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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 Tuesday, 6 February 2024  
 2 (10.30 am)  
 3 THE CHAIRMAN: Good morning. Some of you are joining us  
 4 live stream on our website, so I must start, therefore,  
 5 with the customary warning: an official recording is  
 6 being made and an authorised transcript will be  
 7 produced, but it is strictly prohibited for anyone else  
 8 to make an unauthorised recording, whether audio or  
 9 visual, of the proceedings, and breach of that provision  
 10 is punishable as contempt of court.  
 11 Housekeeping  
 12 Ms Kreisberger, before you continue, we just have  
 13 a couple of housekeeping points, which is this: we have  
 14 prepared our agenda and list of questions for next  
 15 week's experts, in other words, market definition and  
 16 dominance. We are very grateful for the suggested  
 17 questions and, in particular, the combined form which  
 18 set out what was agreed and not agreed between the  
 19 parties.  
 20 That list of questions is just being prepared and  
 21 you will have it in the course of the day today.  
 22 There is one procedural matter that arises which is  
 23 this: in some other cases, after the relevant experts  
 24 have given their concurrent evidence, they have been  
 25 released from purdah before they have been

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1 cross-examined, and, as I understand it, the logic of  
 2 this is that otherwise, if they are not, then the  
 3 witness who is then cross-examined first becomes  
 4 released from purdah and can assist the side that has  
 5 instructed him, for example, in relation to questions  
 6 then following for the other witness, which can be  
 7 regarded as unfair, and one way of dealing with that is  
 8 that both of them are released from purdah after the  
 9 concurrent evidence.  
 10 Insofar as that is a problem, one other way of  
 11 dealing with it is that they both remain in purdah until  
 12 the completion of cross-examination as a whole, or the  
 13 other alternative is you do which would otherwise be the  
 14 normal thing, which is that they both stay in purdah  
 15 until each of them have finished giving their evidence.  
 16 That procedural question has to be resolved and we  
 17 would be grateful, not now, but for any submissions  
 18 whenever is an appropriate time, perhaps after evidence  
 19 has finished, on that question.  
 20 MR BEARD: Yes. As I recall, this was actually raised at  
 21 the PTR.  
 22 THE CHAIRMAN: Yes. Did we make a ruling?  
 23 MR BEARD: You did not make a ruling. The indication was  
 24 that we would release from purdah, so we would follow  
 25 the manner in which these things had been dealt with in

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1 other proceedings, and everyone would just get released  
 2 from purdah after the concurrent session.  
 3 THE CHAIRMAN: Right.  
 4 MR BEARD: That was how we left it.  
 5 THE CHAIRMAN: That is how we left it; and your side was  
 6 content with that?  
 7 MR BEARD: Yes.  
 8 THE CHAIRMAN: Right.  
 9 Yes?  
 10 MS KREISBERGER: Thank you, sir. We were actually going to  
 11 raise this point for clarification because we did not  
 12 think it was entirely clear —  
 13 THE CHAIRMAN: No.  
 14 MS KREISBERGER: — at the PTR, but we would be content with  
 15 that as well.  
 16 THE CHAIRMAN: Right. Just give me one moment. (Pause)  
 17 Alright, then we need not take any longer on that.  
 18 If the parties are content with that approach, we will  
 19 take that approach.  
 20 The document that you get in relation to the part at  
 21 the beginning about protocol might still say it is  
 22 a question, but we will revise that part of the  
 23 document.  
 24 MS KREISBERGER: I am grateful.  
 25 THE CHAIRMAN: The only other point was, just going back to

3

1 the factual questions, and again, this may seem very  
 2 basic and obvious, and it is actually in relation to  
 3 excessive pricing, but we just wanted to check whether  
 4 what are effectively the non-direct costs for the whole  
 5 of BT Consumer, which is the starting point for  
 6 Dr Jenkins' analysis before working out, within that,  
 7 which are incremental costs and the balance being common  
 8 costs, but whether that overall set of costs is actually  
 9 agreed. We assumed that it was, because it would have  
 10 come from BT's financial statements, but we are not  
 11 sure.  
 12 Because each of the experts fundamentally has used  
 13 a different methodology, it is not obvious. I have  
 14 probably just missed something in one of the reports.  
 15 We do not need an immediate answer on that, but that was  
 16 the last point that I should have mentioned yesterday.  
 17 With that, we can resume your cross-examination,  
 18 Ms Kreisberger.  
 19 MR RIDYARD: I am sorry, I am waiting for my two screens to  
 20 wake up again.  
 21 THE CHAIRMAN: Ah. (Pause)  
 22 MR RIDYARD: Apologies, all ready now.  
 23 MR JONATHAN BUNT (continued)  
 24 Cross-examination by MS KREISBERGER (continued)  
 25 MS KREISBERGER: Thank you, sir.

4

1 Good morning, Mr Bunt.  
 2 A. Good morning.  
 3 Q. I would like to turn now to Line Rental Saver. Now,  
 4 Mr Bunt, you are aware that this is one of the line  
 5 rental products that is within the Class definition?  
 6 A. Yes.  
 7 Q. Now, in your evidence, Mr Bunt, you described Line  
 8 Rental Saver as a give?  
 9 A. Yes.  
 10 Q. You say, and we can just call that up, paragraph 77 of  
 11 your second statement, that is at {D/2/22}.  
 12 You describe the nature of this product, Line Rental  
 13 Saver, and you say that if a customer is prepared to pay  
 14 for the full year up-front then they get a discount?  
 15 A. Yes.  
 16 Q. You explain that you opted for two months for free; that  
 17 is the form that the discount takes?  
 18 A. We changed it. It was already 25% or three months for  
 19 three and we changed it to three months for free.  
 20 Q. This is in the context of your evidence on the Window  
 21 price increase. If we go back to page {D/2/19} of this  
 22 document, that is the heading to this part of your  
 23 evidence.  
 24 A. Yes.  
 25 Q. As you say, you changed it during Project Window.

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1 A. During that period, yes.  
 2 Q. Now, in this section of your evidence on Project Window  
 3 you also refer to switching, switching to the  
 4 Post Office.  
 5 If we go to page {D/2/20}, please. At paragraph 73,  
 6 you say you were keen to diagnose why it was that so  
 7 many customers were switching to the Post Office. In  
 8 the paragraph above that, you say that your research  
 9 showed that customers were leaving following price  
 10 changes. You are talking there about "true solus", you  
 11 can see at the top of the paragraph?  
 12 A. Yes.  
 13 Q. So you are talking about price sensitivity, switching in  
 14 response to price changes?  
 15 A. One of the drivers of switching was price changes,  
 16 I think. Yes, we were comfortable, that is true.  
 17 Q. So if we could call up now, {F/211/1}, please. If we  
 18 could scroll down to page {F/211/2} of this email  
 19 thread, you see there an email from Vanessa Simon-Norris  
 20 on 4 February at 16.57. That is the one at the bottom  
 21 of the page.  
 22 THE CHAIRMAN: Can we have it expanded, please?  
 23 MS KREISBERGER: 16.57, that one.  
 24 THE CHAIRMAN: Just a moment. (Pause)  
 25 MS KREISBERGER: Now, just while we are waiting for that,

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1 the date of this email is 4 February.  
 2 A. Yes.  
 3 Q. So just again to situate that in time, I think is always  
 4 useful. That means that we have had the Pegasus price  
 5 increase, that was on 4 January that year?  
 6 A. That is right.  
 7 Q. Then the Window increase would be the next one on  
 8 1 September --  
 9 A. Yes.  
 10 Q. -- that year, so that is where we are in time.  
 11 Now, she says, we can see that now:  
 12 "Peter tells me we're still thinking of ploughing  
 13 ahead and trying to get the LRS price into CCP37/as soon  
 14 as possible."  
 15 "LRS" here is Line Rental Saver?  
 16 A. That is right.  
 17 Q. Then "CCP"?  
 18 A. Customer-Centric Platform. It was our way of delivering  
 19 technological developments to live.  
 20 THE CHAIRMAN: Sorry, your way of delivering ...?  
 21 A. Technological developments to live. So we had -- this  
 22 is not my area of expertise, but every time we wanted to  
 23 change something, prices, how online systems worked, we  
 24 used a CCP release, this Customer-Centric Platform, made  
 25 a change, and they had periodic releases during the

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1 year, so --  
 2 THE CHAIRMAN: This is going to customers?  
 3 A. Yes, but it could have been anything, really. But yes,  
 4 certainly, any change for customers would have happened  
 5 that way. Anything -- any kind of tech changes we are  
 6 making happen in CCP releases, so the CCP37 is such  
 7 a release.  
 8 THE CHAIRMAN: I see.  
 9 MS KREISBERGER: Now, before we continue with the email, as  
 10 we are talking about here about a price increase to Line  
 11 Rental Saver, let us just remind ourselves. Perhaps we  
 12 could go for a split screen and go to {F/374/4}. That  
 13 will just show us the price.  
 14 If that is big enough to see, you can see there, it  
 15 is about seven lines down, "LRS". That is giving us  
 16 the price at the time of this email. It was £11.75. So  
 17 that is the price.  
 18 A. It is kind of an effective price. Just to explain,  
 19 because that is the price divided by 12. Customers paid  
 20 for their line rental for a year up-front, so would have  
 21 paid 12 times £11.75.  
 22 Q. So that is the monthly price at the time of this email.  
 23 Then Ms Simon-Norris, she emails again, she is just  
 24 chasing:  
 25 "... can you let me know the new price and benefit?"

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1 She chases on 6 February. You respond on 7 February  
 2 at 9.04 am. I think we can go back to a full screen on  
 3 the email thread here. That is the email at 9.04 at the  
 4 top of that page.  
 5 You say:  
 6 "Hi Vanessa, current plan is £12.99 with a benefit  
 7 of £5.4 million [gross margin] in 14/15."  
 8 So that would have been an increase from the  
 9 existing price of £11.75 that we just saw in the table,  
 10 correct?  
 11 A. I think so.  
 12 THE CHAIRMAN: Sorry, is that right? Can we just go back to  
 13 the price document?  
 14 MS KREISBERGER: That was {F/374/4}.  
 15 THE CHAIRMAN: Thank you. Sorry, the line rental here is  
 16 shown as £11.75.  
 17 MS KREISBERGER: That is the existing. In fact it moved --  
 18 do we have that there? Yes, it in fact moved to £14.15  
 19 in December that year.  
 20 THE CHAIRMAN: So where does the £12.99 come in?  
 21 A. That is the question --  
 22 MS KREISBERGER: We will get to that, as it were. That is  
 23 where we end up.  
 24 THE CHAIRMAN: I see, that is where you end up. All right.  
 25 MS KREISBERGER: But it is helpful to see.

9

1 THE CHAIRMAN: It was just:  
 2 "... current plan is £12.99 with a benefit of  
 3 £5.4 million ..."  
 4 Right.  
 5 MS KREISBERGER: So then, yes, if we could then move up to  
 6 page {F/211/1} of the document. She then responds to  
 7 you at 9.41 at the bottom of the page and she asks you:  
 8 "Sales are bound to ask what's the predicted impact  
 9 on churn etc.?"  
 10 You reply, and can we just -- can we perhaps zoom in  
 11 on 9.46. You say:  
 12 "Hi Vanessa, we don't anticipate any impact on churn  
 13 of substance.  
 14 "We believe this is a price inelastic product in  
 15 other words, the differential with [Standard Line  
 16 Rental] SLR is still substantial (£36 becoming £48 in  
 17 Dec 14) likewise new customers aren't taking LRS because  
 18 it's cheap compared to competitors, but rather because  
 19 it's cheap compared to Line Rental.  
 20 "We were originally thinking £12.75 but for the  
 21 extra 24p, we don't think there is any real change in  
 22 customer perception."  
 23 Ms Simon--Norris then responds:  
 24 "... very useful, I think I'll be quoting that a lot  
 25 ..."

10

1 With another smiley face.  
 2 So what you are saying here, Mr Bunt, is that you  
 3 were thinking at this time of setting Line Rental Saver  
 4 at the lower price point of £12.75. You had been  
 5 contemplating that?  
 6 A. Yes.  
 7 Q. You opted -- at this point you were thinking of going  
 8 for £12.99, because you did not think that the extra 24p  
 9 would make any difference to customer perception. That  
 10 is what you say?  
 11 A. I think so. Can I elaborate a bit on that. We never  
 12 really looked at -- we are talking about line rental as  
 13 a monthly price in this email, that is absolutely true,  
 14 but we never really looked at it, Line Rental Saver, as  
 15 a monthly price. £12.75 should be £153. That is really  
 16 how we are looking at. So I think in the previous -- if  
 17 you scroll back down again -- Vanessa is asking about  
 18 the kind of -- the round number price, when I think she  
 19 refers to £159.88 or something like that. I cannot  
 20 remember what the price is. £155.88. That is really  
 21 the price point of Line Rental Saver. If you consume it  
 22 as a customer you hand over, like with a credit card  
 23 payment or whatever, 155 quid. You do not pay a monthly  
 24 rate. But, yes, I am saying here absolutely that there  
 25 would not be a significant difference in demand whether

11

1 we were priced at £12.49 or £12.99. I am saying that.  
 2 Q. I think we can agree that the point you emphasise in  
 3 this email is this is a price--inelastic product?  
 4 A. I think the point that I emphasise in this email is that  
 5 because this product exists to be a discount from line  
 6 rental, the extent of the ... the extent of the discount  
 7 is minimised to a very small extent by that change, but  
 8 it is still a meaningful saving for customers, hence the  
 9 name Line Rental Saver. Therefore, it would still be  
 10 a significant saving, whether it was a saving of -- I do  
 11 not know, I cannot do the mental arithmetic here, I am  
 12 afraid, but something like 26 quid or £29, that would  
 13 still be a meaningful saving to customers. I have got  
 14 those numbers slightly wrong, I think. It is £32 and  
 15 £35. That would still be meaningful to customers and  
 16 they would still find the product attractive.  
 17 Q. What you say is that:  
 18 "... this is a price inelastic product in other  
 19 words ... new customers aren't taking [it] because it's  
 20 cheap compared to competitors, but ... because it's  
 21 cheap compared to Line Rental."  
 22 A. Yes, that is what I said, yes.  
 23 Q. You are saying you are not concerned that customers will  
 24 switch away to competitors in the face of this price for  
 25 Line Rental Saver. That is right, is it not?

12

1 A. That is true, yes, yes.  
 2 Q. Let us go back to your witness statement. If we could  
 3 go back to {D/2/19}. You see there again we are under  
 4 the heading "Project Window". So this is the time  
 5 frame.  
 6 If we go to paragraph 72 on page {D/2/20}, that is  
 7 where you say, halfway down paragraph 72, so perhaps we  
 8 could zoom in on that, "Our research", just a little  
 9 below halfway down after the parentheses:  
 10 "Our research showed that customers were leaving  
 11 following our price changes and also because the  
 12 Post Office offered cheaper voice products."  
 13 You do not qualify that statement in relation to  
 14 Line Rental Saver, do you?  
 15 A. It is not particularly in those terms, no. It is mainly  
 16 focused on Standard Line Rental (inaudible) price.  
 17 Q. You do not say Standard Line Rental is different because  
 18 that is a price-inelastic product?  
 19 A. Again, Line Rental Saver's price inelasticity is all  
 20 relative to the price of Standard Line Rental, so  
 21 I think it is all a consequence of that. But, no, I do  
 22 not say that here.  
 23 Q. Let us have a look at what you do say at paragraph 77.  
 24 {D/2/22}. As you said, you opted for a discount in the  
 25 form of the customer getting two months for free rather

13

1 than the previous discount of 25%?  
 2 A. Mm—hm.  
 3 Q. You explain, if we — yes, if we zoom in on  
 4 paragraph 77, you say you did this, you made this price  
 5 change, for two reasons. Your first reason is that  
 6 two months free:  
 7 "... sounded more compelling than 20% off."  
 8 You said 25%?  
 9 A. Yes, we were contemplating whether to make it two months  
 10 free or 20% off, so either way we were going to reduce  
 11 the discount, and actually we felt that even though  
 12 two months free is I think 16%, it sounded more  
 13 compelling.  
 14 Q. Yes, you thought two months free sounded more  
 15 compelling. That is the reason you give here. That is  
 16 suggesting that you needed to make the discount more  
 17 attractive to customers, is it not, the "more  
 18 compelling"?  
 19 A. I think we thought that — yes, I think that is what  
 20 that is saying, yes, absolutely.  
 21 Q. But that is completely at odds, Mr Bunt, with what you  
 22 say here, which was changing the price by 24p will not  
 23 make any real change in customer perception. You are  
 24 not worried about this product being compelling to  
 25 customers, are you?

14

1 A. We are — we want it to remain compelling to customers.  
 2 Line Rental Saver was a delicate balance. Every  
 3 customer who — obviously we lost that — the proportion  
 4 of the discount in margin versus Standard Line Rental,  
 5 so it was commercially costly for us, but it was also  
 6 a product that engendered customer loyalty. I should  
 7 also say it was a product that was only available to  
 8 customers with e-billing, so not hugely relevant to all  
 9 the Class. So online billing. But it was always about  
 10 striking a balance between kind of keeping that product  
 11 attractive but also not selling too much of it versus  
 12 our forecast.  
 13 One final point, it was very cash flow positive for  
 14 us. If somebody bought Line Rental Saver they paid in  
 15 advance and we got the money early, so we always  
 16 forecasted with that in mind. The most important thing  
 17 with Line Rental Saver was actually broadly hitting the  
 18 volume forecast, so small tweaks and making sure that  
 19 was reflected in our volume forecast.  
 20 Q. You say that is the most important thing, but actually  
 21 the point you make in this email is:  
 22 "... new customers aren't taking [Line Rental Saver]  
 23 because it's cheap compared to competitors ..."  
 24 You are making the positive point that you do not  
 25 have to price by reference to competitor pricing.

15

1 A. I think new customers were not looking at — Line Rental  
 2 Saver was not a reason that new customers were joining  
 3 us, that is true.  
 4 Q. As we saw, helpfully, and we can go back to that table,  
 5 {F/374/4}, having debated the 24p, actually ultimately  
 6 you opted for £14.15?  
 7 A. I can explain that if that is helpful. The 24p,  
 8 notwithstanding the — we are pricing it — that  
 9 reference is to the price versus line rental at £15.99,  
 10 so it is two months free when line rental is £15.99,  
 11 which is when CCP37 was planned at that point. Once we  
 12 change the price of line rental, we have to change the  
 13 price of Line Rental Saver too for it to continue to be  
 14 two months free, because the price of line rental has  
 15 changed. So that is why — it effectively makes two  
 16 jumps; one from £11.75 to around £13, or £12.99, and  
 17 then a second jump, when we change the price of line  
 18 rental to £16.99, it becomes £14.15. I hope that was  
 19 clear.  
 20 Q. It went up to £14.15?  
 21 THE CHAIRMAN: Just a moment, please. (Pause)  
 22 Yes, thank you.  
 23 MS KREISBERGER: Mr Bunt, I took you to some documents  
 24 yesterday with various numbers on churn.  
 25 A. Yes.

16

1 Q. There is one more document I would like to show you and  
2 that is {F/479/1}. You see there that is "Price Change  
3 17/18", and the date is 15 August 2016, so --  
4 A. I have not got this one, right? I have got 478 I think.  
5 Q. No, I think this is just on the screen. So at this  
6 point you had stepped out of voice pricing?  
7 A. That is right.  
8 Q. Could we go to page {F/479/5}, please. You see there  
9 the first half of the page:  
10 "Price Change 16/17 drove 8k incremental churn  
11 versus 15/16 but is more than offset by the increase in  
12 revenue [year-on-year], while PTC remains below target  
13 and only slightly up [versus] 15/16."  
14 Then the two bullet points:  
15 "Increased churn is likely to have been driven by  
16 both a higher % increase in price change and highly  
17 competitive offers in market at the same time (e.g. free  
18 fibre).  
19 "In 17/18 we need to be wary of repeating a high %  
20 price increase and driving greater incremental churn."  
21 Then you see there, if we could blow up the top half  
22 of this slide. Thank you. You see there the figures.  
23 15/16, churn is 23,000. 16/17, 31,000. Year-on-year  
24 variation is 8,000. Then you have the figures for price  
25 change revenue have gone up from £133 million to

17

1 £196 million. That explains the heading, that the  
2 incremental churn is more than offset by the increase in  
3 revenue year-on-year.  
4 So, Mr Bunt, this is recording all churn from the  
5 17/18 price change?  
6 A. 16/17 price change. We are planning 17/18 now.  
7 Q. Yes, that is right, 16/17. These numbers include churn  
8 by bundle customers, do they not?  
9 A. They do.  
10 Q. Yes. Only a proportion of this churn would have been  
11 the SFV customer base?  
12 A. That is right.  
13 Q. So this is showing that the 16/17 price change caused  
14 8,000 more customers to churn than in the previous year,  
15 15/16?  
16 A. Yes, that is right.  
17 Q. Some of those 8,000 would have been SFV --  
18 A. Some of the 31,000 would have been, yes.  
19 Q. The heading here records that churn is more than offset  
20 by the increase in revenue year-on-year?  
21 A. It does say that.  
22 Q. Just so we have it, the reference to "highly competitive  
23 offers in the market at the same time (e.g. free  
24 fibre)", that is a reference to free broadband as part  
25 of a bundle, is it not?

18

1 A. It is, and it is similar to the slide you took me to  
2 yesterday which said a similar thing. Just to add that  
3 same point of context again, this is direct price churn  
4 rather than any of the indirect effects which is caused  
5 by customers' prices going up over time which we cannot  
6 measure.  
7 THE CHAIRMAN: Sorry, if you would just slow down for  
8 a minute.  
9 A. Sure.  
10 THE CHAIRMAN: That last point, you said this is showing  
11 churn as a result of direct ...  
12 A. Yes, this is customers responding to us when we notify  
13 their price change and telling us they want to leave,  
14 and leaving without held to term charges or early  
15 termination charges during that period.  
16 THE CHAIRMAN: Yes, but indirect in the sense you say it is  
17 still responding --  
18 A. To the price change --  
19 THE CHAIRMAN: -- to the price change, but it is not someone  
20 who rings up and asks for the termination charge to be  
21 waived, but they do go --  
22 A. They may have gone immediately or over time as a result  
23 of that change.  
24 THE CHAIRMAN: Yes. Thank you.  
25 MS KREISBERGER: To put that into context, the announcement

19

1 of the price increase was in April 2016 --  
2 A. Yes, we will have notified already by this point.  
3 Q. -- so this is some months after --  
4 A. Did you show me the date on the front was middle  
5 of August?  
6 Q. There is middle of August.  
7 A. So there would be a number of customers who had not  
8 received their quarterly -- their first bill with this  
9 price change having taken effect if they were quarterly  
10 billers at this point. Price change came in I think on  
11 3 July? 3 July, that is right. So there would have  
12 been, you know, a proportion of the base who still have  
13 not even seen a bill since this price change. It is  
14 certainly not clear yet. But the period to cease  
15 without held to term has ended.  
16 Q. If we just go back to the summary, the "Executive  
17 Summary" on page 2 {F/479/2}, you see the same point.  
18 Under the second heading, the first heading under the  
19 box, perhaps we could zoom in on that:  
20 "16/17 strategy of more gives and more pricing has  
21 been successful:  
22 Churn was higher than previous years but more than  
23 offset by higher revenue upside."  
24 A. Yes. May I just add also I think the key element of  
25 that 16/17 strategy is that we are proportionally taking

20

1 more margin from bundle customers than in previous price  
 2 changes. You can see that in some of the other -- the  
 3 planning documents for this. So the price change is  
 4 more impactful in percentage terms the more products you  
 5 have with us in this year. It is different in character  
 6 from previous price changes. I think that is a factor  
 7 in its success. You know, we increased the care level  
 8 standard, so the margin increase on line rental was  
 9 relatively modest compared to other years.

10 Q. Mr Bunt, let us move to another document, {F/247/5}. If  
 11 we could go down to page 5 of this document, please, and  
 12 if we could focus in on the email at the bottom of the  
 13 page. Now, this is an email from 30 April 2014,  
 14 Hazel Morgan emailed you?

15 A. Yes.

16 Q. You see there the email is headed "Window cost impacts  
 17 to customers".

18 "Hi Johnny.

19 "This breakdown of volume of customers impacted by  
 20 price increase was supplied by your team in the past and  
 21 would be a good indication for modelling Project Window  
 22 ...

23 "Can you pull the Window version for us by Friday?"

24 Then if we go up to page {F/247/3}, bottom of the  
 25 page, 1 July, Ms Gallagher emails you again. She refers

21

1 to your:

2 "... useful output but we need the analysis at  
 3 a customer level [she says] ... so we can understand  
 4 churn risk and arrange for an OB calling campaign to the  
 5 worst impacted customers."

6 Please scroll up to page {F/247/1}. You respond to  
 7 that email on 9 July, that is the email at 4.59, and you  
 8 say:

9 "Thanks Mairead.

10 "I've had a chat with Kelly Liu, who ran this  
 11 campaign last year and agreed with James that this isn't  
 12 the best use of outbound resource in a price change  
 13 context and we shouldn't proceed.

14 "Last year we called 10k customers worst [affected]  
 15 and found the vast majority were pretty content (this  
 16 aligns with the principles of haves and have nots).  
 17 "It was limited in its effectiveness last year  
 18 (despite our stealth charging) and this year the price  
 19 change impact is just proportional. Also at the moment  
 20 with Sky defence outbounding activities using  
 21 significant call centre resource I'm not sure we can  
 22 justify the approach, we'd be better off calling 10k  
 23 high churn risk customers."

24 So just going over the points you make in that  
 25 email. Again, Window was the 2014 price change. At the

22

1 time of this email it had not taken place yet?

