
Delivering a more independent Openreach

Annual Monitoring Report

Covering the period from 1 April 2018 to 31 March 2019

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1. Overview

This is Ofcom's first annual monitoring report on the legal separation of Openreach from BT, and how the new arrangements are working in practice.

What we have found – in brief

Overall, real progress has been made implementing the new arrangements, but there is more to be done. Continued focus is required by both BT and Openreach to strengthen Openreach's strategic independence and engagement with its customers.

Openreach's new Board, and financial and planning processes, are helping to increase independence. Strategic independence has been bolstered by the creation of the Openreach Board, and by new strategy and financial planning processes that seek to balance Openreach independence with appropriate BT Group oversight. However, there is still more to do to improve transparency of how this balance is being struck, and to ensure that it is embedded and sustainable.

Openreach has increased the scale and pace of full-fibre broadband roll-out, though longer-term plans remain unclear. Openreach continues to deploy ultrafast networks as part of its 'Fibre First' programme, and has increased its deployment rate during the past year. In May, Openreach's target for full-fibre connections was raised from 3 million to 4 million premises by March 2021. BT also announced an ambition for Openreach fibre to reach 15 million premises by the mid-2020s – but this is not a firm commitment. We will continue to monitor Openreach's fibre roll-out as an indicator of its contribution to the UK's broadband needs. We will seek further clarity on how the ambition of reaching 15 million premises will be achieved, backed by BT investment.

Openreach has a vital role to play in working constructively with industry to deploy fibre networks for UK consumers. In particular, Openreach is required to give competing network providers access to BT's underground tunnels (known as 'ducts') and telegraph poles. New arrangements for access to these 'ducts and poles' came into effect on 1 April 2019. We expect to see Openreach working constructively with its competitors and we continue to closely monitor its behaviour and actions.


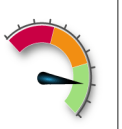







In general, feedback from industry and Openreach's customers has been positive, but not always. Overall, there have been positive steps towards improved engagement and collaboration. But not all feedback has been positive – for example, some providers still have concerns about the potential for confidential information to be shared between Openreach and BT. We expect to see further improvements in how Openreach demonstrates it is treating all its customers fairly and equally.

We are encouraged by early progress in implementing cultural change, but more focus is needed to make this sustainable. Organisational culture at both BT and Openreach is fundamental to the success of the new arrangements. We have been encouraged by the indications of personal commitment from leadership in both organisations. BT and Openreach have taken steps to progress cultural change and embed the Commitments in the daily activities of staff. This change will require continued and concerted effort, and it will remain a focus for our monitoring.

Background

- 1.1 We want people across the UK to have access to faster and more reliable broadband. In 2016¹ we decided that Openreach – the part of BT that manages the UK’s main telecoms network – needed much greater independence to take decisions about how it operates and builds that network, in the interests of all of its customers, and not just BT Group.
- 1.2 In July 2017, Ofcom accepted commitments from BT² to reform Openreach. We set up our Openreach Monitoring Unit to monitor adoption of the new arrangements.³
- 1.3 In November 2018, we published an Interim Monitoring Update.⁴ This found that while we were broadly satisfied with the progress made, further work was needed for these significant changes to bed in.
- 1.4 This document covers the full year from 1 April 2018 to 31 March 2019, and continues to show further work and continued commitment is required from both BT and Openreach.

How the new Openreach is performing

Compliance	Sustainability	Wider outcomes
<p>Commitments breaches</p> <ul style="list-style-type: none"> ✓ Assurance mechanisms are in place to identify, investigate and report on breaches ✓ In this monitoring period, 11 breaches were identified, investigated and resolved 	<p>Structures</p> <ul style="list-style-type: none"> ✓ Governance architecture established, including independent Openreach Board 	<p>Widespread availability of fibre broadband</p> <ul style="list-style-type: none"> ✓ Improving picture across UK and momentum building behind investment in FTTP ✓ Increased rate of Openreach FTTP build ✓ Overall availability remains low at 7% of UK 
<p>Openreach's strategic independence</p> <ul style="list-style-type: none"> ✓ Further work needed to ensure more independent decision-making from Openreach ✓ Some concerns around information sharing processes 	<p>People and Processes</p> <ul style="list-style-type: none"> ✓ Processes designed for working in line with the Commitments, including mechanisms to resolve issues ✓ Further work needed to show resilient processes not dependent on key personnel 	<p>Decent broadband for all</p> <ul style="list-style-type: none"> ✓ Number of premises that cannot get access to decent broadband reducing steadily 
<p>Equal treatment of customers</p> <ul style="list-style-type: none"> ✓ Increased consultation with customers ✓ Further work required to ensure full engagement 	<p>Culture</p> <ul style="list-style-type: none"> ✓ Development of cultural change initiatives and independent Openreach identity ✓ Continued effort required over time to progress and embed cultural change 	<p>Quality of service</p> <ul style="list-style-type: none"> ✓ Improving picture across Openreach's performance standards ✓ Further work for Openreach and industry to deliver quality services for consumers 

