

Openreach Establishment

An important part of the BT Undertakings, which took effect on 22 September 2005, was to establish Openreach as a new business within BT plc. BT is required to establish Openreach within four months of the Undertakings taking effect (Section 5.1), and thereafter operate Openreach in accordance with the Undertakings. BT then has a further month to satisfy Ofcom that it has established Openreach in accordance with the requirements. The specific requirements covered by Section 5.2 of the Undertakings are listed below together with a commentary on the position and supporting information.

5.3: AS shall provide those SMP Products which are predominantly provided using the Physical Layer and/or Transmission Layer of BT's Access Network and/or the Physical Layer and/or Transmission Layer of BT's Backhaul Network, as set out in sections 5.4, 5.5, 5.7 and 5.8. The provision of products shall include in particular:-

- a) **product management;**
- b) **sales (or equivalent internal supply between AS and other parts of BT);**
- c) **in-life service management;**
- d) **specification of the products and their functionality; and**
- e) **setting prices.**

As shall sell (or internally supply within BT) its products to any Communications Provider and shall determine Commercial Policy in respect of those products.

5.4 Section 5.3 applies to the following existing SMP Products and enhancements to those SMP Products and their immediate successors:

- a) **Wholesale Analogue Line Rental;**
- b) **Wholesale ISDN2 Line Rental;**
- c) **Wholesale ISDN30 Rental;**
- d) **Wholesale Extension Service and relevant handover products;**
- e) **Shared Metallic Path Facility and Associated Services;**
- f) **Metallic Path Facility and Associated Services;**
- g) **Backhaul Extension Service and relevant handover products.**

The Openreach product portfolio currently consists of Wholesale Line Rental (analogue, ISDN2 and ISDN30), Extension Services (WES/BES), Local Loop Services (SMPF/MPF and Associated Services) and will include other products predominately based on physical and transmission access/backhaul assets as they are developed. Provision of these products includes all aspects of the product management process, which is standard across all these Openreach products.

The Openreach product portfolio may be found in the Openreach price list, found at <http://www.openreach.co.uk/pricing.html> This includes exclusive ownership of all responsibilities during the entire product life-cycle, as follows.

Openreach Product Management Process

This process is relevant to the provision of products in relation to the items specified in Paragraph 5.3 namely product management, in-life service management; specification of the products and their functionality; and setting prices. Information on Sales (or equivalent internal supply between AS and other parts of BT) is provided further below.

The Openreach product development process begins with a statement of requirements (SOR) and finishes with a launched product or product change progressing to in-life management. A brief description of each phase is provided below.

Statement of Requirements Process

An Openreach Statement of Requirements (SOR) should be submitted to the Openreach 'front door'. The SOR document can be obtained from www.openreach.co.uk and should be submitted to the Openreach Front Door via <mailto:SoR.Submissions.Openreach@bt.com>

[The SOR process and requirements flow is detailed in the attached documents.](#)



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Concept

Concept Phase Objective: To make a quick, initial assessment of a new idea for a product to assess if it is worth spending resource on a full feasibility study. The assessment covers the market opportunity, BT's Undertakings and equivalence issues, strategic fit and priority, technical / commercial feasibility or functionality required. The Product line will consider each SoR and decide whether the proposal should progress or be rejected, this decision will be taken in consultation with the Portfolio/ Marketing teams, regulatory teams and any other relevant parties, for example Operations. The criteria used in reaching this decision will include:

- Does this proposal fit with our strategy?

- Is there sufficient business benefit in terms of increased revenue, reduced costs, or improvements in customer satisfaction?
- Are there regulatory implications?
- What might the impact be if the proposal is not progressed?

Once the SOR has been submitted the appropriate notification/response times are followed, based upon whether the SOR falls under the criteria for:

- i) 60 Day Process;
- ii) A Commercial SOR;
- iii) Not valid;
- iv) This is currently in development.

Specify and Plan (includes feasibility)

The purpose of the “specify and plan” phase is to develop the idea further to identify possible product options and combinations to deliver the required product, to test the feasibility of those options technically and to select the most appropriate option for further development. A broad business case should be produced to seek authority to take the project further (or stop it before committing further scarce resource). An authorised product definition should be produced.

Design and Implement

During this phase the plans that have been developed during phase 1 are put into effect, culminating in a complete product, with service surround and processes ready to be tested and then trialled with real customers. Feasibility work carried out in phase 1 will be developed to create solution and process designs. For network services, equipment may be delivered and integrated into the network.

