Rental reductions as a further  
 25 means of competing for voice-only customers ..."

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1 Mr Bunt, let us pause there and let us make sure the  
 2 position is clear.  
 3 The submission to Ofcom was that, because you cannot  
 4 advertise Line Rental prices without also advertising  
 5 the incremental broadband price. From the ASA ruling,  
 6 you had to advertise --  
 7 A. I think it is the other way round.  
 8 Q. Let us put it like this: from the ASA ruling, you had to  
 9 advertise the bundle price?  
 10 A. Yes.  
 11 Q. That is what you mean here in slightly tortuous wording:  
 12 "... Line Rental pricing cannot be de-coupled from  
 13 the incremental broadband price ..."  
 14 What you mean there is BT and other providers from  
 15 that point on had to advertise the overall bundle price?  
 16 A. That is what that means, yes.  
 17 Q. That is the not de-coupling --  
 18 A. Yes.  
 19 Q. So from the ASA ruling.  
 20 The submission that BT is making to the Ofcom on the  
 21 basis of having to advertise the overall bundle price is  
 22 that:  
 23 "... this does not jeopardise competitiveness by  
 24 requiring an offsetting increase in the incremental  
 25 broadband prices ..."

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1 Again, the wording is a little difficult .  
 2 A. Yes, I agree.  
 3 Q. Pretty oblique. But let us break it down.  
 4 A. I did not write it .  
 5 Q. What it seems to be saying, your submission seems to be  
 6 saying that the requirement to give the overall bundle  
 7 price on adverts means that you no longer had an  
 8 incentive, shall we say, it does not "jeopardise  
 9 competitiveness", your words, by putting down the  
 10 incremental broadband price.  
 11 The incremental broadband price is simply what you  
 12 are attributing in the bundle to broadband.  
 13 What you are saying then, let us get to the  
 14 conclusion for Line Rental:  
 15 "Firms may, therefore, consider Line Rental  
 16 reductions as a further means of competing for  
 17 voice-only ..."  
 18 Mr Bunt, I am going to summarise it for you so it is  
 19 very clear.  
 20 A. Okay.  
 21 Q. The submission here is that the requirement to advertise  
 22 the full bundle price means that firms will consider  
 23 putting down their Line Rental price, and the reason for  
 24 that is because it is no longer the case that you can  
 25 advertise your bundle on the basis of £2.50 for

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1 broadband, let us say, or even free broadband. The  
 2 practice before the ASA ruling was to advertise a  
 3 broadband price only, and you are saying here: given  
 4 that you cannot do that anymore, you cannot just put  
 5 a broadband price, a part of the bundle price, this  
 6 might mean firms may therefore consider lower Line  
 7 Rental prices.  
 8 What you are saying, and again I am trying to  
 9 translate this slightly difficult wording, what you are  
 10 saying here is that those Line Rental prices, those  
 11 lower Line Rental prices, will be offered to standalone  
 12 Line Rental customers?  
 13 A. Can I respond? Okay. I think what this is saying is --  
 14 I agree with your summary of the first part. The  
 15 phenomenon of no longer -- of being able to just  
 16 advertise a cheap broadband price but still have  
 17 a higher bundle price because of the price in Line  
 18 Rental, that is changing with this, and therefore it is  
 19 creating the market conditions where, as we say in BT's  
 20 submission:  
 21 "Firms may ..."  
 22 So it is an option that will become available.  
 23 "... may ... consider ..."  
 24 A rebalancing or to readdress the price of Line  
 25 Rental, and that would then allow them to pursue more

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1 competitive goals in the voice only market, which at the  
 2 moment they have to, to pursue that bundle pricing  
 3 approach, they have to sacrifice. So that is possible,  
 4 I agree it is being said there.  
 5 I think the question you asked me was that if  
 6 this — if the Ofcom intervention had not happened,  
 7 would BT have put down the price of its Line Rental?  
 8 What we are saying here is the firms might do it. I do  
 9 not know what BT would have done in that situation. We  
 10 are positing here that they could do it.  
 11 Q. I want to unpack that a little further.  
 12 The first point is that the positive submission was  
 13 made that these obligations alone may address Ofcom's  
 14 concerns. That is right, is it not?  
 15 A. Yes.  
 16 Q. So it is being suggested to Ofcom that they may not have  
 17 to intervene and impose price caps because the ASA  
 18 ruling would do the job for it?  
 19 A. Yes, I think they might want to consider allowing the  
 20 market to correct without the need to intervene, which  
 21 they would generally try to do, yes.  
 22 Q. That is the submission.  
 23 Now, this argument is premised on your very clear  
 24 position that BT was charging the same prices for Line  
 25 Rental in bundles and standalone Line Rental?