2 A. That is right.

3 Q. It took place in December 2014. So Ms Gallagher is  
 4 suggesting in April that year that BT institute  
 5 a pre-emptive campaign of calling the customers who she  
 6 describes as the "worst impacted customers", correct?

7 A. Yes.

8 Q. You are telling her here that in the previous year you  
 9 called the 10,000 worst affected customers, correct?

10 A. Kelly arranged for that, yes.

11 Q. That refers to the customers hit hardest by the prior  
 12 Pegasus price increase?

13 A. It does.

14 Q. That was 54p the previous year?

15 A. Well ...

16 Q. On line rental.

17 A. Yes, on line rental, but it is referring to the whole  
 18 price change effect.

19 Q. You called the 10,000 hardest hit customers but you  
 20 found, your takeaway was most were pretty content,  
 21 having called them?

22 A. Yes, that is what it says.

23 Q. You say that aligns with the principles of haves and  
 24 have nots?

25 A. I can explain more about that principle.

23

1 Q. I think you are saying the worst affected are the  
 2 have nots?

3 A. No, that is the opposite of what I am saying. So I do  
 4 not know, am I allowed to take people to documents?  
 5 I am not sure I am.

6 Q. Let us just stay with this email.

7 A. Okay. But the principle of haves and have nots is the  
 8 more products you have from us, the haves, the more  
 9 content you are, and the less likely you are to churn.  
 10 So actually it is the opposite way round. Have nots  
 11 have more products and were more impacted by the price  
 12 change because they have more products.

13 Q. Mr Bunt, we can agree that you say the 10,000 hardest  
 14 hit customers were "pretty content". That is what you  
 15 say in --

16 A. Yes, that is what I am saying, absolutely.

17 Q. Then you say the campaign to call the worst affected  
 18 last year was "limited in its effectiveness"?

19 A. Yes.

20 Q. You say it was limited "despite ... stealth charging".  
 21 It was limited in its effectiveness because they were  
 22 pretty content?

23 A. Yes, that is all true. We are talking about, as I say,  
 24 customers -- I do not think they would be in the Class  
 25 because they were haves. They would have, you know, BT

24

1 broadband, BT TV, things like that. But yes, that is  
2 true.  
3 Q. Your conclusion is that BT would be better off calling  
4 10,000 high churn risk customers?  
5 A. Yes, exactly.  
6 Q. So what you are saying here is the 10,000 high churn  
7 risk customers are not the same group as the 10,000  
8 worst affected?  
9 A. They might overlap but they are different.  
10 Q. You distinguish between them?  
11 A. Yes.  
12 Q. That is why you are saying that calling the 10,000 worst  
13 affected would not be the best use of resource?  
14 A. That is exactly what I am saying, yes.  
15 Q. So you tell her not to proceed?  
16 A. Suggest she does not proceed. It is not my decision,  
17 but, yes.  
18 Q. You wanted her to call the customers that you might  
19 lose?  
20 A. I am suggesting an alternative. If they have got the  
21 resource available that is a better use of it. It is up  
22 to them what they do.  
23 Q. Mr Bunt, you say in your evidence, in your second  
24 statement, that you were conscious that BT had a special  
25 responsibility to all of its customers?

25

1 A. Yes.  
2 Q. Let us turn that up. {D/2/15} and it is paragraph 52.  
3 You make the point here — and perhaps we could blow  
4 up that paragraph, thank you — that BT is in a "unique  
5 position" as the UK's first telecoms supplier, and you  
6 say because of that history BT has a unique reputation;  
7 unique position, unique reputation?  
8 A. Absolutely.  
9 Q. That is why you describe BT as a "customer—centric  
10 organisation"?  
11 A. Yes.  
12 Q. You say it has a culture and values based on "a sense of  
13 responsibility to customers"?  
14 A. I do.  
15 Q. You say that you personally have always been mindful of  
16 that sense of responsibility to customers?  
17 A. That is right.  
18 Q. But, Mr Bunt, ignoring the worst affected does not  
19 suggest you were being mindful of your sense of  
20 responsibility to those customers?  
21 A. I am not sure I would align the two points. In the —  
22 this is a general statement for how we thought about our  
23 customer base. Absolutely right. In the other  
24 question, we sort of have enough resource to call 10,000  
25 customers. We cannot call everybody.

26

1 Q. You would rather call the customers you might lose?  
2 A. We have to decide how best and most efficiently to use  
3 that resource, and the advice that I am providing there  
4 is that it would have a greater effect on mitigating the  
5 impact of price change on churn if we call customers we  
6 already know to be high churn risk. That is what I am  
7 saying.  
8 Q. Mr Bunt, let us stay with the topic of churn. Now, it  
9 is your evidence that churn, including amongst true  
10 solus customers, was significant?  
11 A. Yes.  
12 Q. You say, and we have seen this paragraph already today,  
13 it is paragraph 72 of your second statement, you say:  
14 "Our research showed that customers were leaving  
15 [us] following our price changes ..."  
16 A. Yes.  
17 Q. You say you were keen to diagnose why it was that so  
18 many customers were switching to the Post Office?  
19 A. Mm—hm.  
20 Q. Sorry, if you could speak for the transcript?  
21 A. Yes, sorry.  
22 Q. So your evidence was that switching was significant, as  
23 you have said.  
24 I want to show you a more recent email thread from  
25 2021. That is {F/711/1}. If we could go down to page

27

1 {F/711/3} of this document. This is an email, you see  
2 there, from Robert Hahn. Mr Hahn is an academic at the  
3 Smith School, Oxford, and he sent an email on  
4 17 February 2021 to Cathryn Ross at BT, and it is  
5 a request for data about switching.  
6 He says at the top of the email there:  
7 "I have a data request related to the switching  
8 paper we are writing based on the Ofcom/BT experiment."  
9 Could we move up to page {F/711/2}. You see there  
10 she forwards the email to you and to Emily Clark?  
11 A. Mm—hm. Yes.  
12 Q. Emily Clark is BT's chief economist?  
13 A. At that time, yes.  
14 Q. That is 18.11 on the 22nd.  
15 Miss Ross replies, she says at the bottom of her  
16 email:  
17 "Do note that the paper won't mention BT — so no  
18 need to worry that what it shows will be detrimental for  
19 us. Although I should say that if it does end up  
20 concluded that the size of the addressable market for  
21 challengers is lower than regulators might have thought  
22 it isn't necessarily the best result for us!!"  
23 Miss Clark then replies, we need to go up to page  
24 {F/711/1} of the email, and she says:  
25 "... I can't help on the data [I'm afraid] — ...

28



1 Jonny might have better connections with the business  
 2 ... ”  
 3 Then she says:  
 4 “Agree that a finding of rational inertia would not  
 5 be that helpful. Ofcom might see that as an insuperable  
 6 behavioural barrier to switching. If there is no  
 7 prospect of prices being pushed down further through  
 8 competition, there is a risk of Ofcom looking for deeper  
 9 voluntary price cuts (although not on their agenda at  
 10 the moment [...])  
 11 “We might also want to think about this paper in the  
 12 context of the legal proceedings.”  
 13 Then if we could please go back up to page {F/711/1}  
 14 and we see your reply. You reply 10 minutes later,  
 15 14.58 on the 25th, and you say this, Mr Bunt:  
 16 “The analysis referred to was on the Carmen and  
 17 split—service customers right? Any additional data on  
 18 this I would have thought would be helpful to the other  
 19 side in the class action.”  
 20 Just to complete the thread. Sorry, let us stay  
 21 with that.  
 22 “... would be helpful to the other side in the class  
 23 action.”  
 24 Then we have some text blanked out, we do not know  
 25 why that is.

29

1 I think the reference to the “class action” is to  
 2 these proceedings —  
 3 A. I think so too.  
 4 Q. — Mr Bunt.  
 5 Emily Clark replies a few minutes later:  
 6 “Just the Voice Only Customers I think. They did  
 7 a randomised control trial on what wording in a letter  
 8 had best engagement effect.”  
 9 Now, Mr Bunt, you are saying in this email that any  
 10 additional data which BT holds on switching by each of  
 11 the sub—Classes, VOCs and SPCs, would be helpful to the  
 12 Class Representative’s case?  
 13 A. I think that is what I am saying, yes.  
 14 Q. So you mean that that data would show low levels of  
 15 switching?  
 16 A. That is my assumption. I do not actually know what the  
 17 outcome is, but I am assuming it would show low levels  
 18 of switching.  
 19 Q. Given your belief that the data held by BT on switching  
 20 is unhelpful to BT’s case, don’t you think you should  
 21 have referred to that belief in your evidence?  
 22 A. I am talking in my evidence here about the context in  
 23 which we made the price changes and the level of  
 24 switching at this point. So I am referring, for example  
 25 to switching in 12/13. This email was in 2021, we have

30

1 implemented a significant price down for a large  
 2 proportion of this base, which is likely to reduce their  
 3 reasons to switch for price sensitivity. So I think the  
 4 context is completely different, but it definitely says  
 5 what you say is there, so I am not disputing that.  
 6 Q. If we just turn back to your paragraph 72, {D/2/20},  
 7 what you actually say is — your evidence here is that  
 8 customers were leaving due to price changes, and at  
 9 paragraph 73 you say you wanted to work out “why so many  
 10 customers were switching to the Post Office”. You are  
 11 giving the impression here, Mr Bunt, that switching was  
 12 high?  
 13 A. It was. It was obviously a lot lower once we put  
 14 the price down by £7 but it was high prior to that.  
 15 Q. It is helpful to your evidence in this case to emphasise  
 16 switching rates are high?  
 17 A. I think it is helpful to the proceedings to understand  
 18 what switching rates were like at that period.  
 19 Q. Mr Bunt, I would like to move on to competitor pricing  
 20 and I would like to show you a document that you do  
 21 refer to. That is at {F/196/1}.  
 22 A. Do I have it?  
 23 Q. No.  
 24 A. Okay.  
 25 Q. It should be there on the EPE.

31

1 A. Yes.  
 2 Q. If we can — Mr Bunt, you refer to this document in  
 3 support of your evidence in your second statement that  
 4 you paid close attention to competitors’ pricing?  
 5 A. Absolutely, yes.  
 6 Q. If we go to page {F/196/3} of this document, and you see  
 7 there the heading, “Medium risk plan delivers £76m”. So  
 8 that is the bottom part of the page.  
 9 A. Yes.  
 10 Q. You say this:  
 11 “Line rental at £16.99 ...”  
 12 I should have said this document is dated  
 13 29 November 2013.  
 14 “Line rental at £16.99 will make us £1 clear of  
 15 nearest competitor; however, competitors have  
 16 historically followed us.”  
 17 Now, Mr Bunt, this is a reference to line rental  
 18 only?  
 19 A. Line rental, yes, the £1 is, yes.  
 20 Q. You are saying the £1 increase will make you more  
 21 expensive than your nearest competitor?  
 22 A. I am saying that.  
 23 Q. You say “however” competitors in the past have followed  
 24 you?  
 25 A. Yes.

32

1 Q. The "however" is signalling your expectation that  
2 competitors will continue to follow you?  
3 A. I think that is true. I would also say that I am saying  
4 this 12 months and 2 days before the price is changing,  
5 so there is a lot of time for other competitors to  
6 change their prices.  
7 Q. We will look at some other documents.  
8 A. Sure. But you are absolutely right, I am expecting that  
9 will happen.  
10 Q. So you are signalling there is no need to worry about  
11 competitor pricing because they will follow you, as they  
12 have done in the past?  
13 A. That is what I am saying here.  
14 Q. So it is a lack of concern about being £1 ahead of the  
15 pack?  
16 A. Well, I think I am saying that we probably will not be  
17 £1 ahead of the pack, I think. I am saying that would  
18 be a concern, however, the chances are that over the  
19 course of the next 12 months other providers will  
20 increase their pricing and we will not be such an  
21 outlier.  
22 Q. Yes, they will price up to your level.  
23 Let us just turn back to your evidence. If we could  
24 go to paragraph 41, which is on page {D/2/12}, you say  
25 this:

33

1 "In all of the price changes that I was involved  
2 with, we tried to price all Consumer products (including  
3 Voice and broadband) competitively rather than out of  
4 kilter with BT's competition. My team and I paid close  
5 attention to our competitors and their prices when  
6 planning each price change in order to avoid customers  
7 leaving BT for cheaper service providers."  
8 Then you see footnote 6?  
9 A. Okay, yes.  
10 Q. Perhaps we could just see that on the EPE. That is  
11 a reference to the document I have just shown you at  
12 {F/196}.  
13 So your written evidence is that you paid close  
14 attention to competitor pricing each time you planned  
15 a price change?  
16 A. Mm—hm.  
17 Q. The document you cite in support is the document we have  
18 just seen?  
19 A. I cannot see the whole document because I do not have it  
20 in the bundle, but I would have thought there is a slide  
21 in there which has a table with all the competitors'  
22 price changes in it — prices in it, and across all of  
23 our products, not just line rental. I do not know if  
24 you can take me there, but I am pretty certain, because  
25 I had that in more or less every pricing document.

34

1 Q. Let us go to {F/196/5}.  
2 A. That is the one, yes.  
3 Q. That slide, Mr Bunt, is just showing that BT has the  
4 most expensive line rental, is it not, first row?  
5 A. It is showing lots of things, so one —  
6 Q. I think we can agree that the first row shows BT's line  
7 rental going up to £16.49 on 1 December 2014. In fact,  
8 it was £16.99 in the event?  
9 A. Yes, it was in the event, yes.  
10 Q. We see Virgin Media and TalkTalk and Sky charging less  
11 than that?  
12 A. We see a note in the right-hand bullet, top bullet,  
13 which refers to how Virgin will shortly match our line  
14 rental prices, and both of them have not happened yet,  
15 but we are both going to move to £15.99.  
16 THE CHAIRMAN: That is because Virgin had already announced  
17 that price change.  
18 A. Yes, absolutely. Announced, exactly. We do not know  
19 what Sky and TalkTalk are going to do on pricing, but  
20 all we have is the information that has already happened  
21 on those.  
22 You said it is only focused on line rental. Of  
23 course the first row is only focused on line rental,  
24 that is the line rental row, but the remaining rows  
25 focus on lots of other rates, some of which we are the

35

1 most expensive and some of which we are not.  
2 Q. Mr Bunt, if we go back to page 3 of this document, which  
3 says:  
4 " ... however, competitors have historically followed  
5 us."  
6 You do not cite that in your evidence where you cite  
7 this document?  
8 A. No, I do not.  
9 Q. Let us move on then to {F/284/1}, please. Now, you  
10 should have a copy of this one —  
11 A. Cool.  
12 Q. — in your pack there.  
13 A. Yes.  
14 Q. We are moving forward in time now, we are going to  
15 12 December 2014, and BT has just implemented the Window  
16 price increase with the £1 on line rental?  
17 A. Yes.  
18 Q. If we could go forward to page {F/284/6}, please, of  
19 this document. You see there "15/16 Pricing", at the  
20 top of the slide, "LT Strategy". That is long-term  
21 strategy?  
22 A. That is right.  
23 Q. "Sustainability of Current Pricing Approach", and that  
24 summarises that the Pegasus price rise to the 15/16  
25 pricing has seen two key changes in approach:

36

1 "1 month creep in price change date.  
 2 "£1 increase in [line rental] on each occasion.  
 3 "The sustainability of this creep is in question  
 4 especially as in future years this moves the price  
 5 change close to the start of the Football season ..."  
 6 Now, it may be helpful if we just go back to  
 7 {IR-A/12/10}, and if a split screen would work for this.  
 8 This is just a summary. So you see here that ... It  
 9 referred there to "Pegasus to 15/16 pricing". So you  
 10 see there again Pegasus moved the price to £15.99,  
 11 Window to £16.99 with £1 on line rental, and Laika then  
 12 moved the price in September 2015 again by £1 increase  
 13 to line rental.  
 14 So coming back to the slide, it is looking back to  
 15 Window which has happened, and it is looking forward to  
 16 Laika. That is right?  
 17 A. Yes, I think in an earlier slide we already agreed, or  
 18 it says, you know, approval for a 1 November price  
 19 change and £1 on line rental, so that is kind of  
 20 something we already considered to be in the plan at  
 21 this point.  
 22 Q. The "1 month creep" refers to the fact that Pegasus was  
 23 implemented in January 2014 --  
 24 A. Yes.  
 25 Q. -- and Window was implemented on 1 December, so it is

37

1 one month earlier?  
 2 A. That is right.  
 3 Q. 11 months. There is some concern there about the  
 4 sustainability of the creep?  
 5 A. That is right.  
 6 Q. Ultimately -- this obviously had not happened at the  
 7 time of this slide, but ultimately Laika took place  
 8 in September, so it was a shorter time period to Laika,  
 9 and that was a 10-month period to Laika.  
 10 Now, if we go back to the slide {F/284/6}, you see  
 11 the heading "Long Term reduction in our dependence on  
 12 price changes".  
 13 So back in December 2014, these are the thoughts:  
 14 "Price changes create significant headroom for our  
 15 competitors to do likewise.  
 16 "A culture of annual price change can become a drug  
 17 on which we get hooked, losing perspective of the  
 18 elasticity of our pricing on volume impact."  
 19 Mr Bunt, you say here that price increases create  
 20 "significant headroom", that is space, for competitors  
 21 to price up to your level?  
 22 A. Yes, this is being put here as a reason for trying to  
 23 move away from the approach on price changing. But,  
 24 yes, that is what I am saying. I am saying that.  
 25 Q. You are not saying here that you are pricing low to

38

1 remain in step with the competition, are you?  
 2 A. No, I am not saying that.  
 3 Q. No. You are saying they will price up to you?  
 4 A. They might, yes, absolutely. We were certainly creating  
 5 the headroom that would enable that, yes.  
 6 Q. That is why you are saying that BT could become "hooked"  
 7 on price rises, like a "drug"?  
 8 A. I think where I am saying BT could become hooked on  
 9 price rises like a drug, which is quite flowery language  
 10 for this document, I agree, what I am saying is I think  
 11 that we are in danger of pursuing this consistent price  
 12 change approach and we should be cautious, given the  
 13 volume impact it can have, particularly, as I have  
 14 referred to a few times, that kind of indirect churn  
 15 effect.  
 16 Q. That is why, the third bullet point, you are there  
 17 considering a different approach for the next  
 18 three years. You are mooting thinking about a different  
 19 approach --  
 20 A. That is right.  
 21 Q. -- when you say this:  
 22 "Our 3--5-year view is to reduce the budgeted price  
 23 change down year--on--year to improve the competitiveness  
 24 of our offering and enable us to put the squeeze on our  
 25 competitors."

39

1 You thought about doing that, but that is not what  
 2 you did, is it, Mr Bunt?  
 3 A. That is correct.  
 4 Q. Instead we had, as I showed you, the £1 increase with  
 5 Laika in 2015, the £1 increase in 2016, that is a 16/17  
 6 price change?  
 7 A. That is correct.  
 8 Q. Then we get to Ofcom's threat to apply price caps.  
 9 Now, let us just stay with the same slide, but if we  
 10 could go down to the lower part of the slide {F/284/6},  
 11 "Assessing the [long-term] Impact of Annual Pricing  
 12 Levers".  
 13 Could you go down to the third heading, "Line Rental  
 14 Ceiling". The first bullet point there, if we could  
 15 focus in on that, perhaps, it is quite small script:  
 16 "Line rental price receives the most scrutiny in the  
 17 press and is the lead indicator of annual price change.  
 18 We have adhered to £1 increments that will bring it up  
 19 to £19.99 by 2017 if we continue the trend. There is  
 20 minimal appetite for a £20 and over line rental as it is  
 21 increasingly seen as a tax on broadband services. The  
 22 absence of inclusive minutes also creates an  
 23 increasingly indefensible position in the market.  
 24 Competitors are likely to follow us, but will engage in  
 25 deeper bundle discounts to remain attractive."

40

1 So you are saying here competitors will do two  
2 things: you say they are likely to follow your line  
3 rental increase?  
4 A. I am saying that, yes.  
5 Q. But they will respond by lowering the prices of their  
6 bundles, correct?  
7 A. Yes, that would be the competitive concern for them, so  
8 they will, you know, go to free broadband or very cheap  
9 broadband. At this time, pre-ASA, they would not have  
10 to -- for marketing they only have to say: plus line  
11 rental. They do not have to say any more than that.  
12 Q. Let us move forward in time to 10 March 2015. I am  
13 afraid this is not one in your pack.  
14 A. Okay.  
15 Q. That is {F/294/1}. This is a slide deck from  
16 10 March 2015. If we could go to the second page,  
17 please, {F/294/2}. Again, very small writing so we will  
18 try and zoom in. You see there at the top of the slide  
19 "Consumer Voice Strategy - Revenue Optimisation". Then  
20 on the right-hand side -- yes, "Further Background". It  
21 is quite small.  
22 So if you see under the first set of -- you have  
23 "Context" and then some bullet points on the left, and  
24 then "Further Background".  
25 A. Yes.

41

1 Q. The first bullet point under "Further Background" says:  
2 "BT's price change leads the market enabling  
3 increases of the same scale."  
4 It goes on:  
5 "In 2011 we made a 5% increase in LR [line rental]  
6 with RPI at 5.2%, 2014 was 6 times RPI."  
7 "2014: Energy Companies left pricing while Rail  
8 fares increased by just 2.2%."  
9 So focusing on that first bullet point:  
10 "BT's price change leads the market enabling  
11 increases of the same scale."  
12 Mr Bunt, that is a clear acknowledgment, is it not,  
13 that BT is a price leader?  
14 A. I do not -- I am not really sure what a price leader is,  
15 but it is definitely acknowledging that ... I think it  
16 is referring to line rental, to be honest. It is hard  
17 to tell, but -- that when we make those changes, it  
18 enables others to make increases on the same scale,  
19 similar to the other sentences you have just shown me.  
20 I should say this is a draft version of this  
21 document. We have already looked at the final which  
22 does not have that in it, but, yes.  
23 Q. Let us go forward again in time to 11 December 2015, so  
24 the end of this same year. {F/310/1}. I am afraid that  
25 is the wrong date. It is May that year.

42

1 A. It is on the last page. I think we looked at this  
2 yesterday.  
3 Q. That is right. So we are in May. So if we go down to  
4 the second page, {F/310/2}. Can you see there, we have  
5 been to this one before, and we focused on the wording  
6 under "Background" which refers to "super-inflationary  
7 price rises on largely inelastic products". But I would  
8 like you now to read the line above the blue box:  
9 "Our competitors have increasingly aligned their  
10 price changes with [ours. I think there is a missing s]  
11 in timing and scale."  
12 Then you set out the prices of line rental and calls  
13 below.  
14 Again, this slide, this paper is acknowledging, you  
15 are acknowledging, Mr Bunt, that other providers will  
16 follow BT's line rental price rises?  
17 A. They said that they have. I think it is the past tense.  
18 That is definitely what I am demonstrating in the table,  
19 yes.  
20 Q. You are implying that they will continue to do so?  
21 A. Where?  
22 Q. "Our competitors have increasingly aligned their price  
23 changes with ours ..."  
24 You are not signalling a change of approach?  
25 A. Certainly not signalling a change of approach. But it

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1 is a background it has to be historic, right. I am just  
2 referring to what has happened in the past.  
3 THE CHAIRMAN: Yes, but is it not a fair point to say that  
4 you are saying they have increasingly aligned, this is  
5 a trend which --  
6 A. A trend we are seeing, absolutely.  
7 THE CHAIRMAN: As far as you were concerned this was a trend  
8 that was likely to continue.  
9 A. I think so. I think -- we do not know, right.  
10 THE CHAIRMAN: Of course not, but I am just trying to  
11 understand what you are saying.  
12 A. We are certainly aware of the phenomenon that is  
13 happening, yes. It is not like it would have been a  
14 surprise to us if they had continued to follow us,  
15 absolutely.  
16 THE CHAIRMAN: Thank you.  
17 MS KREISBERGER: Mr Bunt, I have now shown you four  
18 documents where BT records that it was a price leader,  
19 BT's pricing leads the market. Those documents date  
20 from 29 November 2013 through to May 2015. So each of  
21 those documents pre-date the Ofcom investigation?  
22 A. Yes.  
23 Q. Correct?  
24 A. That is correct.  
25 Q. They all derive from your time in Voice Pricing?