The team should plan the work necessary to produce a testable example of the product. Detailed plans will be produced by workpackage managers. The plan should be implemented to produce a working example of the product ready to be tested and trialled.

Testing and Trial

During this phase the plans for testing and or trial will be put into effect. Any customer (beta) trials which take place should determine if the full product proposition is of value to the customer and is likely to produce the predicted benefits for the business.

The gate to proceed to test and trail is normally owned by the product development manager.

It is important to be clear about the purpose of any test or trial. Trials might include:

- “Test-bed” (i.e. test that the product works to specification),
- “Fit for purpose” trial (i.e. does the product deliver the benefits as predicted?),
- “Product experience” trial (i.e. what is a customer’s overall impression of ordering, receiving and using the product?),
- “All circumstances” trial (i.e. are there any conditions under which the product doesn’t perform as predicted?),
- Market trial (i.e. what do customers think of it?)

Launch

The purpose of this phase is to launch the product after a successful trial. During the phase, the core project team must confirm that the product is ready to launch. When confirmation is received, the product will be launched – all processes, systems and controls will be made operational.

When the launch date has been confirmed, Ofcom is notified via the Openreach regulatory team.

Closure (in-life hand-over)

All aspects of product performance should be monitored during the months immediately following closure and the project team are still responsible for corrective action if required.

During this phase, the product launch project is reviewed for closeness to the plan and the lessons learned are documented in a closure report so that others may benefit from the experience.

Pricing Governance

The Openreach pricing process has been designed with a view to achieving optimal decision making, balancing the need for speed and flexibility with the need for rigorous and well directed analysis. The process is based upon up-front briefings coupled with e-mail sign-off.

There are three major parts to the process:

1. Proposal

Each proposal is owned and initially signed by the relevant Product Director. He/she forms a small team to progress the proposal, to draft the Openreach Pricing Group (OPG) paper and to drive the analysis.

2. Sign-off

Once the proposal has been agreed, the Required Signatories may provide their respective formal approvals. If a material amendment is made after the approval of any Required Signatory, the paper will be returned to him/her for further review and approval.

3. Pricing Review

There is a monthly meeting of the Required Signatories, known as the Openreach Pricing Group. At each meeting, the past month's approved proposals will be formally logged and there will be a review of the calendar of proposals forthcoming over the next six months (to the extent possible). Meetings will also perform "in-life reviews" of earlier decisions on a regular basis.

Sales (or equivalent internal supply between AS and other parts of BT)

The Sales, Marketing and Product Management Directorate within Openreach is responsible for all aspects of product development and management of Openreach products. Anne Heal is the Managing Director of this unit - see below for a copy of the Openreach organisation chart. The focus of Openreach is to provide equal access to network products, supported by the best possible service. Openreach is a business within the BT Group, but treats other parts of the Group in the same way as other customers.

The enclosed chart identifies the Customer Business Management organisation, layers 3 to 5. This shows the functions that will be carried out by Openreach which includes account management responsibilities. Dave Newbold heads up the team and was recruited on 12th December 2005. Priority is being given to populating the remaining vacancies within the structure.



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Copies of the job descriptions which apply to senior product managers for the Openreach Ethernet portfolio, LLU portfolio and WLR portfolio have been supplied to Ofcom.

The delivery of equivalence and ensuring the necessary engagement with industry and customers is an integral part of the Openreach product management role.

Organisation charts for the Openreach product areas showing the structure of each product management unit have been supplied to Ofcom.

Development of Openreach Commercial Policy and Decision-Making

All Commercial Policy¹ decisions associated with the Openreach portfolio are made within Openreach. This applies to all aspects of Openreach products.

Development of Commercial Policy in relation to the following activities	Description
a) product development	The Commercial policy is developed as part of the product management process as detailed above.
b) pricing	Pricing decisions are subject to governance controls and made in line with the Terms of Reference for the management of Openreach.
c) marketing strategy and intelligence	The Commercial Policy is developed in the market requirement capture as part of the SOR process identified above
d) product launch dates	Dates are set subject to the SOR process, and includes consideration of whether the 60 Day Process for a regulated product is appropriate
e) cost	The development of a business case includes the need to identify relevant costs and subject to any regulatory requirements.
f) payment terms	This forms part of the evaluation of the financial and contractual requirements for a product
g) product specific forecasting	Forecasting terms and conditions form part of the contractual negotiation for a specific product
h) network coverage and capabilities	This will be assessed as part of the product management process