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1 A. Yes, I think that is a factor here, yes.  
 2 Q. Before the commitments, before Ofcom threatened price  
 3 caps, BT charged the same prices to split purchasers and  
 4 Voice Only Customers?  
 5 A. That is right.  
 6 Q. Following the logic of your submission here, Mr Bunt,  
 7 the logic of your submission is that BT may consider —  
 8 "may, therefore, consider", using the language here —  
 9 Line Rental reductions for split purchasers. When you  
 10 put this submission in, you were charging the same Line  
 11 Rental whether someone bought broadband or not. That is  
 12 right, is it not?  
 13 A. Yes.  
 14 Q. So on this logic, as you say, split purchasers would  
 15 also get a lower Line Rental increase if Voice Only  
 16 Customers did?  
 17 A. That would be part of the trade-off we would have to  
 18 evaluate, yes.  
 19 Q. Yes. I just showed you in Table 2 that BT increased  
 20 the prices after this date to split purchasers of  
 21 standalone Line Rental five times by 39%?  
 22 A. Mm—hm.  
 23 Q. So this predicted Line Rental reduction on standalone  
 24 voice was not the approach which BT took after the  
 25 commitment. Just —

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1 A. That is true, but that is quite a reductive summary of  
 2 it, because lots of other things happened that affected  
 3 the market conditions and were behind the reasoning for  
 4 our subsequent pricing.  
 5 Q. Mr Bunt, you do not address in your evidence, and this  
 6 is the question that the chairman asked me, you do not  
 7 address in your evidence that BT submitted to Ofcom in  
 8 2017 that the ASA ruling would — that firms may  
 9 consider, in the light of that ruling, lower price —  
 10 lower prices for Line Rental?  
 11 A. Okay, that is possibly the case. I will take your word  
 12 for it.  
 13 Q. Nor do you explain why it is that that is not what  
 14 happened to standalone Line Rental prices for split  
 15 purchasers?  
 16 A. Can you say that question again, sorry?  
 17 Q. Of course. So in your evidence you do not mention the  
 18 fact that BT made this submission to Ofcom, the effect  
 19 of which was: you do not need to put price caps on us  
 20 because we have now got the ASA ruling, we will lower  
 21 our prices voluntarily. You do not mention that in your  
 22 evidence?  
 23 A. Okay. May I have a moment just to check? (Pause)  
 24 Yes, I do not think I mention it in my evidence.  
 25 I think that is right, yes.

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1 Q. So you do not explain, for instance, why it is that,  
 2 following the ASA ruling, we have seen multiple price  
 3 increases despite that submission. You do not explain  
 4 that in your evidence?  
 5 A. No, I do not.  
 6 Q. Mr Bunt, I took you to a document which referred  
 7 specifically to Split Purchase Customers. We can go  
 8 back there, {F/833/1}. That is from just a few months  
 9 later, July 2017. It is page {F/833/6} of this  
 10 document.  
 11 A. Yes, I remember this.  
 12 Q. Sorry, page 9 {F/833/9}, at the bullet points at the  
 13 bottom of the page, the penultimate bullet point, we saw  
 14 this:  
 15 "We should recognise declining markets and price  
 16 accordingly to maximise value (e.g. split purchase  
 17 solus)."  
 18 That is what happened to split purchase prices, is  
 19 it not?  
 20 A. Yes. This document is written in a very different  
 21 context. This document, as you showed on the previous  
 22 page, I think it was slide 4, kind of assumes that we  
 23 were making a commitment to reduce voice only customer  
 24 pricing, be able to identify them, and lots of other  
 25 things. In our response to Ofcom, we do not pre-judge

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1 the outcome of their investigation into standalone  
 2 narrowband(?) prices, and therefore we are dealing with  
 3 a completely different context when we are making those  
 4 comments.  
 5 Q. You do not pre-judge the outcome, but you did submit to  
 6 Ofcom that the ASA ruling would bring down standalone  
 7 Line Rental prices --  
 8 A. (Overspeaking) Based on the assumption that there was no  
 9 intervention on -- in voice only pricing. But there was  
 10 and there is, and that is our assumption that you can  
 11 see earlier in these slides as well. So they are  
 12 dealing with -- there are -- the two statements are not  
 13 comparable because they come in completely different  
 14 contexts. That is what I am saying.  
 15 Q. Before we move from the ASA ruling in 2016, could you  
 16 turn up your first witness statement, Mr Bunt, at  
 17 paragraph 8 {D/1/2}. That is page 2 of the statement.  
 18 Mr Bunt, you say this. You say you moved to your  
 19 position as head of broadband and bundles acquisition  
 20 strategy in the light of the ASA ruling.  
 21 A. In the run-up to, not in the light of.  
 22 Q. You say this:  
 23 "... during the period when the [ASA] changed the  
 24 rules governing broadband advertising to allow combined  
 25 landline/broadband bundles to be offered at different