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1 A. They do, yes.  
 2 Q. You were doing the legwork, as you say, in your evidence  
 3 at that time?  
 4 A. Yes.  
 5 Q. Let us go back to BT's response to Ofcom's provisional  
 6 conclusions. You helpfully confirmed yesterday,  
 7 Mr Bunt, that you contributed to this document. That is  
 8 at {OR-C/5/1}. Make sure we go to the correct version.  
 9 Then if we could please go forward to page {OR-C/5/45}  
 10 in this document. At the top -- I think we need to see  
 11 page -- I think my version is different from the one on  
 12 the screen. So we need to see the beginning of  
 13 paragraph 168 which is the previous page, thank you very  
 14 much. {OR-C/5/44}.  
 15 So here you are responding to various Ofcom  
 16 arguments. It says there -- can you see there just at  
 17 the bottom of the page, I am in a different version:  
 18 "Dealing with each of Ofcom's arguments on pricing."  
 19 Then if we go down to the following page to  
 20 subparagraph (c), {OR-C/5/45}. Now, you can see the  
 21 Ofcom arguments are in italics and the BT responses are  
 22 not italicised. At (c) it says:  
 23 "Ofcom's argument":  
 24 "There is evidence that BT acts as a price leader,  
 25 with other CPs following its increases in line rental in

1 terms of both timing and magnitude."  
 2 Do you see there your response:  
 3 "There is no reliable evidence of BT playing a price  
 4 leadership role."  
 5 But Mr Bunt, I have just shown you four documents  
 6 that reliably record that BT did consider itself to be  
 7 a price leader?  
 8 A. Yes.  
 9 Q. Documents spanning at least 18 months. Mr Bunt, that is  
 10 a misleading submission, is it not?  
 11 A. I mean, I understand entirely the point you are making.  
 12 I am not disagreeing with the points you have made up  
 13 to -- at this point. I think we are definitely refuting  
 14 that here. This is, yes, a document to which  
 15 I contributed to, but clearly the people writing this on  
 16 BT's behalf have a different perspective to what I --  
 17 THE CHAIRMAN: What would be quite helpful is if you could  
 18 directly address the question, which is: is this  
 19 statement misleading?  
 20 A. I guess, to my -- based on my understanding, yes.  
 21 MS KREISBERGER: I will just show you what Ofcom said about  
 22 this. That is at {C/3}, page 25. We are safe on  
 23 {IR-C/3/25}. It is paragraph 4.17.  
 24 You see there the submission got short shrift from  
 25 Ofcom:

1 "We further note that BT is a price leader in this  
 2 market."  
 3 A. Yes.  
 4 Q. But, Mr Bunt, this continues to be your evidence in  
 5 these proceedings. Let us go back to your second  
 6 statement, paragraph 41, {D/2/12}. Again, we have seen  
 7 this:  
 8 "In all of the price changes that I was involved  
 9 with, we tried to price all Consumer products (including  
 10 Voice ...) competitively rather than out of kilter with  
 11 BT's competition. My team and I paid close attention to  
 12 our competitors and their prices when planning each  
 13 price change in order to avoid customers leaving BT for  
 14 cheaper service providers."  
 15 You are saying that you looked at competitors'  
 16 prices because you did not want to lose customers to  
 17 them?  
 18 A. Yes, that is right. We did not want to be "out of  
 19 kilter" with them, I think is the phrase I am using.  
 20 I think the documents show that too, that we anticipated  
 21 or expected, as I said before, that other providers will  
 22 have a similar price to us, maybe the greatest  
 23 difference will be £1, and we do not -- yes, "out of  
 24 kilter" is a bit of an unhelpful -- maybe a bit of a  
 25 strange phrase for me to have used here, but I mean

1 significantly different from, right? That may be  
 2 a better way of clarifying that. I do not think that a  
 3 £1 difference would be significantly different.  
 4 Q. Mr Bunt, it is not setting competitive prices if you put  
 5 your prices up and simply observe that you expect the  
 6 pack to follow, is it?  
 7 A. I am talking about all prices in this paragraph, not  
 8 just line rental, but I agree with what you are saying  
 9 specifically to line rental there. But in this  
 10 paragraph I am describing all of our prices and, as  
 11 I showed you on the table that you demonstrated, some  
 12 prices were more expensive and some were less.  
 13 MS KREISBERGER: Sir, I do not know if that is a convenient  
 14 moment?  
 15 THE CHAIRMAN: Yes, I was about to say. Just give me  
 16 a second, please. (Pause).  
 17 Yes, thank you.  
 18 (11.44 am)  
 19 (A short break)  
 20 (11.58 am)  
 21 THE CHAIRMAN: Yes.  
 22 MS KREISBERGER: Thank you, sir.  
 23 Mr Bunt, if we could turn back to your second  
 24 statement, {D/2/36}, paragraph 125. We are moving on to  
 25 a different topic here. In the final sentence of this

1 paragraph you say that:  
 2 "While we accepted that some [Voice Only] customers  
 3 would sit within this definition ..."  
 4 This is vulnerability .  
 5 A. Yes.  
 6 Q. Sit within the vulnerable group.  
 7 " ... [split purchasers] were clearly engaged enough  
 8 to search for broadband deals ..."  
 9 So you say you accept "some" VOCs would sit within  
 10 this definition .  
 11 Could we turn up {F/260/1}, "Handling of Elderly  
 12 Customers". That was a CEO review from  
 13 1 September 2014.  
 14 Then if we move down to page {F/260/2}, you see this  
 15 is focusing on the elderly cohort in particular . If we  
 16 could go down to the bullet points on the left —hand side  
 17 underneath the chart, it says:  
 18 "70% of this demographic [this is the elderly  
 19 demographic] are PSTN only customers ..."  
 20 That is public switch telephone network. That is  
 21 landlines . 70% of the demographic are landline only  
 22 customers.  
 23 Then the next page {F/260/3}, under the second  
 24 column headed "Issues observed", first bullet point —  
 25 I should read out the heading:

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1 "There are a number of common difficulties  
 2 experienced by this group in engaging with BT,  
 3 particularly with the Repair experience as well as  
 4 affordability and how we interact with them."  
 5 The first bullet point under "Issues observed" is:  
 6 "Genuine vulnerability/dependency on fixed line  
 7 services as a lifeline ..."  
 8 Then the penultimate bullet point in that same  
 9 column:  
 10 "Low incomes can cause greater financial difficulty  
 11 from unexpected costs."  
 12 Do you see that?  
 13 A. I have not yet, hold on.  
 14 Okay, I see that.  
 15 Q. Then could we please move down to page {F/260/5} of this  
 16 document. This is the heading at the top of the page:  
 17 "We are committed to looking after this base in  
 18 a way which recognises the importance of a phone service  
 19 to their lives and is also operationally feasible given  
 20 the size and expected growth of this group."  
 21 The slide goes on to list three points. I am just  
 22 going to show you the headings.  
 23 The first is:  
 24 "... create a definitive identification of this  
 25 customer base."

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1 The second is:  
 2 "... simplify and improve how [they] interact with  
 3 BT through their preferred channel."  
 4 Thirdly:  
 5 "... implementing or restoring service for these  
 6 customers."  
 7 Not one of those action points is about  
 8 affordability or pricing, is it, Mr Bunt?  
 9 A. I think in the — I mean, I have not seen this document  
 10 before, I did not write it, but I think the first bullet  
 11 of the third section talks about:  
 12 "Reduce overall CAPC charge for base to £50 for  
 13 greater affordability ..."  
 14 THE CHAIRMAN: What is CAPC?  
 15 A. It is a great question. I am guessing it is connection,  
 16 but I do not actually know, I am afraid. I did not  
 17 write this.  
 18 THE CHAIRMAN: I see.  
 19 A. CAPC, I am sorry, it is not familiar to me.  
 20 MS KREISBERGER: That is not line rental, is it?  
 21 A. It is definitely not line rental, no. I do not know.  
 22 It will be a charge, clearly , but I am afraid I do not  
 23 know.  
 24 Q. Mr Bunt, what I want to draw from the slide that I just  
 25 showed you is that back in 2014, BT understood that

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1 customers in this elderly cohort, which were  
 2 predominantly Voice Only, 40% Voice Only, that they were  
 3 genuinely vulnerable, BT is acknowledging that?  
 4 A. Sorry, can you repeat the question?  
 5 Q. Yes, of course. BT understood that customers in this  
 6 elderly cohort were genuinely vulnerable. That is the  
 7 language in the slide?  
 8 A. Yes, I have to say, I do not — as I say, I do not  
 9 recall the document. I am not sure if the metadata says  
 10 I was involved with it, but I certainly do not — I do  
 11 not think I have ever seen this before. But certainly  
 12 it is true that at BT we were conscious that we had  
 13 elderly customers and some of these were PSTN customers.  
 14 I think that was your question. Sorry, I am being  
 15 imprecise.  
 16 Q. Just so you have it in front of you, if we go back to  
 17 page 3, the very first bullet is:  
 18 "Genuine vulnerability/dependency on fixed line  
 19 services ..."  
 20 A. Okay, sure, so — and, I mean, there are plenty of  
 21 elderly customers who have broadband, is probably the  
 22 only point, and a bundle from us, is all I am saying to  
 23 provide some broader context. But again, I do not know  
 24 if this document is focusing specifically on PSTN only  
 25 customers, I have not seen anything that says that, but

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1 it may do. Certainly some of our elderly customers were  
 2 landline only, and dependent, as it says here.  
 3 Absolutely.  
 4 MR DORAN: Can I ask, what is the significance of "Increased  
 5 impact of RFT failure"?  
 6 A. "RFT" is right first time.  
 7 Where is it, sorry? I cannot see it.  
 8 MR DORAN: On the left—hand side of this page 3.  
 9 A. Sorry, I cannot see any "RFT" in this thing — oh,  
 10 sorry, in the thing, in the chevron. Yes, so I think  
 11 what that is saying is when we do not get things — and  
 12 again, not my document. I think what that is saying is  
 13 when we do not get things right for customers first  
 14 time, where our services let them down, they are going  
 15 to see an increased impact. So, for example, if we do  
 16 not restore their landline in the event of a fault, if  
 17 they are more dependent on it, they might need it for  
 18 a telecare service, that type of thing.  
 19 MR DORAN: Thank you.  
 20 MS KREISBERGER: Mr Bunt, you said you had not seen anything  
 21 that suggested this slide was talking about Voice Only  
 22 Customers. Can we go back, please, to page 2.  
 23 A. Sure. I am not contesting that it is, I just did not  
 24 ...  
 25 Q. Just so we have the facts here. The second bullet point

1 under the box:  
 2 "70% of this demographic are PSTN only customers  
 3 ..."  
 4 That is right, is it not?  
 5 A. It certainly says that, yes. I do not know whether that  
 6 is borne out in the actual data, but that is what it  
 7 says here.  
 8 Q. If we go back to the third slide. I showed you the  
 9 penultimate bullet on the left—hand side. BT understood  
 10 in 2014, at the time of this slide, that customers in  
 11 this elderly cohort would suffer more financially from  
 12 "unexpected costs".  
 13 A. Yes, I think that is certainly what it says here.  
 14 I think that is reasonable to say, yes.  
 15 Q. BT is acknowledging that it had a commitment to look  
 16 after these genuinely vulnerable customers?  
 17 A. We do acknowledge that, yes.  
 18 Q. Mr Bunt, if we then go back to your first witness  
 19 statement, {D/1/8}, paragraph 34. We covered this  
 20 yesterday. You explained in relation to these  
 21 paragraphs, paragraphs 33 and 34, you explained that  
 22 BT's aim in pricing line rental high was:  
 23 "... about making the jump to broadband small enough  
 24 to ensure it did not create a disincentive."  
 25 A. Yes, that seems to be ...

1 Q. Those were your words yesterday. That is the argument  
 2 we saw that you said might be credible.  
 3 Mr Bunt, what I would like to think about for  
 4 a moment is the Voice Only Customers who do not make the  
 5 jump. They are the customers left paying the high SFV  
 6 prices, are not they?  
 7 A. Those of them who are not on BT Basic or on Home Phone  
 8 Saver, yes.  
 9 Q. Voice Only Customers who do not make the jump will  
 10 include some of this genuinely vulnerable cohort?  
 11 A. They will. But they will also — as I say, many of them  
 12 will take BT Basic and Home Phone Saver.  
 13 Q. Let us just focus on those that take —  
 14 A. That do not take those. Okay.  
 15 Q. We know that this elderly cohort suffer more financially  
 16 from unexpected costs, that is what this slide has  
 17 recorded?  
 18 A. The slide definitely says that, yes.  
 19 Q. So those customers suffer harm, do they not, from BT's  
 20 high SFV prices prior to the commitments?  
 21 A. I think any customer paying SFV prices who is low income  
 22 feels that more than somebody who is high income, if  
 23 that is what you are saying, which I think is what it  
 24 is, and if that means harm, so be it. I am not sure  
 25 what the definition of "harm" is in this context. But,

1 yes, it is certainly — the more — the less affluent  
 2 you are, the more pricing impacts you, absolutely.  
 3 Q. Just using the words from the BT slide, they suffer more  
 4 financially "from unexpected costs"?  
 5 A. That is true.  
 6 Q. So putting up SFV prices to encourage Voice Only  
 7 Customers to make the jump, that is the argument you put  
 8 to Ofcom in 2017, that is not a customer—centric  
 9 approach when you think about this group of customers,  
 10 is it, Mr Bunt?  
 11 A. In isolation, it is not. But I think it needs to be  
 12 taken in the broader context of Voice Only products  
 13 available and designed for that cohort, so the only  
 14 provider in the country who had a low cost product in  
 15 BT Basic, and a product like Home Phone Saver, which was  
 16 also, to my recollection, unique, and catered for these  
 17 concerns. So you talk about rising prices and changing  
 18 pricings; Home Phone Saver had that price freeze  
 19 responsive to the feedback that we got from those types  
 20 of customers about volatility in pricing being  
 21 a concern.  
 22 Q. We will come back to those topics.  
 23 A. Okay.  
 24 Q. Let us have a look at another document. This should be  
 25 in your bundle. It is {F/246/1} and it is the Project

1 Window execution update from 24 June 2014.  
 2 A. Sorry, what — 246, okay, got it.  
 3 Q. {F/246}.  
 4 A. Yes.  
 5 Q. So you see there the date. So at that time you were  
 6 Senior Propositions Manager for Voice?  
 7 A. I was.  
 8 Q. Mr Bunt, I think you are familiar with this document?  
 9 A. Yes.  
 10 Q. You cite it.  
 11 If we just go down to page 28 which is in the  
 12 appendix {F/246/28}. You see there the heading "Cost of  
 13 Living — Main Themes & Response".  
 14 A. Mm—hm.  
 15 Q. "We have developed propositions to mitigate key Public  
 16 Affairs, Regulatory and PR concerns; we have also  
 17 reviewed our portfolio to remove charges that could  
 18 generate controversy."  
 19 Then under "Cost of Living Areas", you see row 1,  
 20 "Exploiting Vulnerable Customers".  
 21 Then the heading there is "Key Concerns":  
 22 "Telecoms becoming an increasing proportion of  
 23 pensioners' income."  
 24 That is the first bullet point there.  
 25 Then you see "Strength of current defence", half

1 a circle.  
 2 Then if we just go down to row 2, "Penalising  
 3 Existing Customers":  
 4 "Existing customers get punished with rising prices.  
 5 "Non-switching customers being exploited.  
 6 "Bill shock."  
 7 Then "Strength of current defence", a half circle.  
 8 So what we see on this slide is that BT is  
 9 recognising, it is recognising that it is exploiting  
 10 vulnerable customers with its price rises?  
 11 A. I do not think we see that here.  
 12 Q. Let us have another look at it. Row 2:  
 13 "Existing customers get punished with rising prices.  
 14 "Non-switching customers being exploited."  
 15 "Exploited" is the word on this —  
 16 A. We are articulating in these bullets and the left-hand  
 17 side of the slide the concerns of the stakeholder groups  
 18 in the heading, so in the political sphere, from the  
 19 regulator, in PR. So the concerns or the accusations  
 20 that were labelled at us, this is not us agreeing with  
 21 those, this is us confronting them in this conversation  
 22 and then looking at what our current position is on it  
 23 and, on the right-hand side, how we enhance that  
 24 position.  
 25 Q. Let me put it in this way to you then: you are

1 acknowledging the concerns stated by stakeholders that  
 2 you are exploiting non-switching customers?  
 3 A. Documenting them, yes.  
 4 Q. Let us go forward to {F/351/1}. I think that is one on  
 5 the EPE.  
 6 A. Yes.  
 7 Q. We have seen this document before. So the date is  
 8 19 March 2015. If we could go forward to page  
 9 {F/351/8}, please. You see there the heading, "Consumer  
 10 Voice Strategy — Positive Brand".  
 11 If we look at the first five bullet points under the  
 12 heading "Context" on the left-hand side:  
 13 "BT's Brand has 5 personality traits and  
 14 acknowledges a dichotomy:  
 15 "'As your trusted guide we're dedicated bold and  
 16 ingenious. But we're warm and down to earth too'.  
 17 "Using core products to drive revenue to enable our  
 18 bold and ingenious developments can undermine our  
 19 warmth, care and honesty.  
 20 "Open to criticism that we exploit the vulnerable to  
 21 subsidise new customers (eg caller display, increases to  
 22 line rental, especially on true solus).  
 23 "Issues groups are increasingly concerned with 'true  
 24 solus' customer."  
 25 So here, in 2015, BT is recognising the problem with

1 vulnerable customers paying the price increases to line  
 2 rental, is it not?  
 3 A. Definitely recognising the criticism of that.  
 4 Q. It is recognising in particular that Voice Only  
 5 Customers were a particular victim of this exploitation?  
 6 A. They were a particular point in the concern that is  
 7 being raised by stakeholders.  
 8 Q. BT notes that it is open to the criticism that it  
 9 exploits the vulnerable to subsidise new customers, and  
 10 it references increases to line rental, especially on  
 11 true solus?  
 12 A. Absolutely. We were cognitive of the criticism that we  
 13 received for those changes, for example.  
 14 Q. You see there on the right-hand side a reference to  
 15 "Strategy" in response to these concerns.  
 16 If you just cast your eye over them:  
 17 "Improve, update and extend our offering for the  
 18 most vulnerable to achieve greater recognition and  
 19 strategic alignment ...  
 20 "Build external stakeholder capital by working on  
 21 aligned initiatives ... Nuisance calls, Power of  
 22 Attorney and Dementia Friends.  
 23 "Break down the vulnerable customer segment in to  
 24 multiple groups and differentiate our provision and  
 25 public messaging according to need.



1 "Develop consumer proposition to address the segment  
 2 of digitally excluded customers who need wider support  
 3 to get online."  
 4 There is nothing about price there, is there?  
 5 A. No.  
 6 Q. Of course BT carried on with its programme of price  
 7 rises to line rental from this date, 2015?  
 8 A. There is going to be one more after this point because  
 9 we had already agreed 15/16 at this stage.  
 10 Q. This is March 2015 --  
 11 A. There are two more then in terms of the chronology.  
 12 Yes, I think in other places in this document we do talk  
 13 about pricing, but I would have to look through all of  
 14 it to reference that. But on this slide, you are  
 15 absolutely correct, we do not talk about price  
 16 intervention, so ...  
 17 Q. I would like to show you an email you sent six weeks  
 18 later. That is at {F/314/1}. It begins with an email  
 19 on page 1 from Fiona Miller. This is 1 July 2015, 7.48,  
 20 and she says:  
 21 "I would like to let you know that from 13th July  
 22 I will be changing jobs and joining Group. The consumer  
 23 affairs role [that is the role she is leaving] is moving  
 24 to Kim which will be good news for you for the  
 25 simplification of price rise notifications. I hear that

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1 there are discussions happening around other increases.  
 2 At least you won't have me saying 'don't do it' but as  
 3 a parting shot, please consider very carefully anything  
 4 that could be considered as a 'stealth charge' that  
 5 could undermine trust and leave us being perceived in  
 6 a similar category to the banks. Price rises are a fact  
 7 of life -- it is understanding the implications and  
 8 managing accordingly that is the important factor."  
 9 Then if we go to the top of the page, you respond:  
 10 "Good luck in the new role! It's been great working  
 11 together, I can't imagine where we'd be without people  
 12 like you providing the conscience!"  
 13 Mr Bunt, you needed Ms Miller to provide the  
 14 conscience in relation to price rises?  
 15 A. No, I do not -- I understand why you would read that  
 16 from this. I think that is me giving some good wishes  
 17 to someone moving to a different role and praising the  
 18 contribution they make to the organisation. There were  
 19 lots of people with lots of opinions in BT. Fiona was  
 20 certainly a vocal customer advocate in conversations,  
 21 and therefore an important voice. But even when she  
 22 moved on, we certainly had many people still offering  
 23 that voice.  
 24 Q. Let us move forward to {F/417/1}. We are moving forward  
 25 in time again, this is 4 April 2016, "Stakeholder plan

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1 for pricing".  
 2 If we could go to page {F/417/4}, please:  
 3 "We have been considering the potential impact of  
 4 price changes on digitally excluded and potentially  
 5 vulnerable customers.  
 6 "Problem statement:  
 7 "We face increasing regulatory scrutiny of price  
 8 changes focused particularly on the treatment of  
 9 vulnerable customers. We face criticism that our  
 10 increases in Line Rental disproportionately impact  
 11 digitally excluded customers, who don't benefit from  
 12 competitively priced Broadband and associated discounts  
 13 from that service.  
 14 "This year's price change has a number of gives for  
 15 these customers."  
 16 Mr Bunt, this is acknowledging that your SFV price  
 17 rises hit the digitally excluded the hardest, did they  
 18 not?  
 19 A. It is definitely acknowledging that criticism. Can you  
 20 just remind me what the date of this document is?  
 21 I missed it. You did tell me, sorry.  
 22 Q. This is 4 April 2016.  
 23 A. Thank you. So I mean, this is amongst -- it could be  
 24 referring to anything, I cannot recall exactly what, but  
 25 we already have Ofcom's annual plan and their stated

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1 concern about this group, so perhaps it refers to that.  
 2 Q. It is not referring to anything, though, is it? It is  
 3 referring very specifically to the criticism you face --  
 4 A. Yes.  
 5 Q. -- that:  
 6 "... our increases in Line Rental disproportionately  
 7 impact digitally excluded customers, who don't benefit  
 8 from -- "  
 9 A. It is very clearly saying that we face criticism about  
 10 that, which we do, yes.  
 11 Q. We saw earlier that you did not want to contact those  
 12 who were worst affected by the price changes?  
 13 A. I think those points are not at all aligned. I have  
 14 explained very clearly that we were talking about  
 15 customers with TV and Infinity broadband in that. So  
 16 I do not think there is an alignment between those two  
 17 points.  
 18 Q. Mr Bunt, line rental prices that affect the digitally  
 19 excluded and the vulnerable in particular are not in  
 20 line with the culture and values of a customer-centric  
 21 organisation, are they?  
 22 A. Please repeat that, sorry?  
 23 Q. I will. Increases in line rental, quoting from the  
 24 slide, which "disproportionately impact digitally  
 25 excluded customers", that approach to pricing is not in

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1 line with the culture and values of a customer-centric  
2 organisation?

3 A. In isolation, I would agree with that. I would just  
4 point to the next bullet point down, which talks about  
5 how existing BT Basic and Home Phone Saver customers do  
6 not see a price change, and this is indicative of the  
7 fact that that was not a blanket policy or approach  
8 actually culturally; we did care about these customers,  
9 develop products and propositions.

10 Q. We will come on to those products.

11 A. Okay.

12 Q. While we are on this topic, Mr Bunt, let us have a look  
13 at your submission to Ofcom in 2017. If I could take  
14 you to ...

15 THE CHAIRMAN: Is this BT's ...

16 MS KREISBERGER: This is BT's response. I am just checking  
17 on the confidentiality of the correct version. So it is  
18 {OR-C/5/1}. If we go to paragraph 5 on page {OR-C/5/3},  
19 please, so it is the May 2017 response. It says there:  
20 "BT is committed to helping its customers identify  
21 the best deal whatever their circumstances or level of  
22 engagement."  
23 So let us have a look at that. If we could go to  
24 {F/321/1}. Now, this is an email exchange. If we go  
25 down to the fourth page {F/321/4} of this document.

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1 Sorry, I think we can pick it up on the first page,  
2 {F/321/1}. Sorry, it does start at page 4. I got the  
3 right reference there.

4 You see here, I think you have to go to page  
5 {F/321/3} to see the email from Mr Barang. He was --- so  
6 it is an email exchange between you, Mike Jarvis,  
7 Phil Watson and Gav Barang in August 2015. Mr Jarvis  
8 was head of corporate communications, and Mr Barang was  
9 social telephony inclusion and nuisance calls manager.

10 Mr Barang asks you and Mr Jarvis --- you need to be  
11 on page 4 now of the document. It is across two pages.  
12 {F/321/4}.

13 He asks you:  
14 "Do you want our lowest income customers who are on  
15 BT Basic to be 'account optimised' for Broadband ..."

16 THE CHAIRMAN: Sorry, which page?

17 MS KREISBERGER: Sorry, I have a paging issue. (Pause). I  
18 am so sorry, it is page {F/321/2}. Now that should be  
19 accurate --- yes. Sorry about that.

20 So:  
21 "Do you want our lowest income customers who are on  
22 BT Basic to be 'account optimised' for Broadband e.g.  
23 when they call into BT, the agent notices [that] they're  
24 on the significantly higher [broadband] package [around]  
25 £20 per month --- to inform the same product is now

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1 available at a much lower price point at BT Basic [and  
2 broadband] product has been developed for [less than] £5  
3 per month.

4 "So it comes down to transparency, right thing to do  
5 etc., balanced against commercials for [around] 8,000  
6 BT Basic customers (and why low cost [broadband] was  
7 created under Pegasus)."

8 Then if we scroll up on this same page, Mr Jarvis  
9 replies:  
10 "The PR view is that this is a reputational issue.  
11 We make PR claims on the back of offering these tariffs  
12 and we must be seen to be transparent and open in the  
13 way we offer them to customers who could benefit. What  
14 other reason would we have for not offering --- other than  
15 to optimise profits? It is not really acceptable to  
16 create this stuff, tell the media about it and then hide  
17 it from customers."

18 Then if we scroll up to the top of page {F/321/1},  
19 you see Mr Jarvis says:  
20 "It is the PR steer, but it is Jonny's P and L so  
21 it's ultimately his call."  
22 Then we see your call. You say:  
23 "For me; I would brief not to proactively promote."  
24 A. It is not my call. In the previous sentence I say it is  
25 Lawrence and Matt's call.