A key requirement in the development of Commercial Policy is the engagement with all customers including other parts of BT. Openreach is fully committed to conducting business with all Communications Providers equally, in accordance with BT's Undertakings to Ofcom and the industry. One way of achieving this is via various industry fora including (not exhaustive):

- Fixed Service Providers Association
- Combined WLR and CPS IT Automation Forum
- FSPALLU Backhaul Group
- LLU Bulk Migrations Group
- LLU Care Product & Test
- LLU Contract Group

¹ As defined in Ofcom publication: Final statements on the Strategic Review of Telecommunications, and undertakings in lieu of a reference under the enterprise Act 2002

- LLU Industry Meeting
- LLU Industry Meeting
- LLU IT Directors Forum
- LLU Plan & Build Group
- LLU Platform Implementation Group
- LLU Steering Group & Quality Council
- LLU Systems Forum
- Market Breakthrough Executive Number Portability Commercial Group
- Number Portability Order Desk Meeting
- Number Portability Process Group
- OTA / BT Bi-lateral Meetings WLR Industry Process Meeting
- WLR/CPS Service Provider Forum
- WLR/CPS IT forum
- WLR/CPS Commercial Forum
- WES and SDH Access and Backhaul Products

Attendance at industry wide meetings enables Openreach to capture product requirements, identify industry process problems, gauge customer satisfaction levels and to be visible to the industry for bi- and multi-lateral discussion of issues.

Openreach is also the custodian of Commercial Information² appertaining to Openreach products. Chinese Walls are in place between Openreach and other parts of BT to ensure that information is not shared inappropriately within BT. BT's Code of Practice details when and with whom information can be shared between Openreach and other parts of BT with examples to help understanding. There is focus near the end of the Code of Practice for individual responsibility on adhering to the Undertakings as well as the procedures and methods of reporting suspected breaches in confidence. A copy of the Code of Practice may be viewed at:

<http://www.btplc.com/Thegroup/Regulatoryinformation/Codeofpractice/BTPeople/Openreachversion.pdf>

The control of the necessary decisions as part of the product management process lies solely within Openreach. Within Openreach authority for pricing decisions is gained through the various processes.

5.9 As part of the establishment of AS, the people and non-network capabilities used to provide fixed line number portability will be included in AS.

Number portability is the ability for a customer taking a PATS service to change their Communication's Provider and keep their number. BT has processes in place which enable the administration and implementation of number portability. We confirm that all the people and non-network

² ibid.

capabilities (essentially the Number Portability Interface with CSS which validates, builds and activates the NP orders used to provide fixed line number portability) are included in Openreach. There are three groups of people working on Number Portability which have been moved from BT Wholesale into Openreach and this took place on 1st November 2005. The groups concerned are product management, the porting centre and the Geographic Number Portability (GNP) Service Establishment and maintenance team. Each of their roles in the number portability processes are identified below. Having identified that these roles and responsibilities should move from BT Wholesale to Openreach, the individuals were allocated new Organisational Unit Codes and reporting structures were amended accordingly.

Product Management

Two product managers are responsible for fixed line portability they report to Chris Jagusz in the Sales, Products and Marketing part of Openreach.

Their key responsibilities are as follows:

- Ensuring BT complies with its regulatory obligations to provide GNP (import and export);
- Ownership of the Number Portability product plan, pricing strategy, development budget and road map;
- Responsible for planning, budgeting and investment, supplier relationships and cost control, quality of service, development of SoRs, management of development and launch plans, customer satisfaction, supporting and driving the sales channels and marketing, product information, working with operations and service delivery on feature enhancement, and cost reduction, working with sales on specials/bids, legal and regulatory obligations, supporting and influencing Industry Forums and User Groups, interaction with customers, complaints handling and the management of relevant complex projects.

Porting Centre

The porting centre is based at Tunbridge Wells and is part of John Small's Service team. They are responsible for all aspects of order generation/validation/build for fixed line portability (imports and exports).

Their key responsibilities are as follows:

- Exports - validating orders, accepting/rejecting orders, building orders for activations. Managing day-to-day issues with the other CPs.
- Imports - receiving imports requests from BT account managers (and WLR CPs), generating the orders to the CPs. Managing the day to day issues with the account teams and CPs.

GNP Service Establishment/maintenance team

There are four people responsible for managing the ongoing service establishment/ and maintenance work for GNP. These people are also part of the Service team within Openreach.