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1 prices to unbundled packages."  
 2 Mr Bunt, that is not what happened, is it? What  
 3 actually happened is that the ASA prohibited the  
 4 practice of not advertising the full bundle price?  
 5 A. You are right, I have not expressed that very well.  
 6 That is absolutely right.  
 7 Q. There was never a prohibition on pricing bundles  
 8 independently?  
 9 A. That is correct, I have not worded that very well. You  
 10 are right. What I mean is they prohibited advertising  
 11 just the independent broadband price without the Line  
 12 Rental being of equal prominence. You are absolutely  
 13 right.  
 14 Q. This needs correcting?  
 15 A. That is right.  
 16 Q. Mr Bunt, I would like to move to a different topic now  
 17 of churn.  
 18 You say in your second statement that after you  
 19 became head of pricing in April 2015, you wanted to  
 20 monitor churn rates more closely and more methodically  
 21 than before. That is at paragraph 23 of your second  
 22 statement. {D/2/6}  
 23 A. Yes.  
 24 Q. You say you wanted to examine the "seasonal trends" --  
 25 A. Yes.

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1 Q. -- and "immediate spikes" to understand the reasons why  
 2 customers were switching.  
 3 Let us have a look at that. If we could go to  
 4 {F/270/1}, please. You have a hard copy of this one.  
 5 A. Yes.  
 6 Q. Now, if we could go down. You see there  
 7 "BT Consumer: Q2 FY 14/15 Operational Review"?  
 8 A. Yes.  
 9 Q. So this is from 30 September 2014. That is in rather  
 10 small writing.  
 11 A. Yes.  
 12 Q. So it is a little before you stepped up the scrutiny of  
 13 churn that you mention in your --  
 14 A. It is.  
 15 Q. -- statement. That was April 2015.  
 16 Now, if we could go down, please, to page {F/270/52}  
 17 in this document. At the top left there, you see the  
 18 heading "Looking Forward - Voice - Window". You will  
 19 recall that Window was the December 2014 price rise?  
 20 A. Yes.  
 21 Q. That was £1 on Line Rental.  
 22 Then the shaded heading there says:  
 23 "Window delivery is Green to date with a successful  
 24 low key announcement, comparatively low customer and  
 25 channel impact and an effective give strategy. We have

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1 clear line of sight to full completion on 1st December."  
 2 Then under the left-hand side heading, "Progress to  
 3 date", at the bottom there, halfway down, it says at the  
 4 second bullet point:  
 5 "2 [thousand] calls from 1.5 [million]  
 6 notifications, well below PTC forecast.  
 7 PTC is Propensity to Call?  
 8 A. It is.  
 9 Q. So this is saying that of the 1.5 million customers  
 10 notified about the price rise, only 2,000 of them called  
 11 in to BT, correct?  
 12 A. So it is saying as of the 23rd of the 9th that is true,  
 13 and there is a lag on call responses. Some customers of  
 14 that 1.5 million would have received their notification,  
 15 say, on 22 September, so it would take them time to call  
 16 us. But that I assume is the data, as was the case.  
 17 Q. So the price rise was in December 2014?  
 18 A. The notifications are happening all the time, yes.  
 19 Q. On 23 September, 2,000 people called in of 1.5 million.  
 20 That is 0.13%.  
 21 A. Yes. Probably another helpful point of context, just  
 22 for people to understand, is that will probably be,  
 23 based on my recollection, customers who called the  
 24 specific numbers that we put in our price change  
 25 columns. There will be plenty of other calls that are

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1 impossible to allocate to the price change that will  
 2 have just come in via our general call centre numbers.  
 3 But it is certainly true that -- I am sorry, again,  
 4 I cannot remember exactly what data I am using to pull  
 5 this together, but I would assume that we are saying  
 6 2,000 customers have called the numbers we put in  
 7 the price change columns, rather than finding another  
 8 number to call BT on at that point.  
 9 Q. That is the data you are citing --  
 10 A. (Overspeaking) The data we have there, absolutely.  
 11 THE CHAIRMAN: Sorry, it says 1.5 million customers.  
 12 A. We have written -- at this stage we have sent  
 13 1.5 million notifications .  
 14 THE CHAIRMAN: But if that was -- that is for voice  
 15 customers?  
 16 A. That is all customers.  
 17 THE CHAIRMAN: All customers. So bundles and everything  
 18 else .  
 19 A. That is correct .  
 20 THE CHAIRMAN: Obviously that is not everybody. That is  
 21 what you have notified up to that --  
 22 A. So far, yes.  
 23 THE CHAIRMAN: That is what I wanted to clarify. Thank you.  
 24 MS KREISBERGER: Sir, I am grateful. That was my next  
 25 point.