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1 Q. You then go on to say, Mr Bunt ---  
2 A. Just giving my opinion, yes.  
3 Q. --- "For me; I would brief not to proactively promote."  
4 That is right, is it not?  
5 A. Yes, I definitely say that. Can I elaborate a bit on  
6 that? Is that helpful?  
7 Q. Let me just put it to you. You are telling the  
8 recipients of this email not to be transparent and open  
9 in the way BT offers this product to customers who could  
10 benefit from it?  
11 A. So at this stage we have written to all BT Basic  
12 customers who are not members of the Class, by the way  
13 anyway, and the only people eligible for this service to  
14 offer that product twice in both price changes, so those  
15 groups will be aware of the product, and what we are  
16 suggesting here is if a customer in that group calls  
17 us --- what is being discussed here is if a customer in  
18 that group calls us and has not responded to those  
19 notifications and is just having a general conversation  
20 with us, that the adviser --- whether the adviser should  
21 or should not then engage them to offer the product. It  
22 appears from the original email --- I do not know who  
23 Phil Watson is, but the default is that they would and  
24 we are discussing whether that is the right balance of  
25 the very generous product that we have created, the only

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1 company in the market to do so, whether we should carry  
 2 on doing that or not, carry on promoting it proactively.  
 3 Q. It is not very complicated, is it, Mr Bunt?  
 4 A. I am not suggesting it is.  
 5 Q. Mr Jarvis says: "we must be seen to be transparent and  
 6 open in the way we could offer them to customers who  
 7 could benefit [...] It is not really acceptable to  
 8 create this stuff, tell the media about it and then hide  
 9 it from customers". You give a very short response, do  
 10 you not:  
 11 "For me; I would brief not to proactively promote."  
 12 A. Short response because it is not my product and in the  
 13 price changes that I run we write to all customers who  
 14 are eligible for it and draw their attention to it  
 15 twice, so I do not think the way that Mike phrases it  
 16 would be a fair representation of how we were conducting  
 17 ourselves.  
 18 Q. Let us pick up your second witness statement at  
 19 paragraph 54. You say this, it is {D/2/15}:  
 20 "Generally we are the first service provider to  
 21 introduce socially beneficial products to the market,  
 22 and when we do, not all of our competitors follow our  
 23 lead. I do not believe that any of our competitors  
 24 offer the depth of products to assist disadvantaged  
 25 sectors of society as BT."

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1 A. Absolutely.  
 2 Q. But behind the scenes we see that actually you wanted to  
 3 restrict its availability : do not actively promote?  
 4 A. We did not restrict its availability . We took — sorry,  
 5 Matt and Lawrence, and I do not know what the outcome of  
 6 their decision was by the way, were given a question as  
 7 to how proactively they wanted to promote it. Having,  
 8 as I say, we have already written to customers  
 9 repeatedly about this product to draw — we created it  
 10 when there is no obligation to do so and have then  
 11 written to customers to tell them about it. So I am not  
 12 sure that would — I would classify that in that way.  
 13 Q. Mr Bunt, if we could just stay with your view as opposed  
 14 to what happened. Your view: "for me; I would not  
 15 actively promote"?  
 16 A. I think we have already discharged our responsibility  
 17 very fairly by promoting that to customers on multiple  
 18 occasions.  
 19 Q. Let us move on, Mr Bunt. If we could pick up {F/391/1}.  
 20 Here you see an email from you to Jeremy Benson?  
 21 A. Yes.  
 22 Q. It is dated 25 January 2016. If we could go down to  
 23 page {F/391/2} of the email. You see there — actually  
 24 it is at the bottom of page 1 you see that it is from  
 25 Jeremy Benson?

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1 A. Yes.  
 2 Q. Then if you scroll down to page 2 he is forwarding you  
 3 some slides. It is a slide deck that Ofcom presented at  
 4 a meeting with Mr Benson on 20 January 2016. If we  
 5 scroll back up to page {F/391/1} you reply to  
 6 Mr Benson's email, at 3.26 on the 25th. You comment on  
 7 the slide deck. If we go halfway down the email you  
 8 say:  
 9 "I also looked at the other slides ."  
 10 You deal with the different slide above.  
 11 You say this:  
 12 "Voice ARPU [we have heard quite a lot about ARPU]  
 13 is 2014 [I think that should be "in" rather than "is"]  
 14 was closer to £27 [than] £19 (I do not want to tell them  
 15 what our ARPU is but ... that number is miles out."  
 16 I think there is a stray "it" there.  
 17 So ARPU is average revenue per user, in other words,  
 18 the total revenue divided by the total number of  
 19 customers. It is a proxy for the average price paid by  
 20 customers for their voice services, correct?  
 21 A. Yes, all customers, voice services yes.  
 22 Q. You did not want to own up to Ofcom about how much  
 23 revenue BT was actually generating from Voice, did you?  
 24 A. To put this email in context, this is me pretty  
 25 incredulous at some poor data gathering that Ofcom have

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1 done. If you look in the previous bullet it is in the  
 2 opposite direction where they have overstated the  
 3 BT Basic call spend, so equivalent number by £20, and  
 4 I am analysing the data they have pulled together and  
 5 laying out my concerns with it.  
 6 In that point in brackets I am saying to Jeremy,  
 7 when you want to discharge this information and go and  
 8 raise these points with Ofcom you may want to  
 9 contemplate whether you should say — that it would be  
 10 helpful for us to say, "actually our ARPU is much higher  
 11 than the one you have recorded". But my general point  
 12 here is that the methodology they have applied is really  
 13 dodgy and I am really concerned about the data.  
 14 Q. I did not ask you about your general point, Mr Bunt.  
 15 I asked you if it is right to say you did not want to  
 16 tell Ofcom what your ARPU is. "I don't want to tell them  
 17 what our ARPU is." That is the question.  
 18 A. Yes, that is what it says there. I am saying to Jeremy  
 19 like rushing to Ofcom saying the ARPU is 27 not 19, yes.  
 20 Q. You are say saying to Jeremy: "I do not want to tell  
 21 them what our ARPU is".  
 22 A. That is what I am saying here.  
 23 Q. Mr Bunt, you continue to be careful about what you put  
 24 in slides to Ofcom, do you not?  
 25 A. We are careful with what we put in slides all the time.

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1 Unlike Ofcom in this case where they do not apply any  
2 rigour here.

3 Q. Let us have a look at {F/726/1}. You may have seen that  
4 Mr Armitage put this email thread to Ms Cheek and it is  
5 only fair that I put it to you. The email thread this  
6 time begins at the top of the page. Yes, sorry, this is  
7 a Teams exchange. I am well corrected, so this was  
8 a Teams exchange which is why we have the reverse order.  
9 You see it is an email exchange about BT price changes.  
10 Please read — or sorry, Teams exchange about BT price  
11 changes. Please read the message from Ms Cheek at  
12 13.59. (Pause).

13 A. Yes.

14 Q. Your first reaction is:  
15 "[That is] very helpful — thanks."  
16 Then a minute later you respond again saying:  
17 "She should pay VERY close attention to how we write  
18 those slides — imagine them in an investigation or  
19 class action in the future."  
20 Mr Bunt, you are telling your colleagues to exercise  
21 caution about what they put in their slides?  
22 A. I am. We take all our slides seriously and often we  
23 find that documents that we write, read without context  
24 by the regulator or by other parties, people can  
25 interpret them incorrectly, so it is important that we

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1 are precise with our language and make sure we write  
2 them correctly. That is advice I regularly give to the  
3 business.

4 Q. You do not refer to the precision of language though, do  
5 you? You say, "Imagine them in an investigation or  
6 class action in the future." That is your concern?  
7 A. Okay, I do not use the word "precision". I use "very  
8 close attention". But I am not sure that is a  
9 significant difference. That is certainly my intent, is  
10 to say they should be precise in their language and  
11 should write those slides carefully, absolutely.

12 Q. You do not want to write down material that is damaging  
13 to BT?  
14 A. I do not know what hypothetical material we are talking  
15 about here but I want BT to write down accurately what  
16 it is intending to do and make sure that that cannot be  
17 taken out of context when read.

18 Q. Just in terms of the content, you say you do not know  
19 what this is about.  
20 A. It is about price change, but the specific content of  
21 the slides I cannot see here.

22 Q. It refers to "PR defence for financially vulnerable".  
23 We have talked about that. It refers to Home Phone  
24 Saver; and it refers to the Carmen discount. That is  
25 the VOCs?

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1 A. Yes, yes, I understand.

2 Q. So just as you prefer to suppress the ARPU figure and  
3 keep it away from Ofcom's gaze?  
4 A. I am not sure there is a connection between the two  
5 points, but I am giving the advice that I always give to  
6 the business to make sure that you write your slides in  
7 a precise and clear way because they can be taken out of  
8 context when read by a third party, and that applies  
9 here as well.

10 Q. I would like to turn to a different topic, Mr Bunt, now.  
11 If we pick up your witness statement again at  
12 paragraph 70, the second statement. {D/2/19}.

13 A. Yes.

14 Q. Your evidence is that BT had a lot — well, BT had a lot  
15 of negative publicity in September 2013 when it put up  
16 the prices of caller display?  
17 A. Yes, that is my evidence.

18 Q. You say: in future BT "wanted to mitigate the press'  
19 response to our price change"?  
20 A. Yes.

21 Q. You say specifically that is "in order to reduce the  
22 amount of customer churn"?  
23 A. Yes, absolutely.

24 Q. So you say there that announcing on a Friday before  
25 a bank holiday was something you described as one of

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1 your "Pegasus learnings"?  
2 A. Yes, so just to be clear, the general kind of desire to  
3 mitigate the press response is the Pegasus learning  
4 rather than specifically announcing on a Friday before  
5 a bank holiday but that is part of how we mitigate.  
6 That is absolutely right, just to be accurate.

7 Q. Let us have a look at some of the documents on that. If  
8 we could go to {F/193/1}. This is Project Robin. It is  
9 2014/2015 pricing. Again, to situate it, this  
10 is November 2013. So you were Senior Propositions  
11 Manager for Voice?  
12 A. Six weeks in, yes.

13 Q. If we go down to page {F/193/5}. You see there "Timings  
14 and notification for price changes".  
15 This slide is pondering when to notify customers,  
16 correct?  
17 A. Yes.

18 Q. If we go to the bottom left—hand side you see there the  
19 heading, Mr Bunt, "GC9 Impacts on Notifications".  
20 A. Yes.

21 Q. So you are referring there to the GC9 requirement that  
22 notifications should be set out with due prominence to  
23 attract the customer's attention?  
24 A. Yes.

25 Q. Your response to that, to bullet points:

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1 "Risk of higher churn and greater challenge to  
2 obfuscate."  
3 The problem for BT was that the GC9 requirement to  
4 notify customers would make it harder to obfuscate about  
5 price rises?  
6 A. The standards to which we need to adhere to execute  
7 a transparent price change according to GC9 meant that  
8 the pricing needs to be clear to customers or the  
9 converse of that, it is hard therefore not to make it  
10 clear, yes.  
11 Q. I will put that to you again, Mr Bunt.  
12 A. Sure.  
13 Q. The challenge for BT arising out of GC9 was that it  
14 posed a greater challenge to obfuscate?  
15 A. That is what it says, yes.  
16 Q. If we then go to the bottom right-hand side of the  
17 slide, "Price changes [in] early Jan".  
18 "Avoid pre-Xmas bad press."  
19 Then the box headed "Lessons from Pegasus".  
20 "Avoid DM as much as possible."  
21 "Reduce bespoke comms in conjunction."  
22 Then you see the fourth bullet point:  
23 "Use of BT Update enables greater obfuscation."  
24 Single announcements each year reduces opportunity  
25 for press to reprint."

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1 A. Yes.  
2 Q. Now, BT Update, that is a reference to a magazine that  
3 BT sent out to customers with their bills?  
4 A. A billing service, yes, absolutely.  
5 Q. So another of your lessons from Pegasus, what you refer  
6 to in your witness statement as "Pegasus learnings", was  
7 how to enable greater obfuscation, correct?  
8 A. I think -- I guess so, yes. That is what it says.  
9 Q. But that is not mentioned in your witness statement?  
10 A. It is not mentioned, no.  
11 Q. Let us have a look at an email you sent at about this  
12 time. No, I am sorry, that is some time later. So we  
13 are moving forward to July 2015. This  
14 was November 2013. That is {F/318/1}. This is an email  
15 exchange with Arthur Winn, between you and Arthur Winn.  
16 Arthur Winn is Head of Pricing BTB, we see there?  
17 A. Yes, for BT Broadband, BT Business.  
18 Q. Business to business. Arthur Winn asks you at the  
19 bottom of page 1. He asks you about your plans to  
20 increase yield up from 54 million to 100 million in the  
21 16/17 price change. "Happy to have a call ..."  
22 You respond, so that is the top of page 1, at 9.56:  
23 "I have also found out that my MPT [medium term  
24 planning] has shifted to £90 million from £54 since the  
25 last meeting!"

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1 "However" -- you set out your approaches. Those  
2 approaches are:  
3 "Removing the fear of the % approach and instead  
4 increasing prices by round amounts e.g. £1 on line  
5 rental, 50p on calling plans, £1 on broadband and £1.50  
6 on infinity (meaning some % increases will be a lot  
7 higher than 6.9%).  
8 "Charging new customers future prices from  
9 announcement (and removing the need for pre-quoting).  
10 "Changing our notification approach from confusing  
11 and obfuscated (deliberately) to showing customers  
12 a table in their letter with exactly what [is] happening  
13 to their specific products."  
14 Mr Bunt, you are admitting here that the strategy  
15 before this email in 2015 was deliberate obfuscation?  
16 A. It is definitely what it says here. In the context of  
17 an improvement to our notification to be clearer. That  
18 is what that bullet is referring to: changes to our  
19 notification at the start of the bullet, so it would be  
20 referring to previous changes, all of which -- we shared  
21 all of our notifications with Ofcom who set the standard  
22 for transparency in GC9. Each price change we would  
23 send -- take them our notifications and show them what  
24 we were doing.  
25 Q. That is a very long answer to a very short question.

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1 A. I think I answered it directly at the beginning and just  
2 provided some extra context.  
3 Q. Just so we are clear, you are acknowledging here that  
4 the prior strategy was one of deliberate obfuscation?  
5 A. That is definitely what it says here.  
6 Q. Let us move on. I want to move on from obfuscating with  
7 customers to BT's handling of the press. Let us turn up  
8 {F/196/1}. We have seen this document now. "Project  
9 Robin: 2014/Pricing".  
10 THE CHAIRMAN: Could I just ask for clarification here.  
11 I thought the 2014/15 prices was Window.  
12 MS KREISBERGER: There was a name change.  
13 MR BUNT: Oh, sorry, 2014/15 is, Robin and then it becomes  
14 Window. We changed the name of the project.  
15 THE CHAIRMAN: That is all I wanted to check.  
16 MS KREISBERGER: Now, this is a slide deck  
17 from November 2013 and it is a slide deck on the next  
18 round of planned price increases. So as we just  
19 established it became Window with a £1 increase on line  
20 rental.  
21 Could we turn up page {F/196/2} of the document,  
22 please. Under "Executive Summary" it says, bottom  
23 bullet point on that slide:  
24 "We have a few options of varying risk to drive  
25 additional margin."

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1 Those risk options are then summarised on the next  
 2 slide , so if we could move to page {F/196/3} and you see  
 3 there low risk involves a 50p increase to line rental.  
 4 You can see there the change to back book. Medium £1 to  
 5 £16.99 and high risk line rental is also increased by  
 6 £1. So those are the three options.  
 7 If we could focus on medium risk. Sorry, I will  
 8 just show you under the low risk plan there was thought  
 9 to be no PR impact from an early announcement.  
 10 "PR view is no impact from early announcement"  
 11 in August.  
 12 But if we look at medium risk plan you see:  
 13 "7% is PR recommended ceiling on price changes."  
 14 That is the first point mentioned there under medium  
 15 risk?  
 16 A. It definitely says that, yes.  
 17 Q. So the constraint on price being highlighted here is the  
 18 fear of bad press, bad PR?  
 19 A. A constraint being highlighted in those sentences. In  
 20 the sentences you refer to it is just PR but, yes, in  
 21 general that is one element of the thought process.  
 22 Q. The only other point we have already looked at, that is  
 23 the gulf between BT and its nearest competitor we have  
 24 covered that?  
 25 A. Yes, the pressure, yes.

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1 Q. Then if you look at high risk. It is again, the same £1  
 2 on line rental. High percentage on the back book. BT  
 3 compares its back book increases to energy prices.  
 4 " ... Gets us very close to energy prices."  
 5 PR recommend against two price change announcements.  
 6 You see there, there is no mention of competitor prices.  
 7 That is right?  
 8 A. In the high risk band, yes. In this executive summary  
 9 of it, yes.  
 10 Q. There is no mention of churn?  
 11 A. I think that is correct. It is not mentioned in the  
 12 four line summary of it here but there are other slides  
 13 in the deck where I think we do, as you have already  
 14 taken to show how we considered.  
 15 Q. What is mentioned here is the PR recommendation?  
 16 A. That is mentioned there, yes.  
 17 Q. Let us go forward to 24 June 2016. You do have this one  
 18 in the hard copy. If you could turn up page 12 of this  
 19 document?  
 20 A. What is the document, sorry?  
 21 Q. Sorry, it is {F/246/12}. I am so sorry. This is in  
 22 fact the document you reference in relation to "Pegasus  
 23 learnings"?  
 24 A. Mm—hm. Did you say we are still in June 2016, this is  
 25 2014, right?

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1 Q. I think that is right.  
 2 A. It is definitely 2014.  
 3 Q. Yes, 2014. That is why it references "Pegasus  
 4 learnings"?  
 5 A. Yes.  
 6 Q. If you could look at the left—hand side it says:  
 7 "Executorial Wrap — Our PR Positioning".  
 8 "Announcement 22 August — rationale".  
 9 If you could see there:  
 10 "Success in previous years with August bank holiday.  
 11 Proximity to holiday reduces risks of stories and  
 12 aligns with journalists that are away over the weekend.  
 13 "Avoids sports and spring announcements."  
 14 Then:  
 15 "Window PR positioning".  
 16 So looking ahead now to Window:  
 17 "Most prices are increasing by a maximum of 6.49%,  
 18 including line rental which increases by £1. But we  
 19 still offer Line Rental Saver which means customers can  
 20 get 12 months' line rental for the price of 10.  
 21 "BT is offering great value for all customers, but  
 22 we've taken care to make sure that vulnerable customers  
 23 avoid the increases and we've added extra money—saving  
 24 options for low—income customers and for customers who  
 25 only want a phone line for calls .

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1 "We are sensitive to the tough economic times and,  
 2 while some prices have gone up, we've listened to  
 3 customers and introduced a series of improvements to  
 4 help everyone to save money."  
 5 Then if I could ask you to just look at the  
 6 left—hand side:  
 7 "How we announce.  
 8 "Story seeded to 5—6 trusted journalists late on  
 9 21 August who are provided with copies of update that we  
 10 are sending to customers.  
 11 "Also supply explanations of key gives ..."  
 12 Then if we go down to page {F/246/13} in this  
 13 document, please:  
 14 "Announce 22nd August to avoid Sport and spring and  
 15 use the bank holiday weekend to buffer and fracture  
 16 criticism .  
 17 "[So the] story will be seeded to journalists on  
 18 late 21st so the print comms [does not] appear until  
 19 22 August."  
 20 That is right?  
 21 A. That is what it says, yes.  
 22 Q. The objective, the strategy was to use trusted  
 23 journalists ?  
 24 A. Yes.  
 25 Q. You were going to tell those trusted journalists you

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1 have listened to customers?  
 2 A. Yes.  
 3 Q. The aim was to use the bank holiday as cover to buffer  
 4 and fracture criticism?  
 5 A. That is what it says and that is right, absolutely.  
 6 Q. That is criticism of your price increases?  
 7 A. That is right, yes.  
 8 Q. Including the £1 increase to line rental?  
 9 A. And all the other increases, yes.  
 10 Q. Could we go down then to — I think we have just got  
 11 time for one more document. {F/851/1}. Now, this is  
 12 a draft briefing to the seven friendly journalists. We  
 13 saw the reference to friendly journalists. There is  
 14 a list of them on the front page of this document.  
 15 A. I think we said "trusted", did we not, and I would not  
 16 describe any of these journalists as friendly.  
 17 Q. The date is 21 August 2014, so that is the date that you  
 18 saw in the slide?  
 19 A. Mm—hm.  
 20 Q. You have included — now I hope you can see this. Good,  
 21 yes, you can. You have included Mr Bunt some marginal  
 22 comments in the text. Perhaps we could blow up comment  
 23 BF1. You say this:  
 24 "We are deliberately not raising a single price by  
 25 more than 6.49% so that they can't round up to 7% in the

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1 headline which we saw last year (I [am] told). We could  
 2 even claim 6%."  
 3 Now, it is right that in your evidence, Mr Bunt, you  
 4 say that you settled on 6.49% to stop the press from  
 5 reporting the increase as 7%?  
 6 A. Absolutely.  
 7 Q. But here you are saying that these trusted, if not  
 8 friendly journalists, could portray a 6.49% increase as  
 9 a 6% increase?  
 10 A. If you are rounding 6.49 to no decimal places it is 6,  
 11 not 7.  
 12 Q. You have just knocked off half a percentage point?  
 13 A. If you write it as 7 you have added just over a half a  
 14 percentage point. So I think the point is I am  
 15 objecting to Mike's use of around 6.5%. I think that is  
 16 clumsy on his part given that we have taken the strategy  
 17 that I referred to in my evidence to ensure that this  
 18 cannot be written up as 7% because it is not a 7% price  
 19 rise. So writing "around 6.5%" I think someone could  
 20 round that up and that is the point I am raising.  
 21 Q. The point you are raising, Mr Bunt, is: "we could even  
 22 claim 6%"?  
 23 A. It definitely says that, exactly. That is to  
 24 demonstrate this point that it is not — we should write  
 25 6.49% which I think we eventually do. We do not write

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1 6% in the eventual outcome. My point is we certainly  
 2 should not be writing it like this, that could be  
 3 rounded to 7%. It certainly says what you have said  
 4 there. I am not arguing at all. To the nearest round  
 5 number 6.49% is 6% and not 7%.  
 6 Q. So it is your evidence that that would be an accurate  
 7 representation of the 6.49% increase?  
 8 A. With the full sentence that I use there to the nearest  
 9 round number, yes. But I am very happy for it to be  
 10 referred to as 6.49% which is how I refer to it  
 11 throughout the documentation. I am just raising this  
 12 point with Mike that he has been inexact in his language  
 13 here which undermines the point of having 6.49%.  
 14 Q. Mr Bunt, I am not asking you if you are happy with it.  
 15 I am asking if you see there that you said: "we could  
 16 even claim 6%"?  
 17 A. I absolutely concede that, and I also think it is true  
 18 that 6.49 to the nearest whole number, nearest integer  
 19 is 6%, not 7%.  
 20 Q. I was going to go to the next document on the same  
 21 topic, I am carrying on but I am in your hands, sir.  
 22 THE CHAIRMAN: I think we will stop now and come back to it  
 23 at 2 o'clock. Thank you.  
 24 (1.0.1 pm)  
 25 (Luncheon Adjournment)

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1 (2.00 pm)  
 2 MS KREISBERGER: Just picking up, we were having a look at  
 3 some communications on PR, use of PR and press coverage.  
 4 If we could turn up {F/280/1}. This is an email from  
 5 James Taqvi on 18 December 2014 at 9.35, and he copied  
 6 you into this email, Mr Bunt, and he wrote this:  
 7 "Agreed pricing launch date of 1 November.  
 8 "PR preferred announcement date is 29 Aug (bank  
 9 holiday), so as to put ... space between AGM (Gavin's  
 10 pay) and Premier League kick off, and to use bank  
 11 holiday to kill off story (otherwise it'll run as summer  
 12 is quiet for news) ...  
 13 "Preferred operational position is to announce on  
 14 1 [August].  
 15 "We need to know:  
 16 "How we could mitigate the PR position if we  
 17 launched on 1 [August].  
 18 "Whether there is a compromise date ..."  
 19 Mr Bunt, BT's PR goal was to "kill off" the story of  
 20 price increases?  
 21 A. BT's PR objective, as I say here, is to mitigate press  
 22 attention or press response, and so, yes, the less story  
 23 the better.  
 24 Q. The language used in this email by Mr Taqvi is:  
 25 "[We will] use the bank holiday to kill off story

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1 (otherwise it 'll run as summer is quiet for news)."  
 2 A. Yes, I think he sort of means like ...  
 3 I agree that is what it says there.  
 4 Q. Moving forward to a paper you prepared, that is  
 5 in May 2015. {F/310/1}, we have looked at this before.  
 6 A. Yes.  
 7 Q. It is the annual price change paper.  
 8 Moving forward to page {F/310/2}, it says -- if you  
 9 could have a look at the second paragraph, we are very  
 10 familiar with the first one:  
 11 "These changes ..."  
 12 So these are the "super-inflationary price rises",  
 13 referred to above, "on largely inelastic products".  
 14 The reference, I should say, in the first sentence  
 15 is:  
 16 "Each year BT changes its prices."  
 17 So:  
 18 "These changes are reported to different degrees in  
 19 the media, usually defined by our transparency and  
 20 clarity as well as how compelling our gives are."  
 21 So what you are saying here, Mr Bunt, is the media  
 22 reporting of BT price rises depends on how transparent  
 23 and clear you have been with them?  
 24 A. Yes, that is what I am saying.  
 25 Q. So, for instance, if you describe a 6.49% increase in

1 calls prices as around 6%, that lack of transparency  
 2 will determine the reporting?  
 3 A. I think that is a level of detail that I am not  
 4 referring to there. I think the engagement of the media  
 5 or the response of the media depends on how much  
 6 information we give them in the first place. It is not  
 7 down to that level of detail, more: are we proactively  
 8 announcing the price changes? We were not obliged to do  
 9 so, but we chose to do. Are we giving them full detail  
 10 of the pricing? As we would see in the later slides in  
 11 that document, they would have been able to calculate  
 12 all those percentage rates as well. So yes, I think it  
 13 depends on how much we share as to how it is reported,  
 14 that is true, but I would not align the term  
 15 "transparency" here with the decision around how to  
 16 articulate a 6.49% price rise.  
 17 Q. But your transparency determines the media reporting of  
 18 price rises?  
 19 A. Yes, absolutely. There is -- it has effect on it.  
 20 Q. Let us move on to a different topic, the topic of gives.  
 21 Mr Bunt, in your evidence you refer to the fact that  
 22 price changes were accompanied by extra features which  
 23 you say were known within BT Consumer customers as  
 24 gives?  
 25 A. Yes.