¹ [Making digital communications work for everyone](#). Ofcom, February 2016.

² [Commitments of BT Plc and Openreach Limited to Ofcom](#).

³ [Openreach Monitoring Unit](#).

⁴ [Delivering a more independent Openreach: Interim monitoring Update](#). Ofcom, November 2018.

2. A more independent Openreach

Implementation of the Commitments

- 2.1 In June 2018 we published an Implementation Report⁵, which outlined the key steps taken by BT and Openreach to implement the new arrangements. We found that material progress had been made, particularly on culture and leadership at the top. However, we considered there was more to do to increase Openreach independence and to achieve better service for consumers.
- 2.2 In our November 2018 interim report, we said that BT and Openreach had fully implemented the new arrangements set out in the Commitments and associated Governance Protocol. Fundamental changes have been made to the structure and governance of Openreach to facilitate greater independence, namely:
- a) **Openreach Limited** was established as a legally separate entity. While still part of BT Group, Openreach Limited now has its own Board, management, and staff.
 - b) **Openreach Northern Ireland** was created with Openreach becoming the host organisation for Northern Ireland Networks. The change of host, from BT Enterprise to Openreach Service Delivery, has created further separation between BT Group and the network division in Northern Ireland.
 - c) **BT was released from its 2005 Undertakings** following full deployment of the Commitments on 31 October 2018.
- 2.3 These have been significant changes. However, we recognise that fully transforming BT's relationship with Openreach and associated organisational identity and culture will take time. Further implementation steps have been progressing since our November 2018 report and are still underway to support this, including:
- a) Developing staff 'Guidance Notes' to codify approaches to enacting business practices in key thematic areas: Financial Planning, Strategy Development, Equivalence of Inputs and Equal Treatment, Northern Ireland, and Openreach & BT Trading. These have also been published for transparency;⁶
 - b) Further work to improve the processes and transparency around information disclosures made from Openreach to BT;
 - c) Continued efforts to establish a clear and visible Openreach brand, supporting an identity that is distinct and separate from its BT parent. For example: Openreach engineers now have clothing with the new Openreach branding; and as at 31 March 2019, 66% of Openreach vehicles and 97% of contractor vehicles have been rebranded; and

⁵ [Progress on delivering a more independent Openreach: Implementation Report](#). Ofcom, June 2018.

⁶ [BT Guidance Notes](#).

- d) Continued rollout of training and staff communication programmes to underpin new ways of working. An internal 'We are Openreach' campaign has supported management efforts to communicate organisational values and purpose.
- 2.4 Following the progress in implementing the new arrangements, which we reported on in June and November 2018, our monitoring focus is shifting away from implementation and we do not intend to report further progress in detail in this report or going forward.
- 2.5 Our focus in this report is on monitoring compliance with the Commitments and assessing whether the new arrangements are delivering greater independence, supporting equal treatment of customers, and enabling improved outcomes for businesses and consumers. These outcomes and behaviours will also be the focus of our annual monitoring reports in 2020 and 2021 as we consider the extent to which the arrangements have been embedded sustainably.