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1 Of the 2,000 who called in, only a proportion of  
 2 those would have been SFV customers?  
 3 A. Certainly.  
 4 Q. So we are potentially talking about a few hundred SFV  
 5 customers calling BT in response to this --  
 6 A. Yes, probably from --  
 7 Q. -- price change?  
 8 A. Probably from a few hundred thousand calls, yes, per  
 9 notifications or maybe 100,000 notified. It is hard to  
 10 know what proportion of the 1.5 million would have been  
 11 SFVs.  
 12 Q. So something less than 2,000 would have been SFVs who  
 13 called in?  
 14 A. Something less than 1.5 million would have been  
 15 notified, yes.  
 16 Q. You say there in your fourth bullet point:  
 17 "No material increase in customers ceasing directly  
 18 due to price."  
 19 A. Yes.  
 20 Q. That is hardly a surprising conclusion, is it, given the  
 21 small percentages we have just discussed?  
 22 A. That is right.  
 23 Q. That reference to "No material increase in customers  
 24 ceasing directly due to price", that includes SFV  
 25 customers?

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1 A. Yes.  
 2 Q. Now, Mr Bunt, in your evidence on churn rates you do not  
 3 refer to this data in this document, do you?  
 4 A. No.  
 5 Q. You had another look at churn a couple of months later  
 6 on 12 December 2014. That is at {F/284/1}. You have  
 7 a hard copy of this one.  
 8 A. Thank you.  
 9 Q. You see the front page there "Pricing Plan", 15/16, "In  
 10 Strictest Confidence"?  
 11 A. Yes.  
 12 Q. This is a slide deck addressing the next annual price  
 13 increase. If we go to the next page, {F/284/2}, please,  
 14 under the heading "Agreed":  
 15 "Update from previous meeting.  
 16 "Agreed:  
 17 "Approval for 1 November change.  
 18 "Approval for base price change structure (£1 on LR  
 19 and 6.49% across the board).  
 20 "Approval for re-use of Window gives."  
 21 So just to situate the document again, by the end of  
 22 2014 you had settled on a £1 Line Rental increase for  
 23 2015, at that stage planned for 1 November; is that  
 24 right?  
 25 A. Yes.

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1 Q. Mr Bunt, let us go to {F/284/11}.  
 2 A. Yes.  
 3 Q. Now, here BT is testing the possibility of a £2 increase  
 4 in Line Rental. You see that on the right-hand side,  
 5 the bullet points:  
 6 "PR risk: £2 [Line Rental] increase headline."  
 7 So in other words, you are questioning whether a £2  
 8 Line Rental increase might be the appropriate price  
 9 price --  
 10 A. It says in the heading "Not Recommended".  
 11 Q. Correct, and we are going to get to that, Mr Bunt.  
 12 This is just Line Rental. It says "Not  
 13 Recommended". So BT rejected the prospect, the  
 14 possibility, of a £2 increase, and it sets out its  
 15 reasons for rejecting that below, and it says this:  
 16 "PR risk: £2 [Line Rental price] increase headline.  
 17 "Commercial risk: sensitive. Higher than expected  
 18 re-contracts diminish benefit."  
 19 Then it does some maths here:  
 20 "A benefit of customers who do nothing [equals]  
 21 £12m."  
 22 Just pausing there. You are forecasting. Had you  
 23 put up Line Rental increases by £2, you forecasted that  
 24 you would benefit to the tune of £12 million from  
 25 customers who accept the price rise, they do nothing.

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1 That is right?  
 2 A. Mm—hm.  
 3 Q. Then you look at:  
 4 "Loss from customers who re—contract at lower [Line  
 5 Rental price] ..."  
 6 You forecast that to be £3.9 million.  
 7 Then you say:  
 8 "Loss from churn [equals] £1.5m."  
 9 A. Yes.  
 10 Q. Now, you assess the additional revenue from customers  
 11 who would do nothing, in the face of a £2 price rise to  
 12 their monthly Line Rental bill, we have just seen to be  
 13 £12 million. So customers who do nothing in the face of  
 14 a price rise, they do not churn by definition?  
 15 A. Yes.  
 16 Q. BT estimated the lost revenue from those who would churn  
 17 to be only 1.5 million?  
 18 A. Yes. May I make a couple of comments for context.  
 19 I think I mentioned already today about this idea of  
 20 kind of direct and indirect churn. This certainly would  
 21 be referring to direct churn, so customers who we see —  
 22 who will see this price change and immediately act,  
 23 rather than customers, they may all kind of contribute  
 24 to a later reaction as their bill gradually grows.  
 25 I think it is also important to mention that for