1 Q. You say -- let us bring it up. {D/2/16}, please. You  
 2 say this:  
 3 "Every year ..."  
 4 This is the bottom of -- the latter part of  
 5 paragraph 59:  
 6 "Every year we tried to provide the gives that we  
 7 thought would be of most benefit to our Voice customers,  
 8 in order to ensure that they were getting good value  
 9 from their services."  
 10 A. Yes.  
 11 Q. So that is the first reason you give, to ensure  
 12 customers were getting good value from their services.  
 13 Then the second reason you give is at paragraph 60,  
 14 {D/2/17}. You say "We informed customers of available  
 15 gives in the price change notifications. This was so  
 16 that they could see the value they were getting from  
 17 being a BT customer and to encourage them to remain with  
 18 BT."  
 19 A. Yes, and I also refer to including them in press  
 20 announcements.  
 21 Q. I want to show you some documents, Mr Bunt, on the  
 22 rationale for gives.  
 23 If we could go to {F/221/1}, please. This is  
 24 a Project Window 2014/15 pricing update.  
 25 If we could move down to page {F/221/4}, please.

1 You have a hard copy of this one, Mr Bunt.  
 2 A. Do I? 221, did you say?  
 3 Q. {F/221}.  
 4 A. I do not see that in the list. I do, sorry, my mistake.  
 5 Yes.  
 6 Q. This slide is about Right Plan.  
 7 A. Sort of, yes.  
 8 Q. It says "Right Plan --"  
 9 It is BT Optimiser.  
 10 "Right Plan is a tool which analyses spend for each  
 11 bill and sends a recommendation to switch."  
 12 Let us have a look at how you describe it in your  
 13 evidence. That is at paragraph 62, {D/2/17}. You say  
 14 there:  
 15 "Universal gives were available to all customers and  
 16 included:  
 17 "(a) Right Plan, which was a digital tool that  
 18 analysed customer call usage and either recommended or  
 19 confirmed the correct calling plan for their specific  
 20 needs."  
 21 A. Yes, this is a kind of early version of Right Plan. It  
 22 does change slightly before -- versus the one we  
 23 launched. But I understand it is certainly the  
 24 precedent of it.  
 25 Q. Let us have a look at the objectives cited on this



1 slide. There are three objectives, three bullet points.  
 2 They are to mitigate --  
 3 A. Sorry, where are we?  
 4 Q. Sorry, we are on {F/227/4}. I am so sorry.  
 5 A. So I am on {F/221} still. Am I in the wrong document?  
 6 Q. Let us try {F/221/4}.  
 7 THE CHAIRMAN: Have we got ...  
 8 MS KREISBERGER: Page 4. No. I think we need to go forward  
 9 to {F/221} -- sorry, {F/227/4}.  
 10 A. Okay, I do not think I have got that one.  
 11 Q. No, I am afraid you do not have that one.  
 12 A. Okay.  
 13 Q. So this slide records the objectives. It is  
 14 24 February 2014 and you see that from page {F/227/1}.  
 15 A. Yes.  
 16 Q. So:  
 17 "Right Plan is a tool which analyses spend for each  
 18 bill and sends a recommendation to switch."  
 19 "The objectives are, first, to mitigate bad PR from  
 20 price change with positive message."  
 21 Secondly:  
 22 "To tackle challenges of CoL [cost of living]  
 23 criticisms around complex plans, bill shock and  
 24 exploiting loyal customers."  
 25 Thirdly:

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1 "To discourage customers from using switching sites  
 2 to rationalise."  
 3 So three objectives: to mitigate bad press, that is  
 4 the first one.  
 5 A. Yes.  
 6 Q. The second one is to respond to the criticism that BT is  
 7 exploiting loyal customers; correct?  
 8 A. It does say that.  
 9 Q. The third is to discourage customers from using  
 10 switching sites?  
 11 A. Yes. I think further down the page it also refers to  
 12 the customer benefits of it, which were obviously core  
 13 for us, as I say.  
 14 Q. Let us go forward to page {F/227/13}. Now, I have shown  
 15 you this slide before, "Cost of Living -- Main Themes &  
 16 Response", and BT says this:  
 17 "We are developing propositions to mitigate key  
 18 Public Affairs, Regulatory and PR concerns; we have also  
 19 reviewed our portfolio to remove [controversial] charges  
 20 ..."  
 21 "Propositions" is another word for "gives", is it  
 22 not, Mr Bunt?  
 23 A. Well, "propositions" is broader, but all the ones on the  
 24 right-hand side are gives and, yes, that is -- it has  
 25 changed more, absolutely.

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1 Q. So this is recording that the reason why you developed  
 2 these propositions was to mitigate key public affairs,  
 3 regulatory and PR concerns?  
 4 A. In the way it is phrased here. But this is a specific  
 5 slide tackling stakeholder views of price changes, so  
 6 there are other places where we refer to the gives and  
 7 their role in reducing churn or improving value for  
 8 customers. But absolutely, on this slide we are  
 9 focusing on how they play the role of mitigating  
 10 criticism from those stakeholders.  
 11 Q. Let us have a look at "Exploiting Vulnerable Customers".  
 12 The concern there is:  
 13 "Telecoms becoming an increasing proportion of  
 14 pensioners' income."  
 15 Then on row 2, "Penalising Existing Customers", we  
 16 have looked at this:  
 17 "Existing customers get punished with rising prices.  
 18 "Non-switching customers being exploited."  
 19 So the key concerns are that customers are being  
 20 exploited --  
 21 A. The key concerns of those stakeholders are those things,  
 22 yes.  
 23 Q. BT then sets out various "props", propositions, to  
 24 respond to those concerns, and these props include, on  
 25 the right-hand side, Fixed Phone Saver and Right Plan

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1 Optimiser?  
 2 A. Yes, and Fixed Phone Saver becomes Home Phone Saver. We  
 3 changed the name before we launched it.  
 4 Q. So these props are being developed to address the  
 5 criticisms of BT?  
 6 A. To further address, yes.  
 7 Q. Let us go to {F/417/1}. That is "Stakeholder plan for  
 8 pricing. 4 April 2016". So this is shortly before the  
 9 16/17 price change in July that year.  
 10 If we go down to page {F/417/3}, please. We have  
 11 seen this slide:  
 12 "We face increasing regulatory scrutiny of price  
 13 changes focused --"  
 14 A. I am sorry ...  
 15 Q. Sorry, are we on the wrong page? I am sorry, it should  
 16 be page {F/417/4}.  
 17 A. Yes, we have seen this slide.  
 18 Q. We have seen that:  
 19 "We face increasing regulatory scrutiny of price  
 20 changes focused particularly on the treatment of  
 21 vulnerable customers ... criticism that our increases in  
 22 Line Rental disproportionately impact digitally excluded  
 23 ..."  
 24 It then goes on:  
 25 "This year's price change has a number of gives for

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1 these customers ..."

2 Now, those gives include, they are listed below,

3 increase in Care Level and Call Protect, which you

4 mention in your statement?

5 A. Yes.

6 Q. "UK Call Centres news (which could be even bolder for

7 the regulator)."

8 You say there.

9 If we go back up to page {F/417/2}, under "Executive

10 Summary" it says this:

11 "Press and consumer groups will be briefed on the

12 gives articulated in the pricing notification. We have

13 an option to communicate further gives, confidentially

14 to regulatory stakeholders, in particular Ofcom."

15 Mr Bunt, it is clear from these documents that one

16 of the purposes of the gives was to deflect regulatory

17 scrutiny?

18 A. One of the purposes, yes, I accept that.

19 Q. Another purpose of the gives was to mitigate criticism

20 and bad press?

21 A. Yes.

22 Q. Coming back to your second statement at paragraph 59 and

23 paragraph 60 which I have already shown you, you do not

24 mention either of those two purposes, do you? {D/2/16}

25 A. No, I do not.

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1 Q. You say it is about value for the customer?

2 A. Yes, that is predominantly how I saw it in my head. But

3 you are absolutely right, it also achieves those

4 purposes as well.

5 Q. Let us move to Home Phone Saver which has come up

6 a couple of times.

7 A. Yes.

8 Q. Staying with your witness statement, at 62(c) you say --

9 you describe Home Phone Saver as a give, and you say:

10 "... [it] allowed customers to pay a fixed price

11 [subparagraph (c)] for a bundle of landline services ...

12 in return for a longer contract ..."

13 Including line rental, Unlimited Anytime Calls to UK

14 landlines, and discounted calls to mobiles.

15 I just want to show you, in your glossary of key

16 terms, that is on page 45 {D/2/45}, in the row for

17 "HPS", do you see that there? It is described, it is

18 a description. We have just seen that.

19 A. Yes.

20 Q. Then in "Period Available", so this is annex 1 to your

21 second statement, the period is January 2014 to date.

22 A. Yes.

23 Q. Can we turn to {F/285/1}, please. If we look at

24 page 2 -- you see this is "Post Investment Review",

25 23 January 2015 --

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1 A. Yes.

2 Q. -- on Home Phone Saver.

3 If we go down to page {F/285/2}, there is the

4 heading there, do you see "Results?"

5 A. Yes, I see.

6 Q. It says:

7 "Project Delivery Date: 21 June 2014."

8 A. Yes, you are right. That is clearly an error in my

9 statement. It should say June rather than January.

10 That is a good point.

11 Q. So the annex should read July 2014 to date, not

12 January --

13 A. June/July, that sort of time. I agree that is

14 inaccurate. That is absolutely right.

15 Q. Coming back to your second statement at page {D/2/20},

16 you describe here why BT introduced HPS.

17 THE CHAIRMAN: Sorry, which paragraph are we in?

18 MS KREISBERGER: 73--74, sir.

19 THE CHAIRMAN: Thank you.

20 MS KREISBERGER: We have looked at this paragraph before.

21 It is where you say you were keen to diagnose why so

22 many customers were switching to the Post Office.

23 A. Yes.

24 Q. Then you say at 74:

25 "In an attempt to counter this trend of customer

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1 churn to the Post Office, the Voice Propositions Team

2 developed what was described internally as our 'Solus

3 Prop' ... which later became known as Home Phone Saver."

4 You say that you got feedback that the true solus

5 customers wanted a landline deal without broadband, and

6 you say there in the middle of the paragraph:

7 "Home Phone Saver was our response."

8 We received feedback from true solus customers, they

9 wanted a deal without broadband, Home Phone Saver was

10 our response?

11 A. Yes.

12 Q. Let us go back to the Project Robin slide deck. That is

13 2014/15 pricing update. That is {F/229/1}. Please go

14 down to page 4 {F/229/4}. Under the heading "Cost of

15 Living -- Fixed Phone Saver", you see there the heading

16 "Rationale"?

17 A. Yes.

18 Q. Three reasons are given there for rationale.

19 A. Yes.

20 Q. The first is:

21 "PR Defence: Strong defence against criticism that

22 our loyal voice customers get punished by rising costs

23 of the service."

24 A. Yes.

25 Q. That is the first rationale.

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1 The second is:  
 2 "Regulatory: Strong defence against Ofcom argument  
 3 that solus voice non-switchers are being penalised."  
 4 The third is:  
 5 "Churn reduction: 1.1m true solus customers, 15%  
 6 annual churn, 90k competitive losses per year; FPS will  
 7 help reduce churn."  
 8 So you have seen the three reasons --  
 9 A. I think there are five reasons, because there is also  
 10 the adviser insight and the focus group research. They  
 11 are all in the "Rationale" section.  
 12 Q. That is a fair comment, adviser insight. But the point  
 13 I am putting to you, Mr Bunt, is in your evidence that  
 14 we have just seen you do not refer to the first two  
 15 bullet points under "Rationale". You do not refer to  
 16 the PR defence rationale in your evidence, do you?  
 17 A. I do not think I do, but I am happy to ... Maybe  
 18 I should just check it for a moment before I confirm  
 19 that.  
 20 Q. Paragraphs 73 and 74 {D/2/21}. You say:  
 21 "... we received feedback from 'true solus' voice  
 22 customers that they wanted a deal for landline without  
 23 having to purchase a broadband product. Home Phone  
 24 Saver was our response."  
 25 A. Yes.

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1 Q. You say this was in an attempt to counter this trend of  
 2 customer churn to the Post Office.  
 3 A. Yes.  
 4 Q. You do not mention the first on the list here, PR  
 5 defence?  
 6 A. I am just checking back through my statement in a couple  
 7 of other sections just to confirm that. (Pause)  
 8 I certainly do not mention it in the paragraphs you  
 9 refer to, and I do not think I do elsewhere. Without  
 10 seeing it and reading the whole statement I cannot be  
 11 certain but I take your point. It certainly was a --  
 12 one of the many things that in this case Home Phone  
 13 Saver does for us. Lots of very good customers, lots of  
 14 very good competitive reasons, and also it helps with PR  
 15 defence and regulatory defence.  
 16 Q. Strong defence -- you do not mention strong defence  
 17 against Ofcom?  
 18 A. I do not mention it in those paragraphs, I agree.  
 19 Q. So it is a rather selective account of your reasons, is  
 20 it not, Mr Bunt?  
 21 A. It is not all the reasons we used to -- we had for it,  
 22 I agree with that.  
 23 Q. Let us have a look at {F/285/1}. You see there "Post  
 24 Investment Review -- Home Phone Saver", 23 January 2015.  
 25 A. Yes.

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1 Q. If we go to page {F/285/2}, this document describes Home  
 2 Phone Saver as:  
 3 "... a pricing change PR defence telephone package  
 4 targeted at our legacy solus base, providing peace of  
 5 mind at the time of the price increase."  
 6 A. Yes, I think --  
 7 Q. So that refers to PR defence?  
 8 A. That is how Dom and Kelly have chosen to phrase it  
 9 there. But I mean, even in that sentence, you know,  
 10 referring to the peace of mind that it provides  
 11 customers, I think it is clearly -- it fulfils multiple  
 12 purposes. Even in the bottom right, in the "Key success  
 13 criteria", you have PR defence as you mentioned, but  
 14 also "customers saved", as I mentioned.  
 15 Q. Yesterday in your evidence, when I asked you about the  
 16 reasons for introducing HPS, you said it was primarily  
 17 about reducing solus voice churn. It was at page 142 of  
 18 the transcript yesterday. We can get that up.  
 19 A. Yes.  
 20 Q. Page 142, line 8. {Day5/142:8}  
 21 You said:  
 22 "Yes. Although it was also -- I mean, it is really  
 23 important to say this proposition was primarily created,  
 24 and it is the third bullet in the rationale, to deal  
 25 with solus voice churn -- actually, this will be a slide

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1 written by Kelly Liu ..."  
 2 A. Yes.  
 3 Q. If we go back to the document we were just in, that is  
 4 {F/285/6}. "Objectives" -- so it is "PIR: Home Phone  
 5 Saver -- Project Summary".  
 6 "Objectives and Key Deliverables commentary."  
 7 "Objective: PR defence for the Windows pricing  
 8 change with a secondary objective to increase solus line  
 9 retention."  
 10 A. Yes, I mean, I see that definitely. I did not write  
 11 this slide. From my perspective, it is customer churn  
 12 first. Had we not done Window for some reason, we still  
 13 would have launched Home Phone Saver to deal with the  
 14 competitive effect of the Post Office.  
 15 Q. Then if we look down to "Key Deliverables":  
 16 "Home Phone Saver designed and implemented in time  
 17 for notification period of Window pricing change.  
 18 Provide a good news story mitigating negative PR around  
 19 pricing change."  
 20 So the key deliverable identified on this slide is  
 21 a good news story. There is no mention here of  
 22 a reduction -- an aim to reduce churn?  
 23 A. I think through the document, further down on this page,  
 24 in the previous sentence you showed me, there are many  
 25 references to customer retention or the competitive

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1 intent of the product. But there are also absolutely  
 2 mentions of the PR purpose that it shared — that it  
 3 served, and that is certainly part of the reason for  
 4 implementing it. I am not (inaudible).  
 5 Q. It is not just part of the reason, though. It is  
 6 described as a "key deliverable"?  
 7 A. Yes, it is a key deliverable, definitely. One of, to my  
 8 mind, many key deliverables from it, and churn was  
 9 certainly one, and, as I say, if we had not done  
 10 the price change, which is a hypothetical, we still  
 11 would have introduced Home Phone Saver because of that  
 12 competitive pressure we saw.  
 13 Q. It just mentions one key deliverable.  
 14 A. Yep, on a slide that I did not write it does say that,  
 15 yes.  
 16 Q. So this contradicts your evidence yesterday that the  
 17 primary consideration was churn.  
 18 A. It is different to what I have said in my evidence and  
 19 my memory and understanding of it, absolutely.  
 20 MR BEARD: Excuse me, does the witness have a hard copy of  
 21 this document?  
 22 MS KREISBERGER: No, we do not think so.  
 23 MR BEARD: So he has no opportunity to look through this  
 24 document.  
 25 MS KREISBERGER: We are very happy to ...

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1 THE CHAIRMAN: I think ...  
 2 MR BEARD: I will deal with it in re-examination.  
 3 THE CHAIRMAN: That is what I was going to say, and I was  
 4 just going to say to Mr Bunt: obviously if there is  
 5 something else on the same page, and you think it is  
 6 important to stress other bits of the page, that is  
 7 fine.  
 8 A. Yes.  
 9 THE CHAIRMAN: But you do not need to go too much into  
 10 "there were other documents" and "there were other  
 11 pages", and things like that, that might say something  
 12 else, because if it is appropriate you will get asked  
 13 about those in re-examination.  
 14 A. I understand.  
 15 MS KREISBERGER: I am grateful, sir.  
 16 Let us go back to your witness statement, at  
 17 paragraph 62(c), {D/2/17}. We have seen this. That is  
 18 where you say Home Phone Saver was a universal give, and  
 19 you make the point at the beginning of the paragraph  
 20 that:  
 21 "Universal gives [the clue is in the description]  
 22 were available to all customers ..."  
 23 So that is your evidence.  
 24 A. It is.  
 25 Q. Let us go to {F/246/1}. I have taken you to this

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1 document. It is dated 24 June 2014. Now, you do have  
 2 a hard copy of this one, Mr Bunt.  
 3 So this was around the time that HPS was introduced.  
 4 We have covered that.  
 5 A. Mm—hm.  
 6 Q. If you could go down to page 7, sorry, page {F/246/10}.  
 7 This slide is headed "Home Phone Saver".  
 8 Under the heading "Objective", it says:  
 9 "Limit marketing to customers during Window whilst  
 10 demonstrating externally that the prop is widely  
 11 available."  
 12 Then under "Approach", it says:  
 13 "Reactive saves only.  
 14 "Full launch with Window on 22 Aug."  
 15 Under "Voice Update", directly below that, it says:  
 16 "Only in the letter, not on a full page spread."  
 17 On the right—hand side it says "Targeted Marketing":  
 18 "From September we will target high churn risk  
 19 'true' solus customers. This helps with the save  
 20 ratio."  
 21 Just so you have it, over the page, {F/246/11}, you  
 22 say there ...  
 23 I will read it from the EPE. It says:  
 24 "Very sensitive to save: cannibalisation ratio.  
 25 "Important to get due credit and we want the press

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1 coverage but not the swell in take-up.  
 2 "We are notifying everywhere we have to, so we can  
 3 say we are telling our customers about this — but  
 4 nowhere else.  
 5 "Limit availability, only include in prose comms."  
 6 Mr Bunt, this document shows very clearly that BT's  
 7 explicit intention at this time was to limit the  
 8 marketing of HPS, of Home Phone Saver, from its  
 9 inception?  
 10 A. To those customers where we were — where we thought we  
 11 would save. So we had no obligation to introduce this  
 12 product. We did so. We also marketed it to everyone  
 13 who was eligible for it, as it says here. But no more  
 14 than that. We are looking to extract that PR value that  
 15 we discussed but with the minimal investment, commercial  
 16 investment. But we also talk about, on that slide, on  
 17 slide 10, I think it is, how we will run — sorry, how  
 18 we will target high churn risk customers too, which as I  
 19 said was the intent of the product to deal with the  
 20 competitive effect and to tackle high churn with solus  
 21 customers.  
 22 So, yes, we are using it for both purposes, and  
 23 where we are using it here as part of our PR defence we  
 24 are doing the necessary and no more in terms of how much  
 25 we promote it.

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1 Q. The "necessary and no more" means we are notifying  
2 everywhere we have to so that we can say we are telling  
3 customers about this, but nowhere else?  
4 A. Yes.  
5 Q. What you wanted to avoid, Mr Bunt, was a swell in  
6 take-up?  
7 A. That is right, yes.  
8 Q. It is somewhat misleading to describe this as  
9 a universal give available to all, is it not?  
10 A. Only in the sense that it was not available to broadband  
11 customers, but it was available to all landline  
12 customers and it was marketed for them.  
13 Q. It was not marketed to all, was it, Mr Bunt?  
14 A. It was. We told all of our landline customers about  
15 that. This is what this is saying. What we did not do,  
16 I agree, is do multiple comms to those customers about  
17 it, we just told them about it in their price change  
18 comms without, I think, it being marketed to all those  
19 customers. That is what I mean by that sentence.  
20 Q. The fourth bullet point says clearly:  
21 "Limit availability, only include in prose comms."  
22 That is not making it available to all in  
23 a universal way --  
24 A. So I do not know what exactly is meant here by "limit  
25 availability". It is definitely -- as you pointed out

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1 on the other slide, it is included in prose. So it is  
2 written -- in the written bit rather than a picture or  
3 something like that to advertise it. But it is  
4 mentioned in comms to all eligible customers.  
5 Q. Let us have a look at another document. If we could go  
6 to {F/285/1}. Then if we go down to page {F/285/6},  
7 please. "Home Phone Saver -- Project Summary". So this  
8 is again the investment review document we saw earlier.  
9 Under the heading "Actual Project Performance", the  
10 document says this:  
11 "The risk remains of revenue cannibalisation for  
12 customers that would have taken higher margin products.  
13 This is managed by restricting the availability of the  
14 product and ensuring it is only focused on high  
15 propensity to churn customers."  
16 Mr Bunt, HPS was a lower margin product than  
17 Standard Line Rental, was it not?  
18 A. Yes.  
19 Q. The more SFV customers who took up HPS, the lower BT's  
20 revenues would be, correct?  
21 A. Correct -- sorry, that is not true. Sorry. It would  
22 depend on whether the customer would otherwise have  
23 switched.  
24 Q. A customer who took HPS instead of BT's Standard Line  
25 Rental would generate less revenue for you?

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1 A. Yes. But if that customer would otherwise have  
2 switched, then that would be a value accretive sale.  
3 Q. That is right, that is why you restricted it to high  
4 churn risk customers?  
5 A. In all but the price change comms. The table below  
6 shows the volumes in October and November when we were  
7 notifying Window are significantly higher than the rest  
8 of the volumes, and that is because we are running  
9 targeted campaigns the rest of the time, but we are  
10 writing to the whole base during the price change  
11 notification.  
12 Q. Mr Bunt, the risk being highlighted in this slide is the  
13 risk of revenue cannibalisation for customers that would  
14 have taken higher margin products. That is the risk you  
15 are trying to avoid, is it not?  
16 A. When we market Home Phone Saver to our -- outside of a  
17 price change, and we are targeting customers with it, we  
18 are trying to make sure that the customers who take it  
19 are those who are likely to switch. That is the  
20 business case for the product. It would not make sense  
21 to have implemented it if everyone who took it was still  
22 going to stay. From a commercial perspective, it would  
23 have been irrational for us to implement it.  
24 Q. Mr Bunt, I am going to put it to you in simple terms  
25 using the language on this slide: the risk of revenue

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1 cannibalisation is managed by restricting the  
2 availability of the product?  
3 A. That is completely correct, yes.  
4 Q. This product had restricted availability, correct?  
5 A. Correct. Despite that, we included it in all eligible  
6 customers' price change communications.  
7 Q. Let us have a look at {F/283/1}. This is a document,  
8 you can see from the bottom of the page, created by  
9 Fiona Miller, Consumer Affairs, and it is around the  
10 same time as the last document I just showed you, the  
11 investment review. The date is 8 January 2015, so it is  
12 a few days earlier.  
13 Ms Miller says under the heading "Issue":  
14 "Ofcom is [currently] looking at affordability and  
15 wants higher level of awareness of affordable deals."  
16 Then she assesses the risk in relation to  
17 affordability. The affordability issue is high,  
18 correct?  
19 A. She does, yes.  
20 Q. She then says this in the right-hand column. She says:  
21 "BT Basic continues to be a key good news message as  
22 does Home Phone Saver."  
23 A. Can you just move the screen over, sorry.  
24 THE CHAIRMAN: We can only see part of it.  
25 MS KREISBERGER: Sorry, I was not focusing on the EPE.