Monitoring the new arrangements

- 2.6 We continue to work closely with BT and Openreach and during this monitoring period we:
- a) Engaged with industry groups and Openreach's customers to understand their views on how the new arrangements are working in practice. Specifically, we issued a public 'Request for stakeholder input' ahead of this annual report inviting stakeholders to provide feedback on their experiences;⁷
 - b) Conducted a series of interviews with BT and Openreach senior executives and non-executive directors to understand their perspectives on the new arrangements and how they are being adopted throughout both organisations;
 - c) Attended the BT Compliance Committee (BTCC) and Openreach Board Audit, Risk and Compliance Committee (OBARCC) to observe how they execute their duties to oversee compliance with the Commitments;⁸
 - d) Worked closely with BT and Openreach to understand what changes are being made to organisational processes and systems to support compliance with the Commitments. We have met regularly with BT's Commitments Assurance Office (CAO) and Openreach's Commitments Monitoring Office (CMO) as well as having ad hoc meetings as needed with other BT and Openreach management teams;
 - e) Gathered and reviewed information from BT and Openreach relating to implementation of the new arrangements, compliance with the requirements of the Commitments, and on our key focus areas throughout the year of: strategic independence; treating customers equally; and progress against industry and consumer outcomes.
- 2.7 This monitoring activity underpins the content of this report.

⁷ [Monitoring of compliance with the new governance arrangements relating to Openreach. Update – Request for stakeholder input](#) – 26 February 2019.

⁸ [BT Compliance Committee](#) and [Openreach's Board Audit Risk & Compliance Committee](#).

3. Openreach and BT

Increased strategic and operational independence

- 3.1 The new arrangements were designed to provide Openreach with more independence to set out its own strategic intentions and take its own decisions relating to customer engagement, network investment and service quality.
- 3.2 However, BT retains a parent company interest in Openreach activities and has a duty to oversee its performance including managing associated financial, legal, compliance and regulatory risks. In this context, our monitoring considers whether an appropriate balance is being struck between Openreach independence and BT Group oversight.
- 3.3 We have seen considerable effort from BT and Openreach in developing workable processes for enabling Openreach's operational independence with Openreach continuing to build its own organisational capabilities. We have specifically looked at the strategy development and financial planning processes, and the processes for information handling and disclosure.
- 3.4 During the year, OBARCC and the BTCC have taken proactive steps to consider the balance between Openreach independence and BT Group oversight. Most notably, the committees oversaw a review of the relationships and ways of working where Group functions interact with Openreach teams.
- 3.5 The review concluded positively on how these relationships are working but noted that the areas of regulatory affairs and strategic and financial planning are critical to the balance of parent company oversight and independence and so should be subject to continued close monitoring. A similar exercise is being carried out to consider interactions between Openreach and the functions in BT that act as suppliers.

Strategy development

- 3.6 We raised the development of Openreach strategy as an area of concern in our June 2018 report and noted in our November 2018 report that this remains a focus area for us. During the monitoring period, BT and Openreach have carried out further work to review and clarify their strategic planning processes, published a 'Guidance Note' setting out the process⁹ and held a roundtable in March 2019 with industry to increase transparency of the new arrangements and to seek feedback.
- 3.7 BT is currently developing a strategic framework which will outline the scope and remit for Openreach to operate. A clearly defined strategic framework will help make transparent the extent to which BT Group exercises parental control and oversight over Openreach while enabling Openreach to operate with the greatest degree of strategic and operational independence practically possible within a model of legal separation.

⁹ [BT Guidance Notes](#).

- 3.8 Once finalised, we will consider how the framework is likely to support or constrain Openreach in practice and inform our views of BT Group's interpretation of, and commitment to, 'Openreach independence.' We will be paying particular attention to the boundaries that BT and Openreach define and the criteria for which Openreach decisions should be subject to BT Group approval.
- 3.9 Strategic and operational independence will remain a key focus for our Openreach Monitoring Unit (OMU) going forward and we will closely monitor how strategic planning is enacted in practice, the transparency provided, and steps taken to ensure that changes are sustainable in the long term.

Financial planning

- 3.10 In the last year, BT and Openreach have developed and implemented a new financial planning process as a key part of the architecture supporting Openreach independence. The process has been published in an explanatory financial planning Guidance Note.¹⁰
- 3.11 The revised process codifies and emphasises the importance of Openreach Board approval for key plans and business cases in advance of submission to BT where necessary.¹¹ It also clarifies the role of the BT Investment Board within the process.
- 3.12 The planning process is being followed for the first time this year and has been subject to monitoring by the CAO and CMO. This will be an ongoing assurance activity, and we remain mindful of the potential for BT to influence the development of Openreach's strategy through the allocation of capital and continue to monitor this closely.
- 3.13 In addition, the role of the Openreach Board has been considered in the context of the BT Group Delegation of Authority framework to ensure that it has appropriate opportunity to consider and input into decisions that ultimately require referral to BT.