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1 many of the customers we were assuming they will take  
 2 the product at £17.49, because the proposition is not  
 3 just to increase it by £2, it is to increase it by £2  
 4 but offer customers who re—contract a price of £17.49,  
 5 or effectively a 50p increase. So we also encourage  
 6 activity from customers which we would see there.  
 7 So I think I would characterise both the loss from  
 8 churn and the loss from customers who re—contract at  
 9 lower Line Rental as an active response on behalf of  
 10 customers, not just those who churn.  
 11 Q. Mr Bunt, those who re—contract are staying with BT,  
 12 aren't they?  
 13 A. Yes.  
 14 Q. You are forecasting a loss of £3.9 million, but you do  
 15 not lose those customers?  
 16 A. No, the loss is versus what they would have paid if they  
 17 had — I think it would be they do nothing, i.e. — or  
 18 they do nothing being an increase in the price of Line  
 19 Rental to £17.99. I assume that is how they ...  
 20 THE CHAIRMAN: Sorry, the loss from customers who  
 21 re—contract at the lower — the 18—month contract price,  
 22 the discounted thing —  
 23 A. Exactly.  
 24 THE CHAIRMAN: That is what the £3.9 million is, as opposed  
 25 to if they did nothing?

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1 A. So, yes, exactly. But all I am saying is the — in the  
 2 business case I would assume that that £3.9 million is  
 3 not the delta between the £18.99 price point and the  
 4 £17.49, but the £17.99 price point in our kind of base  
 5 plan at the top of the page, so that is what we are  
 6 doing our comparison against.  
 7 MS KREISBERGER: That is products like Line Rental Saver  
 8 that you offer at a lower price?  
 9 A. No, no. Sorry, I have confused matters, sorry.  
 10 Q. Yes, the re—contract at £17.49 —  
 11 A. I am just explaining how the business case would have  
 12 worked there.  
 13 Q. So even if we take the re—contract customers into  
 14 account, the losses are estimated to be £5.4 million and  
 15 the upside £12 million?  
 16 A. Yes.  
 17 Q. Let us have a look at the slide deck from a few months  
 18 later. 15 January 2015. That is {F/286/1}. I think  
 19 you have to use the EPE for this one, Mr Bunt.  
 20 A. Okay.  
 21 Q. As I say, this is a few months later, and the 15/16  
 22 pricing is the Laika increase. On page {F/286/2} you  
 23 see:  
 24 "Approval for 1 November change.  
 25 "... (£1 on [Line Rental] and 6.49% across the

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1 board)."  
 2 Then if we go down, please, to page {F/286/6},  
 3 "Future of Pricing":  
 4 "Is our current approach to pricing hurting the  
 5 business?  
 6 "Recent price changes demonstrate:  
 7 "Churn driven by price change is low (2.5k GC9  
 8 ceases in Window — measured separately for the first  
 9 time this year)."  
 10 So this seems to signal the new methodical approach  
 11 that you refer to in your statement for monitoring  
 12 churn?  
 13 A. I am not sure. The slide you showed me previously with  
 14 the 2,000 calls and the 0.5 HDT, that 2.5 — 2,500 is  
 15 the — where that number ended up, the 0.5 ended up. So  
 16 they are comparable. I do not think it necessarily has  
 17 the new methodical approach to churn, yes.  
 18 Q. You are recording churn here as —  
 19 A. (Overspeaking) Yes —  
 20 Q. — 2.5 thousand —  
 21 A. — we are recording when a customer specifically tells  
 22 us they are leaving because of the price change, and we  
 23 have a specific reason code that an adviser is logging  
 24 for that. It does not record all price change churn,  
 25 but customers who do that are in the 2,500.

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1 Q. Now, General Condition 9, that is a reference to the  
2 requirement to notify customers of price changes and  
3 waive early termination charges for those customers if  
4 they call in to cancel their services within 30 days of  
5 notification. That is right, is it not?  
6 A. I am using it as a shorthand for that, absolutely.  
7 Q. So that is what you are referring to. So there is the  
8 30-day period.  
9 So here you are saying that the effect of the Window  
10 price increase, with its £1 increase to Line Rental, the  
11 effect on churn was low?  
12 A. Yes, the effect of the £1 on Line Rental and the 6.5% on  
13 all services that apply to the whole base, the effect  
14 was low.  
15 Q. The effect of the Window's increases was low, and only  
16 2,500 customers called BT to cancel their service as  
17 a result of the price change?  
18 A. Yes. They may have churned in other ways, but that is  
19 the number who called and cancelled. I agree with that.  
20 Q. So that is 2,500 customers out of BT's voice base of  
21 around 9 million. You just pointed out that is all --  
22 A. That is right. That is right, yes.  
23 Q. So only a proportion of those 2,500 customers would have  
24 been SFV customers, that is right --  
25 A. That is right.