Their key responsibilities are as follows:

- Managing the work required to ensure that geographic numbers can be ported. As new number ranges are bought into service, they have to be built on our switches for portability purposes. Also as switches are added/removed or re-parented in networks, the changes need to be reflected on our systems.

5.14 BT employees working for AS shall include :

5.14.1 all field engineers, (excluding some of the network planning, design and management engineers for BT's Backhaul Network), including their line management up to and including the AS CEO, associated with the provision, installation, maintenance and repair of the Physical Layer of BT's Access Network and of the Physical Layer of BT's Backhaul Network;

5.14.2 those employees involved in the design, planning, implementation and in-life service management of products based upon the Physical Layer and/or Transmission Layer of BT's Access Network or the Physical Layer and/or Transmission Layer of BT's Backhaul Network, including their line management up to and including the AS CEO; and

5.14.3 those employees who carry out activities which are ancillary to those described in section 5.14.1 and section 5.14.2, those who support and manage them, and those who undertake the sales function of AS.

An explanation of the development of the Openreach organisation and structure is provided in the introduction to this document. The Openreach organisation chart to layer 3 is attached below. We confirm that the relevant field engineers and line manager and the product management people outlined in 5.3 have moved to Openreach. These are identified in the management chains for Andrew Jones, John Dunn, John Small and Anne Heal respectively.



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Engineering Activities

The following engineering activities will be undertaken by Wholesale

- Network Management and assurance
- Switch Management and assurance
- All radio and access radio provision and assurance
- Inter exchange circuit provision
- All power and ventilation activities
- Teleport and Global network and switch activities
- London Fibre Access Network exchange and customer activities
- 21CN exchange transfer preparation activities

The following activities have moved to Openreach

- All access network provision and assurance
- Access network uplift and growth
- All inter exchange cable network
- All Broadband and PSTN MDF provision and assurance
- All LLU, LLU migration, SMPF and MPF activities on MDF's
- All private services provision and assurance (this includes up to the first point into the Network)

The move of all private services work into Openreach is to preserve Customer Service and prevent the requirement to introduce handoffs and thereby restoration delays.

Wholesale and Openreach engineering technicians have been briefed on the changes and what activities can and can not be undertaken. These briefings have been comprehensive and detailed down to component level.

5.23 AS shall be a separate division within BT.

Larry Stone, BT's Company Secretary, has confirmed to Ofcom in writing that Openreach operates as a separate division within BT.

5.24 In anticipation of section 5.1, BT shall appoint the AS CEO within one month of the date that these Undertakings take effect.

The attached copy of the press release confirms the appointment of Steve Robertson as CEO Openreach.



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5.25 The AS CEO shall report solely and directly to the BT Group plc CEO.

The letter referred to in item 5.23 above confirms that Steve Robertson, Openreach CEO reports solely to the BT Group plc CEO.

5.26 The AS CEO shall not be a member of the BT Group Operating Committee but may attend where matters pertaining to AS are discussed and where such attendance is appropriate. The EAO shall be notified of such attendances.

The letter referred to in item 5.23 above confirms that Steve Robertson, Openreach CEO shall not be a member of the BT Group Operating Committee.

5.29 The AS CEO shall have delegated authority from the BT Group plc Board to authorise capital expenditure of up to £75 million within the annual operating plan referred to in section 5.28. The limit may be varied from time to time at the discretion of the BT Group Board. Ofcom and the EAB shall be notified of such variation within five working days.

The letter referred to in item 5.23 above confirms that Steve Robertson has delegated authority to authorise capital expenditure of up to £75 million.

5.48 BT shall develop a separate brand name for AS which does not incorporate the elements “BT” or “British Telecom” and which will be used in proximity to an endorsement containing the words “a BT Group business (and BT corporate device)”. Such endorsement shall be secondary to the AS brand. There will be a progressive programme for branding or rebranding the following items only:

- a) **Stationary, relevant website and web addresses and relevant buildings during the first sixteen months from the date these Undertakings take effect; and**
- b) **Clothing and vehicles as these are replaced, to be completed within five years of the date of establishment of AS.**

Other items will be re-branded as and when AS decides it is appropriate to do so.

The brand name for the reference to ‘Access Services’ in BT’s Undertakings is Openreach. It has its own brand identity and logo as shown in the example letterhead attached.



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This brand identity and logo will be used in all Openreach correspondence. It will also be a key part of advertising and website material so that all those dealing with Openreach, and particular its customers, can recognise and identify the brand and what it stands for.