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1 Thank you, there we go.  
 2 So:  
 3 "BT Basic continues to be a key good news message as  
 4 does Home Phone Saver. However, we do not promote the  
 5 latter and there is more to do to ensure that advisers  
 6 highlight services that can support people on low  
 7 income."  
 8 The "latter" product is Home Phone Saver.  
 9 So Ms Miller there is confirming that as of  
 10 January 2015, BT do not promote the product, correct?  
 11 A. Ms Miller is saying that. She is not confirming it.  
 12 She is not in any way of a capacity where she could.  
 13 She is nothing to do with how the product is promoted,  
 14 so I am afraid she is not really qualified to comment on  
 15 it.  
 16 Q. Let us have a look at another document, {F/420/1}.  
 17 I am reminded, Mr Bunt, Ms Miller is the person that  
 18 you said provided the conscience?  
 19 A. Yes, the same person, absolutely.  
 20 Q. Now, this is an email from Mike Jarvis, your head of  
 21 corporate communications, and he says this. It is on  
 22 page {F/420/3} of the email thread. So you have to go  
 23 to page {F/420/2} to see the header. It says  
 24 Michael Jarvis, 5 April 2016 at 14.50.  
 25 MR BEARD: Is it being suggested that Mr Bunt has seen this?

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1 MS KREISBERGER: I am showing this to Mr Bunt.  
 2 MR BEARD: Understood. It is just that it is actually from  
 3 Ms Blight.  
 4 MS KREISBERGER: If we could go down to page {F/420/3},  
 5 Mr Jarvis says this:  
 6 "There's always been a big PR opportunity to really  
 7 rev up the story around Home Phone Saver and several  
 8 have expressed an interest in writing about it at one  
 9 time or another. But the business needs to properly  
 10 commit to it being a permanent tariff option that is  
 11 properly widely available, like Line Rental Saver or  
 12 Line Rental Plus. It is not a question really of  
 13 whether or not it comes up on Google, because customers  
 14 don't actually know it exists in order to search for it.  
 15 That is because it currently only exists as a PR bullet  
 16 once a year."  
 17 Mr Bunt, an annual PR bullet is hardly a universal  
 18 offering to all customers, is it?  
 19 A. It is not, but that is not how Home Phone Saver was  
 20 treated. Mike has not characterised it correctly.  
 21 Q. So both Mike Jarvis and Fiona Miller have not  
 22 characterised it correctly?  
 23 A. That is right. The consumer affairs team and the PR  
 24 team do not know as much about how the product was  
 25 treated as the commercial team. That is absolutely

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1 right.  
 2 Q. The post investment review also mischaracterised --  
 3 A. What I said about the post investment review was that it  
 4 emphasised the PR point and downplayed the customer  
 5 retention point, but actually there is plenty in there  
 6 which demonstrates how it was used. But certainly the  
 7 views of the guy in the PR team and the person -- the  
 8 consumer affairs team are not really relevant here, to  
 9 my mind, and certainly how Mike characterises it here is  
 10 not correct.  
 11 Q. Let us have a look at an email you sent, Mr Bunt. Let  
 12 us go to {F/441/1}, and you see there on page 1 of the  
 13 document an email from Stuart Murray on page 2 of the  
 14 email thread. It is dated 26 May 2016 at 12.10, and  
 15 I would like you to go down to bottom of the page, at  
 16 page 3 and then we will go over the page.  
 17 Mr Murray said this. This was an email sent to  
 18 you --  
 19 A. It was not sent to me.  
 20 Q. -- under the heading --  
 21 A. Sorry, I can see I am copied here.  
 22 Q. Can we go down to page {F/441/3}, please, "Solus voice &  
 23 lines", and you see there the bottom line, if we just  
 24 focus in on that:  
 25 "Second part of the story is Ofcom's perception of

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1 the lack of competition as evidenced, it would say, by  
 2 the continuing --"  
 3 THE CHAIRMAN: Sorry, I cannot see where we are.  
 4 MS KREISBERGER: Sorry, we just switched pages.  
 5 THE CHAIRMAN: It was the bottom, thank you.  
 6 MS KREISBERGER: Yes. So:  
 7 "Second part of the story is Ofcom's perception of  
 8 the lack of effective competition as evidenced [and then  
 9 if we go forward], it would say, by continuing  
 10 year-on-year increase in line rental charges, across  
 11 industry, without a corresponding increase in cost of  
 12 provision or value to the consumer.  
 13 "A move on BT Basic is unlikely to satisfy Ofcom's  
 14 wider concerns. Jonathan in particular will want to see  
 15 something on pricing or packaging of Home Phone Saver or  
 16 the reduction or freezing of Standard Line Rental. And  
 17 our limited moves on HPS are unlikely to be sufficient."  
 18 Now, let us scroll up, please, to page {F/441/2}.  
 19 Kelly Barlow replies to Mr Murray's email on the same  
 20 day, 26 May 2016, 12.38. In her penultimate bullet  
 21 point -- sorry, I am going to pause there, actually. I  
 22 am pressing ahead.  
 23 I should say that Mr Murray, the email I have just  
 24 shown you on page 3 and 4, he attached a set of slides  
 25 to the email, and those were slides that he intended to

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1 present at the meeting with Ofcom.  
 2 Let us turn up those slides, and then we will come  
 3 back to this email, so you can see them.  
 4 MR BEARD: Does he have the email and the slides?  
 5 MS KREISBERGER: The slides.  
 6 MR BEARD: But not the email?  
 7 MR KREISBERGER: No. The agreement was lengthy documents,  
 8 if you recall.  
 9 MR BEARD: Yes, this is 11 pages long.  
 10 MS KREISBERGER: I am going to two of them.  
 11 {F/436/1}, and if we could go down to page  
 12 {F/436/16} of the slides. You see there the heading  
 13 "Promotion of product for vulnerable Solus Voice & Line  
 14 Customers".  
 15 In the first bullet point BT says:  
 16 "Home Phone Saver is available to existing customers  
 17 through our call centres all year round."  
 18 So that is the slide that is the subject matter of  
 19 this email.  
 20 A. I think that is right.  
 21 Q. Have you got that, page 16?  
 22 A. I can see it.  
 23 Q. So if we now go back to the email, {F/441/1}.  
 24 Kelly Barlow responds on page {F/441/2} of the email,  
 25 penultimate bullet point, and she makes a comment on the

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1 slide we have just seen:  
 2 "Did we conclude on opening up HPS to all of COT?"  
 3 "COT" is a reference to the customer options team,  
 4 correct?  
 5 A. Yes.  
 6 Q. "Did we conclude on opening up HPS to the [customer  
 7 options team]? The first statement [that is the  
 8 statement we have just seen] could be misleading — maybe  
 9 take out all year round? Also missing an s off segments  
 10 and is prop a BT word?"  
 11 So she is commenting on that slide.  
 12 Then, Mr Bunt, you respond on the first page of the  
 13 email, {F/441/1}. So you see there in her original  
 14 email:  
 15 "Did we conclude on opening up HPS to all of COT?"  
 16 You say this:  
 17 "I included the sizing in the email I sent to the  
 18 chain yesterday at 5.35 (attached) and no one responded  
 19 either way [smiley face] ... the costs are £0.6m in  
 20 16/17 and £3.6m in 17/18 and I'd recommend against it.  
 21 Either way though, I'd definitely not talk to Ofcom  
 22 about it, because it exposes the current position."  
 23 Mr Bunt, so what you are saying is that Home Phone  
 24 Saver has not been made available to the customer  
 25 options team?

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1 A. Yes, all of the customer options team, yes.  
 2 Q. You say you have calculated the costs of making it  
 3 available?  
 4 A. Yes.  
 5 Q. You say you have found those costs to be 0.6 million in  
 6 16/17, 3.6 million in 17/18, and in the light of those  
 7 costs you say: I would recommend against it. Correct?  
 8 A. Absolutely.  
 9 Q. Then you told Kelly Barlow and Stuart Murray in no  
 10 uncertain terms to "definitely", it is categorical,  
 11 "definitely not talk to Ofcom about it", because you did  
 12 not want BT's position on HPS to be exposed, correct?  
 13 A. That is absolutely what it says, yes.  
 14 Q. Mr Bunt, this is another example of holding back  
 15 information from Ofcom, is it not?  
 16 A. Essentially I think it is — yes, it is, yes.  
 17 Q. Can we go forward to {F/443/1}. Now, this is an email  
 18 that you sent, Mr Bunt, on 8 June 2016, so this was  
 19 a month before the 16/17 price change, and the subject  
 20 is "Briefing for advisers". That is a reference to BT  
 21 call centre advisers, is it not?  
 22 A. It is.  
 23 Q. You say to Laura Van—Daal:  
 24 "Thought it through and there are 2 things I want to  
 25 say:

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1 "1. Stop pushing the button.  
 2 "2. Stop proactively selling HPS."  
 3 Then you set out some "proposed wording". By  
 4 "proposed wording", you are talking about wording to be  
 5 passed on to BT's call centre advisers?  
 6 A. I think so, yes.  
 7 Q. In the second paragraph of your proposed wording, you  
 8 say:  
 9 "... Home Phone Saver 2019 is an important tool that  
 10 we should use to save customers. We should also use it  
 11 if customers call and deliberately request it. It  
 12 should only be used in those 2 circumstances and we need  
 13 to ensure that we aren't providing it to customers  
 14 without a strong reason."  
 15 You are not wanting to make this universally  
 16 available, are you, Mr Bunt?  
 17 A. We wrote to everyone about it who was eligible for it,  
 18 as we have seen on a number of the documents. If any of  
 19 those — as I am saying here in this, if those customers  
 20 call up and request it, we should make sure we give it  
 21 to them. That is what that says. We are not trying to  
 22 give it to anyone else who does not request it.  
 23 Q. What that says is:  
 24 "Stop proactively selling HPS.  
 25 "Stop pushing the button."

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1 That is what it says, does it not, Mr Bunt?  
 2 A. Yes, it does say that.  
 3 Q. Let us move forward in time to October 2016. {F/882/1}.  
 4 You see there an email from Jeremy Benson to  
 5 Stuart Murray and Dee Cheek, Deirdre Cheek, dated  
 6 31 October. If you see the email at 18.40 from  
 7 Jeremy Benson?  
 8 A. I cannot see anything ... 10.40 you must mean? Sorry,  
 9 no, 18.40.  
 10 Q. It should be on the second page.  
 11 A. I see it now.  
 12 Q. {F/882/2}. Mr Benson says this:  
 13 "Hi Stuart:  
 14 "The customer ... spoke to BT several times over the  
 15 weekend as her mother—in-law has moved house. She asked  
 16 about Home Phone Saver and was told a number of times  
 17 that it was not available to new customers. She had  
 18 been on Virgin in her previous property.  
 19 "We looked into this to see if it was a wider issue.  
 20 From what I have found out, in a nutshell, we were  
 21 selling 'too many' (not a good product for us  
 22 commercially as you know), so we made it unavailable on  
 23 certain systems (Agent.com), and some advisers could not  
 24 see (and thus sell) it. It could only be ordered on  
 25 Oneview which had restricted access for advisers.

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1 "This has now been rectified with Emergency briefs  
 2 sent to advisers last week, so all advisers should have  
 3 visibility of it on their systems and be able to sell to  
 4 customers.  
 5 "I have asked the commercial team to confirm that  
 6 HPS will not be restricted in future and that customers  
 7 will always be able to buy it."  
 8 So that is Mr Benson.  
 9 Then Stuart Murray replies:  
 10 "Have we given any advice ..."  
 11 So that is at the bottom of page {F/882/1}.  
 12 "Have we given any advice to the business in  
 13 reaction to this, and if so, what please?"  
 14 Mr Benson replies to that at 10.40:  
 15 "Hi Stuart.  
 16 "Yes we have — that given the current state of play  
 17 with Ofcom on solus voice, we've emphasised that Home  
 18 Phone Saver is a key part of our (solus) defence  
 19 strategy with them, and that we need to make sure all of  
 20 our advisers have the correct information, and that HPS  
 21 is fully available without any (commercial) restrictions  
 22 in place. We wouldn't want any complaints getting to  
 23 Ofcom from customers saying they couldn't get it.  
 24 "The business fully understand this, and are  
 25 following up with the key Channel teams for their

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1 assurances, and seeing whether there is anything else we  
 2 can do to add greater certainty ...  
 3 "Would it help if I drafted a note for you to send  
 4 to Kelly Barlow, underlining the importance of ensuring  
 5 sales are not restricted, although I think the team has  
 6 it under control now?"  
 7 He also — Mr Murray replies:  
 8 "... I'm speaking to Kelly tomorrow morning ...  
 9 things are moving and we may change our approach with  
 10 Ofcom on HPS."  
 11 Mr Bunt, this email thread is signalling a change of  
 12 approach from your approach to restrict HPS, is it not?  
 13 A. Possibly. I was not working in the team at this time  
 14 and I am not on the email. But from what I am reading  
 15 along with you, I think this is saying that we should  
 16 reduce restrictions for telephone advisers on selling  
 17 HPS, yes, I agree with that.  
 18 Q. So contrary to your instructions to restrict it,  
 19 Mr Benson is saying: we had better make HPS available as  
 20 it is a key part of our defence strategy on —  
 21 A. (Overspeaking) I mean, the context in which we are  
 22 operating has clearly changed at this point. We are  
 23 talking to Ofcom about their interventions on, or  
 24 proposed interventions on line only customers. So the  
 25 purpose that the prop serves changes over time, so it is

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1 in a different context there.  
 2 Q. A change of approach?  
 3 A. It is a change of approach, yes.  
 4 Q. Let us turn up your response to Ofcom, to the  
 5 provisional conclusions, which is at {C/5/46},  
 6 paragraph 168(d). The first line is on page 45. So if  
 7 we could — ah, my one is different again.  
 8 At the beginning of paragraph 168, we have looked at  
 9 this before, this is where the response to Ofcom is  
 10 dealing with each of Ofcom's arguments on pricing.  
 11 A. Yes.  
 12 Q. We looked at it in relation to (c).  
 13 A. Yes.  
 14 Q. If we could then go over the page to (d). So the Ofcom  
 15 objection is:  
 16 "Price discrimination to offer greater discounts to  
 17 more engaged customers (for example, through its Home  
 18 Phone Saver tariff) allows BT to increase prices for  
 19 (largely unengaged) SFV customers whilst limiting the  
 20 risk to the revenues it earns from more active customer  
 21 groups."  
 22 The response from BT is:  
 23 "Given the active marketing by BT of the Home Phone  
 24 Saver product, there can be no suggestion of a price  
 25 discrimination strategy. Rather BT created this product

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1 in the face of competition from the Post Office."  
 2 This is not being open and transparent with Ofcom,  
 3 is it, Mr Bunt?  
 4 A. I do not think there is anything incorrect in there.  
 5 But I understand your point, which is you are reading an  
 6 implication here that it was actively marketed to  
 7 everyone all the time, which, as I have said, is not the  
 8 case.  
 9 Q. As recently as June 2016 you were telling staff not to  
 10 proactively sell HPS, as you have accepted?  
 11 A. I was. I also, as recently as April 2016, I was writing  
 12 to all Voice Only Customers to make them aware of its  
 13 availability, and if they called in and asked for it  
 14 they would get it. So I would consider that active  
 15 marketing. We may be a bit in semantics on that, which  
 16 I acknowledge. But that is I think the point of  
 17 difference we have got here.  
 18 Q. Let us go through the points of difference. You say you  
 19 would call it active marketing —  
 20 A. It is the term that is used here. Like I say, we have  
 21 written to over a million customers to tell them about  
 22 it.  
 23 Q. Let us just remind ourselves your direction:  
 24 "There are two things I want to say:  
 25 "Stop proactively selling HPS."

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1 That does not sound like active marketing?  
 2 A. These are two completely different points. One is we  
 3 are actively — I am just being really clear about what  
 4 we did so you can choose to interpret it as you wish,  
 5 but I am being super—explicit here. We wrote to I think  
 6 it is over a million customers, certainly all eligible  
 7 customers, for the 16/17 price change and the 15/16  
 8 price change and Window, marketing this product, and if  
 9 they called us and said they wanted to take it, they  
 10 could take it. We also did additional targeted  
 11 marketing outside of price change of that product. So  
 12 I would consider that active marketing.  
 13 It is absolutely true that we did not want —  
 14 outside of a price change context we did not want  
 15 customers to sort of stumble across the product, we  
 16 wanted to use it where it was most efficient from  
 17 a commercial perspective. That is why those  
 18 instructions from June that we looked at are completely  
 19 the case as well.  
 20 Q. You wanted to start pushing the button.  
 21 A. I think that is entirely consistent — entirely  
 22 consistent with what I have said.  
 23 Q. But we also saw that Jeremy Benson stresses in the email  
 24 that HPS needs to be widely marketed now, the change of  
 25 approach, given the current state of play with Ofcom,

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1 does he not?  
 2 A. It is certainly true it is even more active after that  
 3 point but I think it is active in both cases.  
 4 Q. That is not the question I asked you. I will try again.  
 5 Mr Benson stresses in his email that HPS needs to be  
 6 widely marketed given the current state of play with  
 7 Ofcom. That is right?  
 8 A. He does say that, yes.  
 9 Q. He told Mr Murray that it was a key part of our solus  
 10 defence strategy with Ofcom, correct?  
 11 A. Correct.  
 12 Q. But the message we see for Ofcom is that BT created this  
 13 product in the face of competition from the Post Office.  
 14 That is misleading, is it not?  
 15 A. That we created the product in the face of competition  
 16 from the Post Office? Not at all. You can see in all  
 17 the documents we refer to it.  
 18 Q. We will move on from that, Mr Bunt. I would like to  
 19 come back to Line Rental Saver. If we could go to your  
 20 second statement at paragraph 77. We have been to this  
 21 before on Line Rental Saver. {D/2/22}. Now, we have  
 22 covered the fact that you saw this as a price—inelastic  
 23 product but I want to focus us on a different aspect  
 24 now. You say this was a give offered to all customers  
 25 that reduced the price of their line rental.

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1 I would like to go back to your props role notes  
 2 from October 2013. I have shown you this document  
 3 before. You recall this one.  
 4 Now, Line Rental Saver you say at the bottom of  
 5 page 3. I am so sorry.  
 6 THE CHAIRMAN: We have not got that document yet.  
 7 MS KREISBERGER: {F/189/3}. I am leaping ahead.  
 8 So if we go to the bottom of the page, LRS, that is  
 9 Line Rental Saver?  
 10 A. Yes.  
 11 Q. "I will be picking this up ... Meeting Friday morning  
 12 and then later in the day to discuss, but fundamental  
 13 concepts are as follows. [Line Rental Saver] is  
 14 something we offer because we have to not because we  
 15 want to. It represents a 25% revenue loss."  
 16 Then if we go over the page, {F/189/4} you see the  
 17 fourth bullet point there:  
 18 "Strategy is explained to me as it is something in  
 19 our arsenal but not something we should be looking to  
 20 promote."  
 21 So, Mr Bunt, because Line Rental Saver was a lower  
 22 margin product the strategy was not to promote it,  
 23 correct?  
 24 A. That is what it says here. I would remind you, these  
 25 are my notes in my first week. I have not, even in the

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1 first bit, I have not even met the product owner to talk  
 2 about it yet, in Eifion. I guess, as I said earlier on,  
 3 my view on Line Rental Saver is not as absolute as this.  
 4 There are pros and cons to it. Cash flow benefits,  
 5 churn reduction benefits, but also margin costs.  
 6 I think it is quite a nuanced one. I would not say it  
 7 is as absolute as I thought in my first week in the job.  
 8 Q. Let us have a look at the slide deck you wrote.  
 9 {F/191/1}, and you have this one in hard copy, Mr Bunt.  
 10 It has your name there on the front.  
 11 A. This is mine again from my early weeks in the role.  
 12 Q. October 2013. Page 1. So it is around the same time as  
 13 your notes. "Executive summary". {F/191/2}. First  
 14 bullet point:  
 15 "There is an opportunity to reduce LRS provides by  
 16 slight augmenting BT.com approach."  
 17 A. It should be slightly, but yes.  
 18 Q. Recommendations:  
 19 "Remove references to both LRS and SLR in the  
 20 'choose a package' table, replace with + Line rental."  
 21 Then you give the rationale on the next slide,  
 22 {F/191/3}. At the bottom of the page:  
 23 "The rationale is reduce transparency in order to  
 24 improve appearance of offer, this allows us to control  
 25 the relative presentation of the 2 options to customers.

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1 "Removes the content from front page, so  
 2 a proportion of customers will click straight through  
 3 without considering the matter.  
 4 "Those customers that select the link will be more  
 5 balanced contextualised choice."  
 6 So, Mr Bunt, you were seeking to reduce the number  
 7 of customers taking up Line Rental Saver, were not you?  
 8 A. Yes.  
 9 Q. To achieve that you were suggesting some changes to BT's  
 10 website?  
 11 A. Yes.  
 12 Q. You suggested removing information about Line Rental  
 13 Saver from the main page of the website?  
 14 A. References to it, yes.  
 15 Q. This reduced transparency, because it would make it  
 16 harder for customers to find Line Rental Saver?  
 17 A. Yes.  
 18 Q. So they would be more likely to select a more expensive  
 19 product like Line Rental Plus?  
 20 A. Standard Line Rental, but, yes. Line Rental Plus does  
 21 not exist at this point.  
 22 Q. Standard Line Rental. Mr Bunt, this is contrary to your  
 23 evidence that Line Rental Saver was a give offered to  
 24 all customers?  
 25 A. It is not contrary to that evidence.

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1 Q. It was only offered to those who could actually find it  
 2 on the website. That is right, is it not?  
 3 A. Again, gives are in a price change context, this is  
 4 happening outside of a price change. It is the business  
 5 as usual website. In a price change where I say "we  
 6 offer it to all eligible customers", it probably should  
 7 say "we would have put it in their price change comms  
 8 and made them aware of it". So I would accept that "all  
 9 customers" should be probably "all eligible customers"  
 10 or something like that.  
 11 THE CHAIRMAN: Sorry, you accept that "all customers" really  
 12 should be?  
 13 A. "All eligible customers" is the only refinement I am  
 14 making there.  
 15 MS KREISBERGER: Thank you, sir. I have no further  
 16 questions for Mr Bunt.  
 17 THE CHAIRMAN: Right, just a moment. (Pause). Now,  
 18 Mr Beard, have you got some re-examination?  
 19 MR BEARD: I do. I have some observations and some  
 20 re-examination.  
 21 THE CHAIRMAN: Some?  
 22 MR BEARD: Some observations and some re-examination, yes.  
 23 THE CHAIRMAN: Observations?  
 24 MR BEARD: Yes, but is the sensible thing to take a short  
 25 break now.