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1 Q. Sorry, Mr Bunt, sometimes your answer does not get  
2 picked up for the transcriber.  
3 A. I am sorry. That is right.  
4 Q. So again, we might be talking about a few hundred SFV  
5 customers churning in response to the price increase?  
6 A. Yes.  
7 Q. The conclusion here is that price changes are  
8 sustainable. That is right, is it not?  
9 A. That is true, although we have skipped the next two  
10 bullets that talk about the elastic effect of price  
11 changes on calls, which is demonstrated in the chart on  
12 the right-hand side as well.  
13 Q. I was coming to that, Mr Bunt.  
14 A. Good, excellent.  
15 Q. Let us have a look at that.  
16 Now, that chart -- so as you say, the observation  
17 there is that:  
18 "Elasticity -- Observed most with paid call usage on  
19 UEW and UW plans, otherwise not significant (see  
20 chart)."  
21 "UEW", again, refers to unlimited evening and  
22 weekend calls?  
23 A. Yes.  
24 Q. "UW" refers to unlimited weekend calls?  
25 A. Yes.

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1 Q. Then the graph, carefully, and perhaps we could just  
2 zoom in there, it plots out call usage over time, and it  
3 is showing that these customers make fewer calls  
4 following a price change?  
5 A. Yes, particularly following a price change bill, yes.  
6 Q. You see a downwards spike?  
7 A. Yes.  
8 Q. Now, you see the reduction in call usage by these two  
9 categories of customers around the time of a price  
10 increase, UW and UEW customers?  
11 A. Sorry, just to be clear, it is not usage, it is ARPU, I  
12 think. It is hard to see because we are so zoomed in,  
13 but on the left-hand side. So you cannot just look at  
14 it as usage, you have pricing increasing over this time  
15 as well.  
16 Q. You are looking at paid call usage and you are using  
17 ARPU as your metric?  
18 A. I am looking at paid call ARPU.  
19 Q. Now, this is not churn, this is usage. That is the  
20 point I am putting to you.  
21 A. Absolutely right, yes.  
22 Q. So you are carefully studying the impact of price on  
23 customer usage?  
24 A. Customer behaviour in general, yes.  
25 Q. Other than this call usage effect elasticity is not

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1 significant. That is right, is it not?  
2 A. We see -- this is the best evidence of an immediate  
3 customer response to a price change in this, yes,  
4 I agree, otherwise it is hard to determine, as we have  
5 spoken about before, the indirect and direct response  
6 the customers make, but those are the data points that  
7 we have that are presented in those bullets.  
8 Q. It does not say it is hard to determine here. It says  
9 elasticity observed most with paid call usage on these  
10 two plans otherwise not significant (see chart).  
11 A. That is what that says. To elaborate, it may be helpful  
12 in proceedings. I am explaining that from our  
13 perspective we understood that pricing was not as simple  
14 as whether a customer responded to the prompt in their  
15 price change notification and ceased immediately. There  
16 were lots of actions that would have caused for  
17 customers and it may have had consequences six months  
18 later when they evaluated the value of their service.  
19 It is not just an in-the-moment decision for customers.  
20 Q. Let us have another look at your conclusion in the  
21 slide:  
22 "Based on this we can conclude that price changes  
23 are sustainable with increasing subtlety."  
24 Mr Bunt, BT is satisfying itself here that churn is  
25 not an obstacle to price rises. That is right?

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1 A. I think that is true.  
 2 THE CHAIRMAN: Just a moment.  
 3 MS KREISBERGER: As long as they are subtle.  
 4 THE CHAIRMAN: Just a second. (Pause). Yes.  
 5 MS KREISBERGER: That includes the SFV price rises and it  
 6 includes the £1 increase on Line Rental?  
 7 A. For all customers, yes.  
 8 Q. We know that the next price change, which was Laika,  
 9 replicated this one, Window?  
 10 A. It is very similar, yes.  
 11 Q. Now, Mr Bunt, you may be aware that Mr Beard, your  
 12 leading counsel, made the submission to this Tribunal  
 13 that this slide shows that BT was worried about churn.  
 14 That is not right, is it?  
 15 A. I think this shows that BT are not — this shows that —  
 16 my feeling when I was writing this was that we wanted to  
 17 look at different and alternative ways of doing this  
 18 because we were not satisfied with the way that we were  
 19 executing it and there were imperfections definitely.  
 20 I agree that the 2.5K number is low and that would  
 21 have given us reasons for commercial confidence. But  
 22 overall, as you see in the rest of the slide, this is us  
 23 contemplating other structures and approaches that we  
 24 might look at, Project Thunder is an example, to do  
 25 things differently on the basis that we do not think

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1 this is necessarily the best way of executing our  
 2 revenue — revenue growth objectives.  
 3 THE CHAIRMAN: Sorry, what is not the best way of —  
 4 A. The price change that we did, we had just done in 14/15  
 5 and that we would go on to do in 15/16.  
 6 MS KREISBERGER: But you did do a price change.  
 7 A. We did do it, absolutely, but we are contemplating  
 8 options, evaluating what is the best way of doing it  
 9 now.  
 10 Q. Let us turn to {F/287/1}. This is just on the EPE.  
 11 This slide deck is from just a few days later. It is  
 12 19 January 2015. I think we may have the date from the  
 13 metadata but you can take it that is the correct date on  
 14 Opus.  
 15 A. Could you repeat the date, sorry?  
 16 Q. 19 January 2015.  
 17 A. Okay.  
 18 Q. So just a few days later.  
 19 A. Yes.  
 20 Q. The heading is "Executive summary" and it says this:  
 21 "The evidence to date shows that the December 2014  
 22 price increases have not had a fundamental detrimental  
 23 effect on our churn rates."  
 24 That is another reference to the Windows pricing?  
 25 A. I am sorry, I am lost where the fundamental is.