Information flows and disclosure

- 3.14 In our November 2018 report, we noted that transparency of information flows between Openreach and BT is crucial to ensure interactions achieve the right balance between greater independence and an appropriate level of BT Group oversight as a parent company. At that time, we considered that the new processes being implemented to manage the sharing of information between BT and Openreach did not yet provide sufficient transparency to internal compliance bodies and Ofcom on the nature and substance of these interactions.
- 3.15 During the year, OBARCC has been monitoring and investigating concerns around potentially inappropriate sharing of information. Further work has been undertaken to

¹⁰ [BT Guidance Notes](#).

¹¹ BT Group allocates financial capital to Openreach in response to its investment needs as part of the financial planning process. Additional requests for capital, or plans that impact BT Group, are subject to scrutiny in line with the Commitments. BT Group, as Openreach's parent company, retains a fiduciary duty to oversee financial, legal and regulatory issues in the interests of its stakeholders.

improve the new information management and disclosure processes and to provide further transparency of information flows. However, the processes are still in their relative infancy and work is ongoing to enhance and fully embed them.

- 3.16 We also note that some communications providers – including those in Northern Ireland – continue to have concerns around the potential for confidential information provided to Openreach to be inappropriately shared, specifically, information that could be used by BT for strategic and/or competitive advantage. Despite the progress made, we continue to believe Openreach needs to do more to engage with these industry concerns and improve transparency – both internally and externally – of the measures it has taken to strengthen information management controls since legal separation.

Compliance and oversight

- 3.17 The Openreach Board Audit, Risk and Compliance Committee (OBARCC) and the BT Compliance Committee (BTCC) are responsible for monitoring Openreach and BT compliance with the Commitments respectively. OBARCC is supported by the Commitments Monitoring Office (CMO) and BTCC by the Commitments Assurance Office (CAO).
- 3.18 Both committees meet regularly¹² and are made up of individuals committed to governance of the new arrangements, with a balance of members providing experience and continuity from the previous regime alongside newer members bringing fresh perspectives and challenge. Throughout the year, we have observed that each committee continue to take an interested and proactive approach to identifying areas for improvement.
- 3.19 The dedicated CAO and CMO assurance functions continue to mature and are undertaking ongoing monitoring and targeted deep-dive reviews, providing challenge and guidance to business areas, and increasing transparency of compliance through reports to BTCC and OBARCC.
- 3.20 BTCC and OBARCC have published reports for the annual period to March 2019.¹³ These reports reflect on breaches, complaints, and overall compliance with the Commitments. Both committees also publish summary bulletins during the year.¹⁴
- 3.21 We note that OBARCC and BTCC reported a combined total of 11 breaches of the Commitments during the monitoring period:
- a) OBARCC identified one ‘serious’ and four ‘trivial’ breaches of the Commitments. The OBARCC report notes that the compliance breaches referred to the committee all related to information sharing.

¹² OBARCC held five formal meetings and BTCC met on six occasions during the monitoring period.

¹³ [BT Compliance Committee Annual Review 2018/19](#) and [Openreach Commitments Compliance Report 2019](#).

¹⁴ BTCC [bulletins](#) and Openreach quarterly [updates](#).

- b) BTCC identified six 'trivial', but no 'serious,' breaches of the Commitments. These were predominantly related to information sharing.
- c) Both OBARCC and BTCC have noted that further work is needed to provide transparency of the interactions between BT and Openreach staff, with information sharing and disclosures processes identified as particular areas of focus.

3.22 In addition to monitoring and investigating breaches, CAO and CMO have reviewed specific business areas and processes to assess whether actions and behaviours have been in line with the Commitments. We note that:

- a) Further work is being done to improve processes and mitigate risks relating to information sharing. For example, to prevent inappropriate sharing of information when employees move between Openreach and BT, a solution is being implemented to prevent staff having inappropriate access to emails;
- b) Processes, such as those for financial planning and strategic planning, continue to be reviewed to consider whether more needs to be done to strike the right balance between parent company oversight and Openreach strategic independence;
- c) CMO and CAO conducted a review of Openreach's Generic Ethernet Access (GEA) volume commitment offer.¹⁵ This review provided assurance to the OBARCC and BTCC that the Commitments had been respected in interactions between BT and Openreach. The review also found that Openreach had sought feedback from communication providers as part of developing the GEA offer;
- d) OBARCC has invited communication providers to its quarterly meetings to understand their views and concerns. It provides an opportunity for providers to raise issues and share their views on Openreach's compliance with the Commitments;
- e) In March 2019, BT hosted an industry stakeholder event to increase transparency of the new arrangements, set out how BT Group complies with the Commitments and to seek stakeholder feedback; and
- f) Since our November 2018 report, CAO has carried out three reviews using their 'Quick Check' process to provide assurance over areas of concern raised by providers.¹⁶ The CMO has carried out twelve reviews under its own separate 'Quick Check' process. The concerns and conclusions of these reviews have been published in BTCC's and CMO's summary bulletins during the monitoring period.