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1 THE CHAIRMAN: We are going to take a short break now  
 2 anyway. We will resume in ten minutes.  
 3 (3.08 pm)  
 4 (A short break)  
 5 (3.28 pm)  
 6 THE CHAIRMAN: Now, Mr Beard, I know you said you had some  
 7 observations, but we would not normally be having  
 8 observations now.  
 9 MR BEARD: I am going to deal with it at the end, if that is  
 10 ...  
 11 THE CHAIRMAN: That is sensible, thank you.  
 12 MR BEARD: So we can carry on with the witness now.  
 13 THE CHAIRMAN: Yes, indeed.  
 14 MR BEARD: Just because we have got certain things fresher  
 15 in our minds than others, I am actually going to  
 16 slightly work backwards in relation to re-examination,  
 17 and then end up picking up some of yesterday's stuff  
 18 towards the end, if that is okay?  
 19 THE CHAIRMAN: Of course. Just to have an idea, you are not  
 20 under any time pressure, how long do you think your  
 21 re-examination will be?  
 22 MR BEARD: I do not know. One of the problems, and one of  
 23 the observations I have, is there is an enormous amount  
 24 of material in both Mr Bunt's statements and in the  
 25 documentary material which he is conscious of that he

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1 has not been cross-examined on at all. Obviously I am  
 2 not going to re-examine in relation to all of that  
 3 material. I am going to try and focus on documents  
 4 either that Ms Kreisberger has gone to or particular  
 5 documents that elaborate things.  
 6 THE CHAIRMAN: I totally understand that.  
 7 MR BEARD: I am going to limit it because I cannot do  
 8 anything else.  
 9 THE CHAIRMAN: No, I understand that. But just for our  
 10 purposes, because we have some questions, we have a few  
 11 questions, I am just trying to look at timing.  
 12 MR BEARD: I would have thought I would be half an hour or  
 13 so, but it may be longer, because I do want to go  
 14 through one or two of the slide decks a bit more fully,  
 15 because some of the questioning has been extremely  
 16 selective.  
 17 THE CHAIRMAN: Of course, you take your time on that, and  
 18 then we will see where we are once you have finished  
 19 your re-examination --  
 20 MR BEARD: Yes.  
 21 THE CHAIRMAN: -- in terms of the questions that we want to  
 22 ask, and whether that can be done today or whether they  
 23 cannot be done today.  
 24 MR BEARD: Yes. I think, Mr Bunt, I am not going to speak  
 25 for him, but I understand he is available tomorrow

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1 morning, so that if anything runs over, we can ...  
 2 THE CHAIRMAN: Yes. That is very helpful, Mr Bunt.  
 3 Obviously no witness wants to stay in the witness box  
 4 for longer than they absolutely have to --  
 5 A. Not even for the four weeks, no.  
 6 THE CHAIRMAN: -- but that is helpful to know that, yes.  
 7 Okay, thank you, Mr Beard.  
 8 Re-examination by MR BEARD  
 9 MR BEARD: I was actually going to pick up on Home Phone  
 10 Saver because it was there towards the end of  
 11 Ms Kreisberger's cross-examination. What I actually  
 12 want to go to is a document she did not take you to but  
 13 I think, or I hope, summarises some of the position in  
 14 relation to Home Phone Saver. So it is {OR-F/567/1}.  
 15 This is a consumer update from July 2016. The name  
 16 on the slide is John Petter. Who is John Petter?  
 17 A. He is the Consumer CEO at this point.  
 18 Q. Thank you. So if we go down to slide {OR-F/567/10}, you  
 19 will see there are two boxes, one "Home Phone Saver",  
 20 and one "Home Phone Saver - Success to date".  
 21 A. Yes.  
 22 Q. Do you just want to review those? (Pause)  
 23 A. Yes.  
 24 Q. So you were asked about active marketing and you  
 25 referred to notifications and targeted campaigns. Is

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1 that what is being referred to in -- on this slide  
 2 anywhere?  
 3 A. Yes, so we talk about the campaigns in the (inaudible)  
 4 date, so we have run those campaigns. Then in the next  
 5 bit, in total we have sent more than 4 million  
 6 communications promoting Home Phone Saver over the last  
 7 two years.  
 8 Q. Then just picking up I think it was something you said  
 9 in evidence, what does the final bullet in the top box  
 10 mean:  
 11 "Home Phone Saver is not compatible with BT  
 12 broadband ..."  
 13 A. So we built Home Phone Saver in such a way that you  
 14 could not have it as part of a broadband bundle, and nor  
 15 could you have it two solus -- components of solus line,  
 16 and so I think that is called split provide rather than  
 17 split supply, you could not have it in that situation  
 18 either.  
 19 Q. So people that had BT broadband would be non-eligible in  
 20 the language you use, is that right?  
 21 A. Absolutely right, yes.  
 22 Q. You were asked a question I think by the Chairman about  
 23 the nature of eligibility. If you were eligible for  
 24 Home Phone Saver, you receive one of these marketing or  
 25 communications --

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1 A. Yes.  
 2 Q. -- were there other restrictions on you taking that  
 3 product?  
 4 A. If you called up -- if you received that, called us and  
 5 asked us for the product, there were no restrictions to  
 6 you taking it.  
 7 Q. Thank you. I am going to just stick with this deck, if  
 8 I may, for a moment. Can we go back to slide 2, please,  
 9 {OR-F/567/2}. This is 2016. There are references here  
 10 to proposed improvements to Home Phone Saver. Do you  
 11 recall what they were?  
 12 A. Not in detail.  
 13 Q. If we could go down to slide {OR-F/567/7}. This is  
 14 really going to the marketing aspect. I think you have  
 15 confirmed the first bullet point?  
 16 A. Yes.  
 17 Q. Then the second bullet point, this is the --  
 18 A. Targeted campaign, yes.  
 19 Q. Who would that be targeted at?  
 20 A. Voice Only Customers who we thought were unlikely to  
 21 take broadband and were highly likely to churn.  
 22 Q. Then the third bullet point, what is the reference to  
 23 "Update magazine"?  
 24 A. So that is the bill insert magazine that I mentioned --  
 25 was mentioned in my evidence that was in -- was put in

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1 every single bill , and we had different versions of  
 2 those for voice customers, for broadband customers, for  
 3 TV customers, so I assume this means it would be  
 4 included in that as well.  
 5 Q. I just want to see whether this is the correct document.  
 6 If we could go to {F/869/1}.  
 7 A. That is BT Update magazine.  
 8 Q. So that is the BT Update magazine.  
 9 A. Absolutely.  
 10 Q. You can see the date there is September 2014.  
 11 A. Yes.  
 12 Q. Then if we go to page {F/869/2}, you were asked other  
 13 questions about Line Rental Saver?  
 14 A. Yes.  
 15 Q. So it looks like that was marketed in the Update  
 16 magazine as well?  
 17 A. It was, absolutely.  
 18 Q. If we go down to page {F/869/5}. I am sorry, page  
 19 {F/869/3}. Then on the right-hand side ...  
 20 A. The fourth one down, we are advertising Home Phone  
 21 Saver.  
 22 Q. Thank you. Now, you were asked some questions, if we  
 23 could go to {F/441/1}. You will recall there in the  
 24 blue, so this is you replying to Kelly Barlow and  
 25 others. This is May 2016:

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1 "Did we conclude on opening up HPS to all ..."  
 2 Then you were asked and gave evidence about what the  
 3 costs were referring to.  
 4 A. Yes.  
 5 Q. Then you were asked about the sentence:  
 6 "Either way though, I'd definitely not talk to Ofcom  
 7 about it, because it exposes the current position."  
 8 It was suggested that you were holding back  
 9 information from Ofcom. In relation to that, what were  
 10 you saying here about not talking to Ofcom about these  
 11 issues?  
 12 A. Sorry, can you repeat the question?  
 13 Q. Yes. In the context of this discussion, what were you  
 14 talking -- when you say "I'd ... not talk to Ofcom about  
 15 it", what were you saying here? Were you saying that  
 16 material that Ofcom had asked for, for example, should  
 17 not be provided to it?  
 18 A. Absolutely not. We are talking about a meeting where we  
 19 are proactively providing Ofcom with information. My  
 20 point is that saying to Ofcom we are opening it up to  
 21 all of COT, when it had only been restricted to part of  
 22 COT, would demonstrate it was restricted to part of COT  
 23 before, so that is why ...  
 24 THE CHAIRMAN: Just a second. Sorry, can you just repeat  
 25 that last answer, just a bit more slowly.

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1 A. Sorry. Okay. So none of this was information that  
 2 Ofcom had explicitly asked for. We were proactively  
 3 presenting to them on our view on this topic. Obviously  
 4 it is in the context of the wider conversations on  
 5 landline only customers, SFV customers. Then I am  
 6 saying here that if we explain to Ofcom that we have  
 7 concluded, we will -- it is all hypothetical -- open  
 8 Home Phone Saver up to all of COT, all of the customer  
 9 options team. Then saying we have made that change  
 10 implies that -- well, tells -- makes very clear that  
 11 prior to that it was not available to all of the  
 12 customers.  
 13 THE CHAIRMAN: I see, just a moment. (Pause). Thank you.  
 14 MR BEARD: There was another category of information that  
 15 Ms Kreisberger at least insinuated that you had not  
 16 provided to Ofcom and it related to {F/391/1}, please.  
 17 A. On ARPUs.  
 18 Q. Yes, this is on ARPUs. But the first thing I want to  
 19 ask about is:  
 20 "Hi Jeremy ..."  
 21 So this is an email from you.  
 22 A. Mm--hm.  
 23 Q. "Hi Jeremy.  
 24 "I took an action to look at slide 3 ..."  
 25 Do you recall what those slides were?

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1 A. I think the slides that I am sort of commenting on here  
 2 are a piece of work that Ofcom have published on prices  
 3 paid by different customers in the market for different  
 4 services, different voice services.  
 5 Q. So you are making observations in the bullet points  
 6 about slides that Ofcom have already put out?  
 7 A. Yes.  
 8 Q. Is that true about the comments about the other slides,  
 9 that --  
 10 A. Yes. So the top bullets are related to slide 3, and  
 11 I looked at the other slides as well.  
 12 Q. So had Ofcom, as far as you were aware, asked you to  
 13 provide ARPU information?  
 14 A. Not for those slides, and they certainly did not use our  
 15 ARPU information. I cannot remember who it is sourced  
 16 from, but it is something like a comparison sites-type  
 17 organisation who looked at the market and garnered  
 18 pricing information from various sources and came to  
 19 some incorrect conclusions.  
 20 Q. So that was ARPU across a whole range of --  
 21 A. All providers, and I think also all types of customers  
 22 as well.  
 23 Q. That was the source for slides that you are commenting  
 24 on there?  
 25 A. That is right.

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1 Q. I see. In relation to information requests from Ofcom,  
2 whether it was for ARPU or any other information, did  
3 you withhold information from Ofcom at any time?  
4 A. Absolutely not.  
5 Q. Right, I am going to continue travelling backwards. If  
6 we could go to {F/285/1}. This is a 2015 document,  
7 Kelly Liu and Dominic Wall. You were taken to this  
8 a number of times. One element of it, if we could just  
9 click through the slides. This was Kelly Barlow. You  
10 will recall that you corrected the project delivery  
11 date --  
12 A. Yes, that is right.  
13 Q. -- in the light of that slide.  
14 If we could just go down to slide {F/285/5}. So  
15 Ms Kreisberger took you to the next slide and asked you  
16 various questions about the objective and PR defences  
17 and so on. You have given your evidence in relation to  
18 that. She was -- you mentioned the fact that in other  
19 documents and possibly in this document there had been  
20 discussion about churn.  
21 If we go back up to slide 5, could you just broadly  
22 explain what this slide is saying and in particular what  
23 the boxes on the left-hand side are each explaining?  
24 A. Yes, it is evaluating the performance of Home Phone  
25 Saver against each of its objectives or the criteria we

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1 set for it.  
2 Q. Right. So "sales volume", what does that mean?  
3 A. So how much of it we sold, and we are saying we sold  
4 7,000 more than we business case to.  
5 Q. Right. Then "Transactional ARPU"?  
6 A. Yes.  
7 Q. What does that first bullet mean?  
8 A. So what that is saying is the average revenue per user  
9 from I believe customers who took the product -- let me  
10 read it for a moment.  
11 Q. Yes, it is quite dense.  
12 THE CHAIRMAN: Yes, I would like to read it. Just a moment.  
13 (Pause)  
14 A. Okay.  
15 MR BEARD: Because it is dense, I am just actually asking  
16 you to explain what is going on there.  
17 A. I think we are using "revenue" and "margin"  
18 interchangeably here, which is a bit problematic as well  
19 in terms of the accuracy of this, as in how this has  
20 been written. You see we talk about transactional ARPU,  
21 then we talk about package gross margin. They are two  
22 different things. But I think -- my understanding is  
23 that the -- we had a business case that assumed margin  
24 from customers where taking Home Phone Saver represented  
25 a save, and the business -- the product has

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1 overperformed that business case, so we assumed we would  
2 get -- for every customer we saved, it was worth £9.46.  
3 In fact they were worth £10.45 a month. That is what  
4 that is saying.  
5 THE CHAIRMAN: I am sorry to interrupt. These are the  
6 customers that you save, in other words, those who have  
7 not switched. Your estimated --  
8 A. Our estimated view.  
9 THE CHAIRMAN: Of how many what?  
10 A. Customers have -- those customers who, by taking Home  
11 Phone Saver, have stayed with us when they otherwise  
12 would have left.  
13 THE CHAIRMAN: You have had to form a judgment as to whether  
14 they would have left or not.  
15 A. That is right.  
16 THE CHAIRMAN: Just as you -- is that the same sort of thing  
17 as when you said earlier today the 10,000 who are highly  
18 likely to switch?  
19 A. Exactly.  
20 THE CHAIRMAN: That is just a number that -- I do not mean  
21 it is completely arbitrary, but you have had to do an  
22 estimate of people you think are --  
23 A. Yes, and the way we determine who those are is with  
24 something called churn profiling, so we looked at  
25 various elements of data about the customers to

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1 determine --  
2 THE CHAIRMAN: Whether they have the sort of characteristics  
3 that might incline them to switch.  
4 A. Precisely.  
5 THE CHAIRMAN: Then just coming back to this. So you have  
6 an idea of the number of customers --  
7 A. Yes.  
8 THE CHAIRMAN: -- you think you will save --  
9 A. Yes.  
10 THE CHAIRMAN: -- by introducing the Home Phone Saver.  
11 A. Precisely.  
12 THE CHAIRMAN: Right. Then you say here that the gross  
13 margin is higher than the case. What, that is the  
14 estimated case?  
15 A. There was a business case for introducing the product.  
16 It is -- the kind of retrospective calculations suggest  
17 that the margin we are saving on -- the margin we are  
18 making on those customers -- we are saving is slightly  
19 higher than we assumed.  
20 THE CHAIRMAN: That is because you are saving more  
21 customers?  
22 A. I think so, but I actually cannot say.  
23 THE CHAIRMAN: All right. But then can I just ask you on  
24 the ... Just a moment.  
25 I see. So this is -- the comparison here is the

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1 package gross margin which you are going to get from  
 2 these people you have saved.  
 3 A. Yes.  
 4 THE CHAIRMAN: As opposed to them going and you getting  
 5 nothing from these people.  
 6 A. Yes.  
 7 THE CHAIRMAN: That is what this is about.  
 8 Can you just explain the next sentence:  
 9 "ARPU delta is favourable ..."  
 10 What does that mean?  
 11 A. Yes. So, again, the case had another number in it, not  
 12 just the upside for those customers we saved but also  
 13 the downside for those customers who would not otherwise  
 14 have left but took Home Phone Saver. Because Home Phone  
 15 Saver was a very deep discount, we are cannibalising  
 16 existing margin, ARPU revenue margin, with those  
 17 customers. So again, it had an assumption that each of  
 18 those transactions would be negative £4.95, and again in  
 19 the retrospective analysis they determined that was in  
 20 fact negative £3.37.  
 21 THE CHAIRMAN: So better than you ...  
 22 A. Performed better than we anticipated.  
 23 THE CHAIRMAN: It performed better, right. The delta itself  
 24 is the negative figure?  
 25 A. Yes, that is right.

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1 THE CHAIRMAN: The loss —  
 2 A. Yes, the ARPU delta would be the loss between the  
 3 delta — the ARPU we would have got from the customer  
 4 had Home Phone Saver never existed, and they would have  
 5 stayed, versus what we were now getting from them with  
 6 this intervention.  
 7 THE CHAIRMAN: So this is also assuming you will still lose  
 8 some ...  
 9 A. We are still losing customers elsewhere. But in the  
 10 cannibalised ARPU section, all those customers would  
 11 have stayed either way, and the delta is the delta.  
 12 THE CHAIRMAN: Yes, it is because you are now getting less  
 13 revenue from them because they are now on the Home Phone  
 14 Saver.  
 15 A. Yes.  
 16 THE CHAIRMAN: Right, thank you.  
 17 MR BEARD: Can we just go down to the next box,  
 18 "Saves/Churn". Could you just explain broadly what this  
 19 means.  
 20 A. This is saying that we forecast that we would save just  
 21 shy of 10,000 customers, we believe we have saved 13,000  
 22 customers with Home Phone Saver, and that we have  
 23 determined that with this cohort analysis I referred to  
 24 before to determine churn propensity, those customers  
 25 who we thought were likely to churn, and we have

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1 measured that based on the cohorts from which customers  
 2 have taken the product.  
 3 Q. Thank you. If I can just go back to document {F/227/1}.  
 4 This is one of various of the Project Window pricing  
 5 updates. This happens to be the February 2014 one.  
 6 Ms Kreisberger took you to this.  
 7 If we go down to {F/227/3}, I think you see the  
 8 "Executive Summary"?  
 9 A. Yes.  
 10 Q. So you have got the Optimiser concept updated to Right  
 11 Plan and you have got Fixed Phone Saver?  
 12 A. Yes.  
 13 Q. Then if we could go down to the next page, {F/227/4}.  
 14 This is the Right Plan tool which Ms Kreisberger went  
 15 through very quickly.  
 16 She focused on the "Objectives" box at the top:  
 17 "To mitigate bad PR from price change with positive  
 18 message.  
 19 "To tackle challenges for ... criticisms ...  
 20 "To discourage customers from using switching sites  
 21 to rationalise."  
 22 Then there is the "Recommended Proposition". She  
 23 did not take you to the "Benefit" section. Could you  
 24 just explain the customer benefits and business benefits  
 25 that are being referred to there?

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1 A. Yes. So in customer benefits we are saying Right Plan  
 2 helps customers find the right calling plan for them in  
 3 a simple way, that they get an up to date view based on  
 4 their most recent month's usage and that they can use  
 5 that information to switch calling plans and save money.  
 6 Did you ask about the business as well?  
 7 Q. Yes. Certainly business benefits as well, I think.  
 8 A. I mean, there is the PR message that is referred to in  
 9 the objectives, but also this allows us to drive our  
 10 Unlimited Anytime Calling plan, UAC, because there will  
 11 be many customers — some customers who will use this  
 12 who will have found they can move to UAC and we wanted  
 13 to move customers on to paid for calling plans where  
 14 they could have peace of mind about their usage and use  
 15 more, and we have a mechanism in there to make sure —  
 16 to refine how customers use it in terms of how they  
 17 transact. So it was not automated for customers, they  
 18 would have to read our recommendation and then transact,  
 19 so it adds an additional step to (inaudible).  
 20 THE CHAIRMAN: Sorry, this is on limited financial  
 21 exposure?  
 22 A. Yes.  
 23 THE CHAIRMAN: Sorry, it limits the financial exposure —  
 24 A. From a business perspective.  
 25 THE CHAIRMAN: — of whom? Of BT?

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1 A. Yes.  
 2 THE CHAIRMAN: Sorry, why is that?  
 3 A. Okay, so the previous iteration of this idea was we did  
 4 not really get to a plan, but as a concept it was that  
 5 Optimiser, as it was then known, would automatically  
 6 make the changes to customers' accounts. Instead we  
 7 changed it to sending customers a recommendation as to  
 8 what the best move would be for them, and then they  
 9 would have to act to switch.  
 10 THE CHAIRMAN: So do you mean the financial exposure to  
 11 BT --  
 12 A. Yes.  
 13 THE CHAIRMAN: -- because they have gone on to a plan which  
 14 is better value or saves money for them --  
 15 A. Yes.  
 16 THE CHAIRMAN: -- and that means less revenue for you? That  
 17 is the exposure you --  
 18 A. That is the exposure we are talking about.  
 19 THE CHAIRMAN: Thank you.  
 20 MR BEARD: There were numerous questions or references to  
 21 PR. I just want to ask you generally: if BT suffers bad  
 22 PR, what sort of impact does that have on customer  
 23 retention or new customer acquisition?  
 24 A. It has a very significant negative impact on acquisition  
 25 and retention. So PR is a significant driver -- good PR

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1 is a significant driver of commercial performance, or  
 2 bad PR as well. They are really impactful.  
 3 Q. One other issue. There have been numerous references to  
 4 the press, but there has also been references to  
 5 notification obligations?  
 6 A. Yes.  
 7 Q. Now, I think you have explained the notification  
 8 obligations that you are under in relation to Ofcom's  
 9 general conditions --  
 10 A. Yes.  
 11 Q. -- and that requires you to notify each customer  
 12 individually.  
 13 Is there any requirement under any of the Ofcom  
 14 general conditions or any other Ofcom requirement to  
 15 make a press notification in relation to any price  
 16 changes you make?  
 17 A. Absolutely not.  
 18 Q. Do other communications providers who are active in  
 19 providing voice services or broadband services make  
 20 press notifications of price changes?  
 21 A. To my knowledge, I do not think any did during this  
 22 period.  
 23 Q. Thank you.  
 24 Could we go back to document {F/417/1}, please.  
 25 This is April 2016, another document Ms Kreisberger took

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1 you to, "Stakeholder plan for pricing".  
 2 If we could just flick on to the "Executive  
 3 Summary", {F/417/2}, the next page, so you can see the  
 4 context of this.  
 5 A. Mm--hm.  
 6 Q. I am just asking you to skim that. But I am now going  
 7 to take you to the slide that Ms Kreisberger came back  
 8 to on a number of occasions, which is slide {F/417/4}.  
 9 A. Yes.  
 10 Q. Now, she tried to put to you that the paragraph on the  
 11 top left--hand side was BT's internal view, and you dealt  
 12 with that in your evidence. But then on the left--hand  
 13 side you describe the gives. I think we probably  
 14 covered it through the evidence, BT Basic and HPS.  
 15 A. Yes.  
 16 Q. You have explained there how customers can save money  
 17 with HPS. Then:  
 18 "All Standard Line Rental Customers see an  
 19 improvement in Care Level."  
 20 It has come up a couple of times. Could you just  
 21 explain what that is?  
 22 A. So a care level -- all products have a care level  
 23 allocated to them by Openreach. We purchase -- and that  
 24 care level determines how faults on that line are  
 25 prioritised, and therefore how quickly faults on those

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1 lines are fixed. Improving the care level, in this case  
 2 it was moving Standard Line Rental customers from care  
 3 level 1 to care level 2, means their faults are fixed  
 4 faster, and that incurred a significant cost to  
 5 BT Consumer, 53p per line ex VAT.  
 6 Q. Okay. Clearly a number that has stuck.  
 7 A. Sorry, yes.  
 8 Q. Then:  
 9 "UAC customers get free calls to BT Mobiles and an  
 10 extremely competitive SIM offer."  
 11 Could you just explain what that is?  
 12 A. Yes. So first of all, our Unlimited Anytime Calls  
 13 package included half price calls to all mobiles, but  
 14 a year or so before here -- this, we had launched  
 15 BT Mobile, so our own SIM and device brand. If you  
 16 called from a BT landline on UAC to a BT Mobile, those  
 17 calls were free, rather than half price as they would  
 18 have been to any other mobile provider. We also  
 19 provided those customers with a very competitive offer  
 20 for a BT Mobile SIM so they could enjoy both sides of  
 21 those benefits.  
 22 Q. Right.  
 23 Could we just go to the right--hand side of this  
 24 slide. I am actually just going to ask you to explain  
 25 what is going on here. If you want to just give the

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1 Tribunal a moment just to skim the text, and then  
 2 perhaps you could just explain this. (Pause)  
 3 THE CHAIRMAN: Just a moment. (Pause).  
 4 Yes.  
 5 A. Okay, so this is — I would describe on the right—hand  
 6 side a waterfall or a description to help a stakeholder  
 7 understand a point we are trying to make, and the point  
 8 that is being levelled at us here, in that criticism  
 9 referred to on the left—hand side, is that we increase  
 10 our line rental prices and they disproportionately impact  
 11 digitally excluded and vulnerable customers.  
 12 So on the right—hand side I am trying to dimension  
 13 that. We had seen that accusation levelled at us as  
 14 doing it to 2.6 million customers. 2.6 million is our  
 15 landline only base, our SFV base at that point, but  
 16 I wanted to explain that we did not have 2.6 million  
 17 vulnerable digitally excluded landline only customers.  
 18 So I undertake a waterfall exercise here where we take  
 19 that 2.6 million and then exclude various categories as  
 20 we go.  
 21 There is, I think, a more accurate version of this  
 22 later on that we refined, because this is a kind of  
 23 first pass. But we took that 2.6 million. At the time  
 24 we felt that there were 600,000 customers, which I think  
 25 we now know is low, with broadband elsewhere, so we

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1 excluded those. Then we excluded what we thought, based  
 2 on kind of axiom data, so data on the kind of like  
 3 broadband postcode data on our base excluded those  
 4 customers that we thought were under 70 from that group,  
 5 which got us to 1.2 million. Then those with incomes  
 6 greater than 15,000. So I am defining vulnerable here  
 7 in an arbitrary way for the purposes of this as  
 8 customers with incomes below 15 — households with  
 9 incomes below £15,000 a year and who are over 70, but  
 10 there are lots of ways you can define vulnerable. This  
 11 is the one we have used here. Then of the remaining  
 12 0.8 million, there would have been a further 200,000 who  
 13 we have not already counted who have Home Phone Saver or  
 14 BT Basic, because many of the group above will also have  
 15 had Home Phone Saver or BT Basic. So that allowed us to  
 16 dimension that 2.6 million to more like 0.6. I think in  
 17 a later document we even say it could be as low as  
 18 350,000.  
 19 MR BEARD: I am grateful. I just wanted that explained so  
 20 that the Tribunal understood what the breakdown was  
 21 because it is seen in other documents as well. So  
 22 I think it is helpful to understand these things.  
 23 THE CHAIRMAN: Yes.  
 24 MR BEARD: Then if we could just go over the page to  
 25 {F/417/5}:

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1 "Freezing Line Rental for Solus Customers from  
 2 3 July 2016 until 2018."  
 3 Was this simply a proposal at this point?  
 4 A. It is, yes.  
 5 Q. So what is — could you just explain the pros and cons  
 6 that are being articulated on either side below,  
 7 briefly?  
 8 A. Yes. So on the left—hand side under "Pros", we are  
 9 saying that a decision to freeze line rental for solus  
 10 customers would be a statement — we are having this  
 11 conversation before 3 July when we have already planned  
 12 and I think committed to a price change of line rental  
 13 on that date, so we are saying after that point we will  
 14 freeze line rental for two years. We think that is  
 15 responsive to the regulatory concerns but also,  
 16 crucially, to the kind of customer feedback we are  
 17 getting and churn we are seeing. It enables us, as  
 18 I say, to claim a two—year price freeze, and it does not  
 19 cost us anything in the year, because we are already  
 20 making the price change on 3 July, but we can talk about  
 21 it immediately.  
 22 On the other side, we say it is a bit of a blunt  
 23 instrument. It does not address vulnerable customers  
 24 specifically. It addresses all landline customers and  
 25 would have been for 8 million, 9 million. It creates

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1 a disincentive to take broadband, so that goes back to  
 2 that broadband jump. It creates an incentive to take  
 3 broadband away from BT. So if we — sorry, forgive me.  
 4 I misread my own slide there. This is just solus  
 5 customers who would see the freeze, so —  
 6 THE CHAIRMAN: Voice only.  
 7 A. Voice only, absolutely. So it does grow that jump, but  
 8 also it creates an incentive to take your broadband away  
 9 from BT. So if you were a bundle customer and you took  
 10 your broadband to somebody else, you could lower your  
 11 line rental price with us, because you become solus with  
 12 us.  
 13 THE CHAIRMAN: Here we are not talking about what you call  
 14 "true solus", this is solus where they may have  
 15 broadband with somebody else.  
 16 A. Yes, because at this point we cannot identify  
 17 the difference.  
 18 THE CHAIRMAN: Yes. Right.  
 19 A. Then significant delivery risk and opportunity costs.  
 20 So the delivery risk and — opportunity costs would be  
 21 we could have spent the money we would spend delivering  
 22 this on something else. So what I am saying here is  
 23 this would be very complicated to deliver and very  
 24 difficult to deliver. We do not have the capability to  
 25 price solus line rental differently at the moment so we

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1 would have to develop it. It would be challenging to  
 2 position that and communicate that, and there is a risk,  
 3 because we always had to be careful with any  
 4 communication we made to be made clear and crisp and to  
 5 avoid misunderstandings, there is a risk that customers  
 6 could then assume that meant all of their voice prices  
 7 were frozen and not just their line rental price, and  
 8 then they would be dissatisfied when they saw our  
 9 continued planned changes on call rates or calling  
 10 features.