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1 Q. The heading, "Executive summary".  
 2 A. The heading.  
 3 Q. "The evidence to date..."  
 4 Can you see that in the grey brown box?  
 5 A. I have got it, absolutely.  
 6 Q. So December 2014. That is Window?  
 7 A. Yes.  
 8 Q. So that is again £1 on Line Rental?  
 9 A. Yes.  
 10 Q. Then it says this, if you go to bullet point above  
 11 recommendation:  
 12 "Overall, the churn impact to date around  
 13 the December 2014 price increases has been minimal."  
 14 A. Yes. However many customers have not yet received their  
 15 first bill since the price change.  
 16 Q. It says you will run the churn analysis again to see  
 17 what the position is after Q4. That is right?  
 18 A. Yes, absolutely.  
 19 Q. So you point out that this is a sort of interim finding?  
 20 A. Exactly.  
 21 Q. So let us have a look then at Q4. {F/853/1}. Now, this  
 22 is an email from you, Mr Bunt, to Jeremy Benson who is  
 23 a member of the regulatory team?  
 24 A. He is.  
 25 Q. On 12 May 2015. So 12 May 2015. This is after Q4. In

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1 fact, it is the middle of Q1 2015?  
 2 A. It is, yes.  
 3 Q. Q4, which we saw referred to on the last slide, that  
 4 is January to March 2015.  
 5 On page {F/853/2} you see that you attach a first  
 6 draft of the annual price change paper. We have already  
 7 looked at that one.  
 8 A. Okay.  
 9 Q. You see that on page {F/853/2}. Then on page {F/853/1}  
 10 Mr Benson responds on 4 June. We see that halfway down,  
 11 11.34. I will just make sure I have got that right. So  
 12 page 1 you see:  
 13 "Are you able to supply a refreshed Pricing Paper  
 14 please, as I understand certain aspects may have changed  
 15 ..."  
 16 Then you reply:  
 17 "Hi Jeremy — attached is an updated pricing paper."  
 18 Sorry, it is one of those emails which is why you  
 19 need to follow it through. You see your email there at  
 20 9.24 on 11 June?  
 21 A. Yes.  
 22 Q. You say:  
 23 "I've added some comments in line on yours below."  
 24 So we need to go back down to page 2 and we see  
 25 there the additions. {F/853/2}.

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1 "The impact of churn rates of these increases would  
2 be helpful."

3 So that is the question to you. You respond — and  
4 that is in the yellow highlight; can you see that?

5 A. Yes.

6 Q. You say:

7 "Direct price change churn was measured at 2000  
8 customer (first year measuring) in 14–15. We anticipate  
9 this would broadly repeat (further to this, the case  
10 does not include churn, this is because a price change  
11 is treated in our annual volumes build as a recurring  
12 event like Xmas — so the volumes flow through from  
13 this)."

14 So your expected level of churn observed in the  
15 14/15 price change, you expected the level of churn  
16 observed in the 14/15 price change to broadly repeat in  
17 the 15/16 price change. In other words, you expected  
18 around 2,000 customers to churn?

19 A. Directly churn. I use direct in the first sentence.  
20 Again, I just want to point out that difference between  
21 direct and indirect price churn. Again, as you  
22 rephrased at one point, 2,500 customers calling us in  
23 response to the section of a notification explaining  
24 their right to cease without charge and exercising that  
25 right. It would not include customers who simply switch

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1 by going to talk to another provider, customers who are  
2 out of contract who switch and any other churn behaviour  
3 that happened later on. It is just referring to people  
4 who did that, but, yes.

5 Q. You do not refer to any of these other categories in  
6 this email, do you, Mr Bunt?

7 A. I do not, I do not.

8 Q. The question you are asked is:

9 "Impact on churn rates of these increases would be  
10 helpful."

11 Your response is:

12 "Direct price change churn was measured at 2000  
13 customer ..."

14 A. That is the only number that I have at that point. I do  
15 not have a view of the number of spikes in the number of  
16 customers who would have left who are out of contract  
17 already. I am not able to isolate that data. Whereas  
18 I can isolate the data on the customers who have  
19 directly responded to the price notification. So for  
20 consistency and comparability year—on—year, and  
21 obviously so we cannot compare it to anything, we need  
22 a kind of static measure which is the best that we have  
23 here.