3.23 Overall, we consider efforts to oversee compliance with the Commitments have been positive.

¹⁵ [Volume commitment special offer on GEA-FTTC, G.fast and GEA-FTTP](#). Openreach, 2018.

¹⁶ In November 2018, we reported on two Quick Check reviews that CAO had conducted.

Openreach culture and behaviours

- 3.24 We have seen evidence of considerable effort by Openreach to instil a culture that focuses on its status as a separate entity with its own organisational identity; most notably the 'We are Openreach' internal communication campaign run during the year.
- 3.25 The introduction of the Openreach brand to Northern Ireland in October 2018 has been significant and has been welcomed by local providers. But, we recognise the challenge of embedding a new culture of network operation in Northern Ireland will take time and we will continue to monitor and listen to feedback of how this is progressing.
- 3.26 We have been encouraged by the indications of personal commitment from leadership in both organisations, particularly in relation to embedding cultural change. In a recent publication outlining progress on the Commitments, BT's new Chief Executive noted that: 'Getting the culture right in BT and Openreach is critical to making a success of our Commitments... We've achieved a lot over the past year, and now we need to make sure these changes are embedded, so that when we bring in new people they can live by the spirit of our Commitments and do the right thing.'¹⁷
- 3.27 Institutionalising change will be essential to ensuring that Openreach's culture of independence is sustained over time and through any changes to its current leadership.
- 3.28 We have also seen both BT and Openreach take steps to progress on their journey of cultural change across both organisations. This has included engaging an external consultancy firm to provide an assessment of current culture and practical recommendations for improvement. Findings presented in January 2019 indicated that culture had evolved in response to the introduction of the Commitments but there is still more to do. BT and Openreach continue to monitor progress towards instilling a Commitments-compliant culture.
- 3.29 BT has recently announced changes to the management of brand across the Group. We have engaged with BT and Openreach to understand these changes and have been assured that these changes do not reduce the level of independence that Openreach has to affect the decision making and use of its own brand.
- 3.30 Last month BT announced plans for a new annual share award available to all employees, including those within Openreach. We have engaged with BT leadership who have committed to ensure any award scheme is compliant with the Commitments and does not incentivize inappropriate Openreach behaviours.
- 3.31 As set out in the following section, it is also critical that Openreach engages appropriately with its customers. The behaviours underpinning this engagement are developing in the context of the new arrangements and will need to be embedded in its organisational culture and processes. This will require continued and concerted effort from senior management in both BT and Openreach.

¹⁷ [Commitments Update: BT's progress report to Ofcom's Openreach Monitoring Unit](#). Page 3. BT, June 2019.

4. Openreach and its customers

- 4.1 As Openreach develops greater independence from BT, we monitor how these changes are supporting Openreach's efforts to engage constructively and fairly with all its customers. Building on the implementation of the new arrangements, we continue to look for further improvements in Openreach's engagement with industry, and demonstrable indicators that it is acting in ways that ensures its customers are receiving fair and equal treatment.

Equal treatment of customers

- 4.2 A key requirement within the Commitments is for Openreach to treat all its customers equally. This is also reflected in the specific duty of Openreach's directors set out in the Articles of Association to exercise their powers in a manner that seeks to ensure Openreach treats all its customers equally in all its engagements with customers.
- 4.3 The equal treatment principle means Openreach must act in a way that ensures all customers receive fair and equal treatment, having regard to their circumstances, taking proper account of their interests and not unduly favouring any one of them.¹⁸
- 4.4 We have, during the year, specifically considered Openreach's engagement with customers across various areas such as the Statement of Requirement process and have sought input from providers on their experience in this area.