11 MR BEARD: Thank you.

12 So carrying on backwards, if I may. I am going to  
 13 go to the Ofcom submission which Ms Kreisberger took you  
 14 to on a number of occasions, {C/5/45}. You will recall  
 15 she took you to paragraph 168.

16 A. Yes.

17 Q. Then she also took you to various documents where you  
 18 talked about — although on the transcript you explain  
 19 how you are not clear about the nature of precisely what  
 20 price leadership means —

21 A. Yes.

22 Q. — you were then taken to paragraph 168(d). I am so  
 23 sorry, it is paragraph 168 (c). You were asked whether  
 24 or not, in the light of the statements that have been  
 25 seen in the documents, there was no reliable evidence of

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1 BT playing a price leadership role. You said, well, in  
 2 the light of those documents, that might be on its face  
 3 misleading.

4 She did not take you to any of the material that is  
 5 then referred to. Oxaera has reviewed the limited  
 6 evidence presented by Ofcom and concludes that Ofcom's  
 7 sample is too small to reach meaningful conclusions, and  
 8 in recent years BT has implemented price changes first  
 9 but, in prior years, other CPs have changed their prices  
 10 first, and they do not follow an annual pattern in any  
 11 event.

12 Do you recall seeing any of that document at all?

13 A. No.

14 THE CHAIRMAN: I am sorry, I did not pick up the paragraph  
 15 you were referring to.

16 MR BEARD: Sorry, it is 168(c), and I was just reading  
 17 through that.

18 THE CHAIRMAN: 168(c), thank you.

19 MR BEARD: Yes. Just for your notes, I think the  
 20 relevant — we will come back to it, but the relevant  
 21 part of the annexes to this submission are at {C/6/37}.  
 22 But since Mr Bunt says he has not seen them, I am not  
 23 going to take him to them.

24 You talked about which customers might have the  
 25 worst effects from price increases. You were talking

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1 about the price increases overall, I think?

2 A. Yes, I was.

3 Q. Do you recall any analysis being done in relation to  
 4 that?

5 A. Yes, lots of analysis in the run-up to the 16/17 price  
 6 change.

7 Q. I am going to take you to document {F/865/1}. So this  
 8 is in the run-up to 16/17.

9 A. Yes.

10 Q. You will not have this in hard copy.

11 A. I have got it.

12 Q. Oh, you have got it? Well, do you want to flick through  
 13 it and tell us if you see, within it, anything which  
 14 assists in this?

15 A. Yes, so slide 12 and slide 19 are the relevant ones.  
 16 {F/865/12}.

17 Q. Let us just go to slide 12 first.

18 A. So this is an analysis that I pulled together — sorry,  
 19 you did not ask me a question.

20 Q. No, I was literally going to ask you to explain what is  
 21 on these slides.

22 A. So this is an analysis that I pulled together that  
 23 looked at our customer base in — our customer base  
 24 split by product. So you have solus voice customers,  
 25 that is SFV, dual customers, so that is bundle

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1 customers, triple customers, so have a bundle which  
 2 includes TV, and BT Sport customers, that will  
 3 predominantly be what we call quad play customers, so  
 4 they have all four services.

5 This demonstrates how in this price change both your  
 6 average increase, which you can see for solus voice  
 7 customers is 1.50, dual customers 3.54, 3.93 for triple,  
 8 5.58 for quad, and your percentage increase, so not just  
 9 the gross amount but also as a percentage of your bill,  
 10 is greater the more products you have with us.

11 THE CHAIRMAN: Just a minute.

12 Sorry, the gross amount is the percentage of the  
 13 bill? Is that what you just said?

14 A. Yes, the — I never know which one it is. The  
 15 horizontal axis, I do not know if that is X or Y, that  
 16 is the amount as a price increase as a percentage of  
 17 a customer's bill.

18 THE CHAIRMAN: Right. The more products you have, the  
 19 higher the proportion of the bill?

20 A. So not just the higher the gross amount, but also as  
 21 a percentage of your bill, the higher it would be as  
 22 well.

23 THE CHAIRMAN: Right.

24 A. If I may add one point. The first bullet, this is all  
 25 done based on a line rental change of £19.25. In the

160

1 end — sorry, to £19.25. In the end, we increased line  
 2 rental to £18.99. So actually the effect you see here  
 3 would be amplified by that. Everyone's price changes  
 4 would be smaller, but the delta between solus voice  
 5 customers and other customers would grow proportionally.  
 6 THE CHAIRMAN: Right.  
 7 MR RIDYARD: Mr Bunt, does this analysis include some  
 8 assumption about voice usage?  
 9 A. Yes, I believe so. But I would have to go back through  
 10 my — you know, the documents, to be able to see that.  
 11 MR BEARD: 19 I think was the other one that you —  
 12 A. Yes. I mean, it is really the same, but it just focuses  
 13 on pound amounts rather than on percentage of bill.  
 14 Q. Right. Okay. Thank you.  
 15 Now, the next thing I wanted to just ask you was  
 16 a clarification question in relation to something you  
 17 answered earlier today. I do not know if it is possible  
 18 to call up page 29, line 19, of the draft transcript.  
 19 {Day6/31:6}  
 20 I will not take you back to your statement. I think  
 21 you have it in hard copy there?  
 22 A. Yes.  
 23 Q. Paragraph 72. What you actually say, it is your  
 24 evidence here, is that:  
 25 "... customers were leaving due to price changes,

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1 and at paragraph 73 you say you wanted to work out 'why  
 2 so many customers were switching to the Post Office'.  
 3 You are giving the impression here, Mr Bunt, that  
 4 switching was high?  
 5 A. It was. It was obviously a lot lower once we put  
 6 the price down by £7 but it was high prior to that."  
 7 A. Yes.  
 8 Q. Could you just explain what you are saying about the  
 9 impact of the £7 down, which I think is the commitments?  
 10 A. Yes, it is the commitment, and that £7 price down, as  
 11 you might expect, reduced the competitive effect of  
 12 other deals in the market, and we saw switching reduce,  
 13 not diminish entirely, but reduce as a result of that.  
 14 Not disappear entirely but reduce.  
 15 Q. Right. Thank you.  
 16 I am now going to move back to some points that came  
 17 up in the course of yesterday. If I may, I will start  
 18 with {F/394/1}. This was January 2016. We are jumping  
 19 around, but jumping around following, to some extent,  
 20 Ms Kreisberger. I think one of the things that is  
 21 important is to see the continuum, but we will be coming  
 22 back to that.  
 23 This is "Q3 Market and Competitor Context".  
 24 Ms Kreisberger, as we will see, took you to page 12 and  
 25 then back to page 2. If we just flick on to page 2, you

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1 will recall it. {F/394/2}  
 2 A. Yes.  
 3 Q. She took you to some of that text there.  
 4 If we go over the page, {F/394/3} you have an  
 5 exciting slide "PSTN".  
 6 A. Yes, public switched telephone network.  
 7 Q. Thank you. So this is voice?  
 8 A. Voice.  
 9 Q. Right. Then if we go on within this section to  
 10 {F/394/6}, if we could. This is within the "Calls and  
 11 lines market" which is the subhead for PSTN. Can you  
 12 just review that slide. Do you recall it?  
 13 A. I do recall it.  
 14 Q. Okay. So it is not really for the first time.  
 15 A. Yes.  
 16 Q. First of all, 1.3, it says:  
 17 "Aggressive broadband deals requiring a line switch,  
 18 continues to make Sky the primary destination for 31% of  
 19 BT line churners, whilst 18% switched to TalkTalk during  
 20 Q1."  
 21 So when you are talking about BT line churners, can  
 22 you just tell us what, essentially, the universe of  
 23 voice customers you are talking about is?  
 24 A. Yes. (Pause). I think this is landline only customers  
 25 but — that would be — yes, I think that is right.

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1 Honestly, I am afraid — this is not a document I wrote,  
 2 so I am reading someone else's work but I think that is  
 3 what that is because it refers to line rental customer  
 4 losses and that could be Voice Only or it could be we  
 5 have lost a line rental customer because we have lost  
 6 a broadband customer too. But maybe if I read the rest  
 7 of the slide.  
 8 Q. Yes, why do you not do that. (Pause).  
 9 A. Yes, well that final sentence suggests that it is  
 10 related to the solus base because it refers to the fact  
 11 that 25% on the pie chart — you can see that 25% —  
 12 that they have exited the market which generally means  
 13 bereavement, moving into a care home, something like  
 14 that. As most people still saw the need for line and  
 15 broadband they would add products rather than take them  
 16 away, so this suggests this is focused on SFV customers.  
 17 Q. Then can you just explain the columns, because it says:  
 18 "Line rental customer losses destination ..."  
 19 Then it has three zeros. So I am taking all of the  
 20 numbers are thousands?  
 21 A. That is right.  
 22 Q. When Ms Kreisberger was taking you through what she  
 23 referred to as churn data on a number of occasions she  
 24 was taking about 2,000 people, 8,000 people?  
 25 A. Yes.

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1 Q. The total numbers we are looking at here are vastly  
2 larger?  
3 A. Huger.  
4 Q. Why is that a mismatch?  
5 A. So the 2,000 people, 5,000 people, that was a very  
6 specific type of churn i.e. churn directly related to --  
7 or directly from customers responding to a price change  
8 notification calling us, letting us know they wanted to  
9 cease and being in contract so they needed to be ceased  
10 without held to term charges. That was explained in  
11 Ms Kreisberger's cross-examination.  
12 This refers instead to all customer churn during  
13 that period, so saying in Q1 15/16 and that churn would  
14 have been to various destinations as laid out here but  
15 that is the kind of total picture of how the base is  
16 behaving.  
17 Q. So these figures are taking into account what you refer  
18 to as indirect price churn?  
19 A. Yes, definitely would be included in that certainly.  
20 Q. Can I just ask, there is a line in the grey box:  
21 "An estimated 2.9 million BT line rental customers  
22 continue to have Sky TV, which [I think it should be  
23 continued] to make them vulnerable to very aggressive  
24 dual play up-sell deals to consolidate to a Sky bundle."  
25 Can you just explain what that means?

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1 A. Yes, so a dual play up-sell deal. So we think that most  
2 of these customers have a landline with us, although --  
3 they definitely have a landline with us, they definitely  
4 have Sky TV and I would say in the majority of cases  
5 they will have Sky broadband but not all. Some will  
6 just have landline and TV and no broadband service, and  
7 Sky are marketing very aggressive deals to win the line  
8 from us, either to add it to the broadband they have  
9 already got or to take broadband as well because the  
10 deals are offering the broadband deals.  
11 Q. Thank you. Then could we go down to slide {F/394/8},  
12 please. Now, we are still in the calls and lines market  
13 section. The heading here is:  
14 "Market level bundling has changed the composition  
15 of the BT base in the last four years, with 67.2% of the  
16 base taking a bundle and BT line customers with  
17 competitor broadband declining to 10.9%."  
18 So can you just review the slide because I just  
19 wanted you to explain the diagrams we are seeing here.  
20 A. Yes, sure.  
21 Q. Has the Tribunal had an opportunity just to see?  
22 THE CHAIRMAN: No, let us just have a look at it, thank you.  
23 (Pause).  
24 MR BEARD: Sir, I do not know if it is useful if --  
25 THE CHAIRMAN: Yes.

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1 MR BEARD: So can we just look at the left-hand column.  
2 A. Yes.  
3 Q. We can see the codes just about. BT truly solus line,  
4 so that is -- thank you very much. That is the purple  
5 at the bottom?  
6 A. Yes.  
7 Q. So that is what we might now call VOCs?  
8 A. That is right.  
9 Q. So we are seeing then from Q1 11/12 to Q1 15/16 going  
10 from 2.4 odd million to 1.745?  
11 A. Yes, that is right.  
12 Q. Then we have got the BT line competitor broadband. So  
13 what is that?  
14 A. That is SPCs.  
15 Q. That is SPCs. Right. So that is going from 4.1 down to  
16 970,000?  
17 A. Yes.  
18 Q. Then the pink, that is BT dual play bundle?  
19 A. That is right.  
20 Q. That is increasing and then the other two are the triple  
21 and then BT line with Plusnet broadband. Can you just  
22 very briefly explain?  
23 A. Plusnet is another brand within the BT estate but they  
24 would have been -- they would also be SPCs.  
25 Q. So we are seeing the overall change in the total BT base

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1 here?  
2 A. Yes.  
3 THE CHAIRMAN: In fact, with the 4141, the black section,  
4 what it should really read, the description is: BT line  
5 with competitor broadband.  
6 A. That is right.  
7 THE CHAIRMAN: Just to be -- yes. Thank you.  
8 MR DORAN: How do you know at this stage?  
9 A. We do not.  
10 MR DORAN: So these are --  
11 A. These are estimates based on the -- I think the source  
12 at the bottom of the slide says the BT Consumer market  
13 map. So this was an exercise that our marketing insight  
14 team would do where they would look at things like  
15 releases to the City or other data and the flows data to  
16 estimate these numbers.  
17 MR DORAN: Because you will know those of your landline who  
18 had a separate -- you will know the SPCs who took  
19 broadband from you on a separate contract.  
20 A. Sure.  
21 MR DORAN: The guesstimate is the bit which might be taken  
22 from somebody else.  
23 A. Precisely. So we know the 4141 plus 2471, we know that  
24 total because they are our line only customers, but as  
25 to how many of them had broadband with somebody else

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1 that proportion is an estimate. But, as I say, based  
 2 on, for example, Virgin or Sky's releases to the City on  
 3 how many broadband customers they had and other insights  
 4 like that.  
 5 MR DORAN: Thank you.  
 6 THE CHAIRMAN: Sorry, that just raises another question  
 7 which is: what this does not show here are customers who  
 8 have a BT landline and then a separate contract with BT  
 9 broadband.  
 10 A. You are right.  
 11 THE CHAIRMAN: Now, why is there not a bit for that?  
 12 A. I do not know why there is not a bit for it. I did not  
 13 write the slide. It is possible they are included in  
 14 the pink section. It is not a bundle that is still dual  
 15 play. They are still taking two products from us.  
 16 THE CHAIRMAN: Because we have heard in the introductions to  
 17 this case about the fact that some SPC customers would  
 18 have two separate contracts.  
 19 A. That is absolutely right. I cannot tell you which  
 20 category the person --  
 21 THE CHAIRMAN: It is not that they automatically went into  
 22 a bundle. There were two separate contracts.  
 23 A. There were two separate contracts. Dual play and  
 24 bundle, they are not the same terms, so we are saying  
 25 they are two products, but honestly I do not know where

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1 they --  
 2 THE CHAIRMAN: You think they have probably gone in to the  
 3 pink.  
 4 A. If I had to guess but I would be doing that.  
 5 THE CHAIRMAN: In the sense that at least in both cases,  
 6 both bits are being supplied by you.  
 7 A. Precisely.  
 8 THE CHAIRMAN: Thank you.  
 9 MR BEARD: So actually you are not sure about the split  
 10 between the black or dark purple and the lighter purple  
 11 and so the plot on the right-hand side --  
 12 A. Yes.  
 13 Q. -- which is doing this -- which is showing on the face  
 14 of it -- you need to zoom out, I am so sorry, and then  
 15 just move across to the right-hand side of the page. So  
 16 that plot on the right-hand side, which is showing line  
 17 with competitor broadband as the black line.  
 18 A. Yes, the colours are not consistent so you move them  
 19 across, yes.  
 20 Q. So can you just explain what we are seeing there then?  
 21 A. So what we are seeing as a proportion of our base we are  
 22 seeing truly solus, the pink line, remain relatively  
 23 stable. The line with Plusnet, broadband, remain  
 24 relatively stable. A significant increase in the  
 25 proportion of our base, even though our base is

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1 shrinking, the proportion of our base who have bundles  
 2 and a significant decrease in the proportion of our base  
 3 who we would classify as SPCs.  
 4 THE CHAIRMAN: But on the bundle customer going up that  
 5 means a BT bundle.  
 6 A. It means a BT bundle.  
 7 THE CHAIRMAN: Just a minute. (Pause). Yes.  
 8 MR BEARD: Could we go on to slide {F/394/9} here. So we  
 9 are still in calls and lines market.  
 10 "An up-sell opportunity continues to exist to  
 11 2.89 [million] truly solus line rental customers without  
 12 broadband anywhere. BT has the largest share of this  
 13 segment at 56% due to its older base of 69% being 65 +."  
 14 Could you explain the columns on the left-hand side  
 15 here?  
 16 A. Yes.  
 17 Q. What are we seeing in the left-hand side column?  
 18 A. We are seeing an illustration of the composition of the  
 19 whole UK telecoms market which says there are  
 20 approximately 2.7 million homes, 2.8 million homes who  
 21 have a truly solus relationship. 2.2 million who have  
 22 a broadband relationship. 400,000 who have something,  
 23 a new term to me to be honest, "Truly solus broadband",  
 24 but broadband only, I guess.  
 25 MR DORAN: So they have got a line because that is how they

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1 get their broadband but they do not have voice.  
 2 A. Yes. I would have to check the timings but I think at  
 3 this point -- what was the date of this document?  
 4 MR BEARD: January 2016.  
 5 A. So I think at this point, for example, Vodafone are now  
 6 in the broadband market with a broadband, a proposition  
 7 described as broadband only. So it is still fixed  
 8 broadband provided by Openreach but their positioning of  
 9 it is broadband only. You cannot plug, it is not  
 10 positioned that you can plug a phone in and make calls  
 11 on that line. It is a broadband product. So I believe,  
 12 again, not my slide, but I believe that is what that is  
 13 referring to: those types of market entries.  
 14 THE CHAIRMAN: That is the one that is?  
 15 A. The 444, the orange in red.  
 16 THE CHAIRMAN: 444, the red, truly solus broadband.  
 17 A. Then no fixed connection. So we would refer to these as  
 18 mobile only homes which is -- and is a particularly  
 19 prominent amongst people who do not have a fixed  
 20 address.  
 21 MR BEARD: Right. So that is the telecoms universe. Then  
 22 you said 2.7/2.8 million.  
 23 A. Yes.  
 24 Q. So what are we seeing on the right-hand column then?  
 25 A. I think this is, again based on the data they have, an

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1 attempt to apportion those 2.7 million landline only  
 2 customers or VOCs between the BT base in purple and  
 3 other providers in green.  
 4 Q. Right. The heading talks about: "an up-sell opportunity  
 5 continues to exist to 2.8 million truly solus"?  
 6 A. Yes.  
 7 Q. Is that referring to this column effectively?  
 8 A. It is.  
 9 Q. What is an up-sell opportunity in this context?  
 10 A. The opportunity to sell another product, so to sell  
 11 broadband.  
 12 Q. Right. I think those are all the slides I was going to  
 13 go to.  
 14 MR DORAN: Could I just take --  
 15 MR BEARD: Please, of course.  
 16 MR DORAN: Could we go back to page {F/394/6} for the  
 17 moment. The opening slide. This one. The thing that  
 18 just struck me is you do not mention the Post Office  
 19 here because, as I recall your witness statement, the  
 20 Post Office around about this time was a very particular  
 21 and an aggressively low priced Voice Only. It is  
 22 slightly odd because I seem to recall you saying that,  
 23 and I am afraid I cannot quite remember where and when,  
 24 there was a 90,000 loss.  
 25 A. 60,000 or 120,000 in 72, yes.

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1 MR DORAN: That is quite a significant -- out of your 1.2  
 2 solus at the time that is sort of 6%.  
 3 A. I agree. Not my slide. I cannot explain it but it  
 4 definitely is absent from there, I agree.  
 5 MR DORAN: So they would have been particularly price  
 6 sensitive customers, presumably.  
 7 A. Yes, our view is that the customers who were switching  
 8 to the Post Office and different data provided by the  
 9 same team is my evidence that that was happening, but  
 10 that is the informed --  
 11 THE CHAIRMAN: Sorry, we seem to have -- we have gone back  
 12 to your witness statement.  
 13 MR BEARD: I am sorry.  
 14 A. Yes, so that same team, our marketing competitor insight  
 15 team, are also those who provided us with the data on  
 16 where our truly solus --  
 17 MR DORAN: This was the team you set up or encouraged to do  
 18 some time --  
 19 A. No, that is churn. That was different. This is an  
 20 independent team within BT. We worked together but  
 21 their job is to provide insight into the market to the  
 22 likes of myself and other teams. So they are the source  
 23 in both cases. That is all I am saying. So what was  
 24 the question? Price competition in the Post Office.  
 25 MR DORAN: Yes.

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1 A. So we definitely saw switches to the Post Office driven  
 2 by price. Two factors really. First of all, they were  
 3 cheaper than us by a couple of quid for the most part  
 4 on line rental. On various points it changes over time  
 5 and secondly, a lot of our customers in the truly solus  
 6 segment paid their bill in the Post Office, so they  
 7 would go to pay their BT bill in a Post Office branch at  
 8 which point the Post Office would market to them: why  
 9 not come over and you can save a couple of pounds on  
 10 your line rental if you move to us.  
 11 MR DORAN: Because if I remember at the time now -- I have  
 12 forgotten the name of the price rise now, but your line  
 13 rental price was about £15.99.  
 14 A. Yes.  
 15 MR DORAN: They were about £12 and a bit.  
 16 A. Okay, so even greater difference. It did vary at  
 17 various points but, yes. I do not recall what the  
 18 Post Office were when we were at £15.99. It may be in  
 19 one of the documents.  
 20 MR DORAN: If they were quite a major competitor,  
 21 particularly with the possibility of settling bills  
 22 easily at the Post Office, why were you not more price  
 23 competitive?  
 24 A. That is why we introduced Home Phone Saver.  
 25 MR DORAN: That was the Home Phone Saver in response.

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1 A. Whilst Home Phone Saver headline price is £19.99 that is  
 2 because it includes a calling plan but we were similarly  
 3 priced the Post Office of about £7, and other features  
 4 as well. So for your full voice package we felt that  
 5 represented a significant (a) saving for us and (b)  
 6 comparatively similar prices to the Post Office.  
 7 MR DORAN: Right.  
 8 THE CHAIRMAN: Sorry, a saving for you in the sense of?  
 9 A. Saving for our customers.  
 10 THE CHAIRMAN: Let me just make a note of that. (Pause).  
 11 MR DORAN: At that time, as I recall, you put the basic  
 12 landline rental up by £1.  
 13 A. Yes, we did. That was for all of our customers,  
 14 remember, not just for our landline only customers.  
 15 Everybody pays line rental, so we could not  
 16 differentiate the price. That was not a choice that was  
 17 available to us.  
 18 MR DORAN: So the Home Phone Saver was partly crafted as  
 19 a response to the competition from the Post Office.  
 20 A. Absolutely.  
 21 THE CHAIRMAN: Just a moment. Sorry, this is a basic  
 22 question, but the Post Office competition, this was just  
 23 landline?  
 24 A. Yes, so we saw, according to one of the documents I have  
 25 seen in preparing my witness statement, I was reminded

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1 57% of our switchers are -- those switchers that we  
2 thought were truly solus switchers, remember we could  
3 not know that for sure, were moving to the Post Office.  
4 THE CHAIRMAN: Right, just a moment. (Pause).  
5 MR RIDYARD: Can I just ask a question about the numbers on  
6 this slide because I mean they are saying -- they are  
7 quarterly numbers and the totals are 300,000 a quarter.  
8 That seems far too high for these to be SFV customers.  
9 A. They would be losing approximately 1.2 million customers  
10 a year. If we look at slide {F/394/8}. It is a mental  
11 arithmetic test for me. I think that is fair. We are  
12 losing more like 800,000 a year according to that slide.  
13 MR RIDYARD: You cannot be losing that many SFV customers  
14 a year, can you, because you have only got 3 million  
15 something, have you not?  
16 A. Yes, so looking at slide 8 -- sorry, you have got it up  
17 there. SFV remember is the bottom two boxes.  
18 MR RIDYARD: Yes.  
19 A. We have 2.6 million which I think is broadly agreed in  
20 Q1 15/16 and you can see the rate of losses so we are  
21 losing --  
22 MR RIDYARD: So you had a lot more, you obviously had a lot  
23 more back in this period here, so --  
24 A. Four years previous, and the majority of those losses  
25 are coming from SPCs rather than VOCs, but not all by

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1 any means. Both --  
2 MR RIDYARD: As far as you know, but that is a guesstimate,  
3 yes.  
4 A. Absolutely.  
5 MR RIDYARD: So what was confusing me was the sheer numbers,  
6 but of course I have been thinking about it during the  
7 claim period, whereas this is prior, this is earlier, is  
8 it not?  
9 A. Yes, and there would have been ads as well during that  
10 time, adjusted losses.  
11 MR BEARD: I am conscious of time. I have four or five more  
12 documents that I want to go through, and given that  
13 a number of questions have come up I do not think it is  
14 probably fair to the witness to keep going, especially  
15 since the Tribunal may have additional questions.  
16 THE CHAIRMAN: We have some questions. I think we should  
17 draw stumps now and we will resume at 10.30 tomorrow and  
18 you will be finished at some point tomorrow morning.  
19 Thank you very much indeed.  
20 (4.37 pm)  
21 (The hearing adjourned until Wednesday, 7 February at  
22 10.30 am)

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