24 Q. That is another point you do not make in this email, is  
25 it not, Mr Bunt? You just answer the question?

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1 A. I am definitely just trying to answer Jeremy's question  
2 and move on with my day. Yes, that is definitely true.

3 Q. So moving on with your day involved answering his  
4 question by telling him that you have measured direct  
5 price churn at 2,000 customers. That is your response  
6 in the email; is that right?

7 A. Yes, absolutely, of course.

8 Q. Mr Benson also drew your attention to a query from  
9 Mike Renner, Mike Renner is a member of the regulatory  
10 team?

11 A. Regulatory Finance I think.

12 Q. At the time. That is on page {F/853/1} of this  
13 document. The question is:

14 "Do you know if there is a PR justification for the  
15 6.49% rate used for the Laika price increases?"

16 So now we are talking about non—line rental price  
17 increases calls?

18 A. Yes, from a PR perspective, yes.

19 Q. Your response to this is — at the top of the email  
20 chain you say this:

21 "I'm afraid my answer is rather esoteric on this  
22 matter — our pricing scale decisions are not based on  
23 complex elasticity modelling but rather on finding  
24 a sweet spot between budgetary needs and PR risk."

25 Mr Bunt, by elasticity modelling you are referring

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1 to models which estimate the number of people that will  
2 switch away when the price goes up?

3 A. Yes, and to be clear, that that is not present in the  
4 analysis, I agree.

5 Q. You are saying that BT did not undertake that sort of  
6 elasticity modelling when deciding how much to raise  
7 prices?

8 A. Certainly not complex modelling like that, no, no.

9 Q. So instead BT's decision on prices were based on finding  
10 this sweet spot between PR on the one hand, PR risk and  
11 budgetary needs?

12 A. This is not a very fulsome answer. There are a few more  
13 factors that we think about and the reference to PR is  
14 clearly in response to the question which is about PR,  
15 but, yes, that is what I say here.

16 Q. So this is another email that does not quite encapsulate  
17 a more fulsome answer that you are giving to the  
18 Tribunal now?

19 A. Yes, absolutely.

20 Q. Let us go forward to July, the following year. If we  
21 could turn up {F/478/1}. You do have a hard copy of  
22 this one.

23 A. Thank you.

24 Q. You see there the date, 29 July 2016. So this is a few  
25 days after the 16/17 price change?

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1 A. Yes.  
 2 Q. If we go to page {F/478/2}. You see there the first  
 3 paragraph says:  
 4 "We need to align on a number of key points ahead of  
 5 our team kick off this week ...  
 6 "Insight from 16/17 and the key take outs.  
 7 "Overall scale of price change and key principles.  
 8 "Agree give territories ..."  
 9 Then if you could go down to the fourth bullet point  
 10 up from the bottom:  
 11 "We have seen greater churn than in previous years  
 12 (7k) — however this is dwarfed in comparison to the  
 13 additional revenue driven by the higher % increases. It  
 14 is not clear how much this churn was driven by us or  
 15 competitors (free fibre). But for 17/18 we should be  
 16 careful not to over-tip the balance by repeating all of  
 17 the higher % increases from 16/17."  
 18 So you are recording here, Mr Bunt, let us just  
 19 unpack that, that there has been some churn in response  
 20 to higher prices. You say 7K, so 7,000 customers called  
 21 in to cancel their contract?  
 22 A. Mm—hm.  
 23 Q. So that is about 5,000 more than in the Window pricing  
 24 risk.  
 25 Now, some of that churn would have been SFV

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1 customers?  
 2 A. Sure.  
 3 Q. Not all of it?  
 4 A. Exactly.  
 5 Q. It is not clear, you say, whether that churn was driven  
 6 by you. What you mean is it is not clear whether it is  
 7 your high prices which drove the customers away, whether  
 8 your price increases drove them away?  
 9 A. Or other competitive activity in the market at the time.  
 10 Q. So other competitive activity. You refer to free fibre.  
 11 What you mean is broadband deals, whether your customers  
 12 have been lured away by competitor bundles?  
 13 A. I think so. It is probably worth mentioning, I am not  
 14 sure I wrote this. It might say — the metadata might  
 15 say otherwise but I am already doing the other role  
 16 I think at this point. But I believe that is what it is  
 17 referring to.  
 18 Q. Any losses to BT from customer churn are dwarfed by the  
 19 additional revenue from the price increases?  
 20 A. Yes.  
 21 MS KREISBERGER: Now, sir, if that is a convenient moment to  
 22 stop, or I could do one more. I am in your hands.  
 23 THE CHAIRMAN: Let us draw stumps now. Right. So we will  
 24 adjourn until tomorrow morning, 10.30.  
 25 You have already been told about your obligation not

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1 to discuss the case or the evidence in the meantime.  
 2 Right, so 10.30. Thank you.  
 3 (4.29 pm)  
 4 (The hearing adjourned until Tuesday, 6 February at  
 5 10.30 am)  
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