Statement of Requirement process

- 4.5 This process sets out the mechanism through which customers can request new, or changes to existing, products offered by Openreach. Our monitoring has considered the process in general, as well as some focus on the progress of a Statement of Requirement (SoR) relating to the Efficient Delivery of Duct and Pole Access (DPA) Aerial Drop Cables.
- 4.6 During the monitoring period, Openreach has made a number of changes to address specific industry requirements. In the period, 17 SoRs were submitted, of which 2 have been delivered, 14 are in progress, and 1 has been cancelled.
- 4.7 For the SoR relating to the Efficient Delivery of DPA Aerial Drop Cables, Openreach has engaged with the provider and the Passive Industry Working Group. The SoR has been fully delivered, with the exception of one commercial issue which has been transferred to the Copper & Fibre Products Commercial Group. As such, the provider, Openreach and industry agreed that this SoR be closed.
- 4.8 Some providers have expressed concerns about the length of the SoR process in general and this could place third party providers at a disadvantage when compared with BT's

¹⁸ [BT Equivalence of Inputs and Equal Treatment](#), BT, 2019.

downstream retail business. Ofcom has set out its intention to continue proactive monitoring of the SoR process.¹⁹

Customer Consultation process

- 4.9 The Customer Consultation Process is the means through which customers can engage with Openreach regarding proposed product or service developments. During the monitoring period, Openreach initiated five major consultations on the following issues:
- a) Upgrading the Access Network – focusing on the withdrawal of Wholesale Line Rental (WLR) products and a smooth transition to IP voice services. The withdrawal of WLR is a major change for industry and Openreach have published a series of documents to support providers’ understanding of the transition, and have also engaged via face-to-face industry sessions and conference calls;²⁰
 - b) Passive Infrastructure Access – in line with Ofcom’s “Wholesale Local Access Market Review” final statement, Openreach has engaged with industry on the terms of a new reference offer for its Physical Infrastructure Access product, coming into effect on 1 April 2019. A summary of Openreach’s engagement in providing access to BT’s ducts and poles and its importance in facilitating competing fibre networks is set out later in this report;
 - c) Re-Imagining Ethernet – Openreach launched a consultation from September 2018 to November 2019. In March 2019, Openreach shared its decision to proceed with the Re-Imagining Ethernet Provision proposals, in parallel with its existing Ethernet provision processes;²¹
 - d) Generic Ethernet Access (GEA) special offer – the customer consultation for GEA volume discounts included bilateral engagement with providers and through industry fora;²² and
 - e) Exchanged-based Approach to Upgrading the UK’s Digital Infrastructure – in March 2019, Openreach launched a consultation on how best to upgrade customers throughout the UK from copper connections to faster, more reliable technology connecting fibre broadband directly to homes and offices.²³
- 4.10 While submissions can be made through a confidential phase to the process, for example to discuss major investments, OBARCC has noted that there has not been wide usage of this. It is not yet clear if this is an indicator that providers are satisfied or because they do not trust the process. OBARCC will continue to monitor and reflect on use of the process.
- 4.11 During the year, Openreach has been engaging with its customers on key initiatives and has made a concerted effort to engage more effectively. In response to our Request for

¹⁹ [Promoting competition and investment in fibre networks: review of the physical infrastructure and business connectivity markets: Draft Statement](#). Volume 1, paragraph 4.49 – 5.1. Ofcom, 2019.

²⁰ [Openreach consultation on Upgrading the Access Network](#) [Openreach login required].

²¹ [Re-imagining Ethernet Provision Industry consultation](#) [Openreach login required].

²² [Special Offer GEA Volume Agreement](#).

²³ [Openreach consultation on exchange-based approach to upgrading UK’s digital infrastructure](#) [login required].

stakeholder input, communication providers were generally satisfied with the improved consultation process but noted that they remain uncertain about how Openreach uses and implements their feedback.

- 4.12 We have also noted feedback from some providers that they would welcome further assurances that Openreach does not discriminate in favour of BT in the development of its new products.

Other areas of engagement during the year

- 4.13 Openreach meets regularly with its customers at both working and senior level. The frequency of these meetings varies by communication provider as does the existence of a direct point of contact for providers to engage with Openreach. In response to our request for stakeholder input in April 2019, some providers expressed a disjoint between their experiences engaging with Openreach at senior levels versus working levels.
- 4.14 OBARCC invites a communications provider to each of its quarterly meetings, an engagement process that was started in October 2018. Through inviting providers, Openreach seeks to understand any issues they may have as well as how the providers view Openreach's compliance with the Commitments.
- 4.15 Openreach participates in a variety of industry groups and forums, including industry working groups chaired by the OTA2.²⁴ Many of these meetings occur monthly and provide opportunities for stakeholders to work constructively together and to share experiences of engaging with Openreach.
- 4.16 In December 2018, the 'Openreach Northern Ireland Regulatory Compliance Committee' was refocused on compliance progress and to facilitate industry engagement in Northern Ireland following the change of host organisation and launch of the Openreach brand.
- 4.17 We note that BT Group and Openreach have taken steps to be more engaged with the industry and more transparent about their interactions. In general, providers acknowledge efforts made to increase transparency such as BT hosting an industry stakeholder event in March 2019 to set out how the Commitments are being complied with and publishing its strategy and financial planning Guidance Notes.
- 4.18 However, some providers still have concerns about the interactions between Openreach and parts of BT, specifically around the potential for their confidential or commercial information to be inappropriately shared. As noted elsewhere in this report, this is a key focus for BT and Openreach assurance and our monitoring.
- 4.19 Communications providers have welcomed some improvement in engagement with Openreach, but further work is required to build confidence and trust, including in Northern Ireland. We will continue to monitor Openreach's engagement with its customers, focusing on how it demonstrates independence from BT and its commitment to equal treatment.




²⁴ [OTA2 website](#).

5. Openreach and fibre networks

- 5.1 A key focus of our monitoring is the extent to which Openreach is supporting the delivery of improved industry, and ultimately consumer, outcomes. In particular, we are focusing on the deployment of fibre networks.
- 5.2 While we recognise that outcomes are not driven exclusively by Openreach, its decisions and the nature of its engagement with customers can influence industry progress in improving outcomes for consumers.
- 5.3 Transparency of BT and Openreach’s compliance with the Commitments and how BT exercises its parent company responsibilities helps build confidence in Openreach’s independence and ability to treat all its customers equally. This in turn enables industry to build products, services and networks in an environment where participants can invest and compete with confidence.
- 5.4 Our November interim report set out the indicative metrics we would use to consider the impact of Openreach reform on consumer outcomes, namely: the availability of fibre; consumer access to decent broadband; and the quality of service provided to consumers by Openreach.
- 5.5 We also outlined our intentions for monitoring the progress of wider industry outcomes. Our focus continues to be on whether, following legal separation, Openreach is contributing to – or inhibiting – industry developments for the benefit of consumers.

Consumer outcomes

- 5.6 In July 2017, we explained that we would track Openreach’s performance on consumer outcomes in three areas. The table below sets out the latest available information:

Widespread availability of fibre broadband		July 2017	Nov 2018	March 2019
 Metrics	Number of premises passed by Openreach Fibre To The Cabinet (FTTC) products	26m	27m	27.5m
	Number of premises passed by Openreach G.Fast*	Pilot deployment	1.3m	2m
	Number of premises passed by Openreach Fibre To The Premises (FTTP)	345,000**	682,000	1.2m
Decent broadband connectivity for everyone				
 Metrics	Proportion of premises unable to receive a download speed of at least 10Mbit/s	5%	3%	2%
	Proportion of SMEs unable to receive a download speed of at least 10Mbit/s	8%	7%	4%
A step change in quality of service				
 Metrics	Proportion of Openreach installations on time	93%	95%	94%
	Proportion of Openreach repairs within agreed time	83%	84%	87%
	Average first available Openreach appointment	8 working days	7 working days	7 working days
	Proportion of Openreach appointments missed	2%	2%	2%

*In August 2018, Openreach announced that it was reducing its G.fast coverage target to 5.7m lines (previously 10m) to focus on FTTP.
 **In our previous report, this metric was incorrectly reported as 435,000. This table provides the corrected figure.

Availability of fibre broadband

- 5.7 Openreach continues to deploy fibre networks as part of its 'Fibre First' programme and has increased its deployment rate during the past year. In May 2019, BT announced Openreach's target for building fibre broadband connected directly to homes and offices has now been increased to 4 million premises by March 2021. BT recently announced its ambition for Openreach fibre to reach 15 million premises by the mid-2020s.²⁵
- 5.8 Openreach has taken significant steps to facilitate its fibre build activity, investing in the development of 12 state-of-the-art training centres and the recruitment of 6,500 engineers.²⁶
- 5.9 We will continue to monitor Openreach's fibre deployment as an indicator of its contribution to the UK's broadband needs. We will also be seeking further clarity on how the ambition of reaching 15 million premises will be supported by BT investment in order to be realised.

Decent broadband for everyone

- 5.10 In recent years there has been continued, albeit marginal, improvement in reducing the proportion of premises which do not have access to decent broadband: a download speed of at least 10Mbit/s and upload of 1Mbit/s.
- 5.11 Ofcom is implementing the UK Government's broadband universal service obligation (USO) which will give homes and businesses the right to request decent and affordable broadband subject to the eligibility criteria set by government. An estimated 620,000 homes and offices could benefit from the new scheme.²⁷
- 5.12 Following the designation of BT as universal service provider, Openreach will have a key role supporting the delivery of the USO to eligible customers. We are aware that this may give rise to some industry concerns about the management of confidential information between Openreach and BT.
- 5.13 As part of the implementation of the USO requirements, BT and Openreach will be required to put in place, and report on, measures to comply with the legal requirements in the universal service conditions to protect information.

Quality of service

- 5.14 Measures of the quality of service provided by Openreach to its customers have shown a marked improvement in recent years. There is still more to do, and we expect to see Openreach continue to improve its service, although we recognise its performance is not the only driver of consumers' service experience.

²⁵ BT Results for the full year to 31 March 2019. Targets were previously 3 million and 10 million premises respectively.

²⁶ [Openreach is recruiting another 3,000 new trainee engineers](#). Openreach, 2019.

²⁷ [Countdown to the new broadband safety net](#). Ofcom, 2019.

- 5.15 The metrics in the table above were chosen specifically to monitor Openreach's efforts to improve how it provides service to its customers. With those measures having improved and appearing stable, Ofcom's focus is increasingly on how industry more broadly is acting to deliver quality services for end consumers.
- 5.16 We will continue to monitor Openreach's service performance to ensure it is meeting the needs of wholesale customers, consumers and businesses.
- 5.17 More broadly, Ofcom continues to focus on ensuring that consumers are protected and experience good quality service through a number of initiatives including:
- a) Our annual Comparing Service Quality reports²⁸ which provide comparative metrics on communications providers' quality of service, including broadband services;
 - b) The Automatic Compensation Scheme²⁹ announced earlier this year which set out how broadband and landline customers will automatically get money back from their service provider when things go wrong, without having to ask for it; and
 - c) A new broadband speeds Code of Practice³⁰ which means consumers will get clearer information about speeds when they buy a broadband service, reflecting the speeds that they are likely to experience at peak times of service.

Industry outcomes

- 5.18 BT and Openreach must demonstrate that they are committed to the new arrangements and their governance to build trust and enable other network providers to invest and compete with confidence as well as ensuring that Openreach is making a positive contribution to industry developments for the benefit of consumers.
- 5.19 There are some specific factors that we previously set out as indicators of whether Openreach is contributing to, or enabling, fibre network deployment. Namely, whether it is:
- a) working with its customers to support continued investment, including approaches such as co-investment and risk sharing where appropriate;
 - b) engaging with its customers on major, strategic network investment programmes; and
 - c) responding promptly and effectively to its customers' needs when developing new wholesale products and services.
- 5.20 Our monitoring is particularly focused on how Openreach is deploying its own fibre network and its role in the provision of access to BT's duct and pole infrastructure.

²⁸ [Report: Choosing the best broadband, mobile and landline provider](#). Ofcom, April 2019.

²⁹ [Automatic Compensation Scheme](#). Ofcom, April 2019.

³⁰ [Guide to the Broadband Speeds Code of Practice](#).

Competing fibre networks

- 5.21 In the 2016 ‘Strategic Review of Digital Communications’, Ofcom set out its vision of the UK’s fibre future, with widespread availability of competing fibre networks driving innovation and affordable prices for consumers and businesses.
- 5.22 Our December 2018 consultation ‘Promoting investment and competition in fibre networks’³¹ set out in more detail our strategy on network competition and deployment to further the interests of citizens and consumers.
- 5.23 While encouraging progress has been made, there is still a long way to go. Overall availability of fibre broadband connected directly to homes and offices across the UK remains low at 7% of premises passed.³² We expect to see this increase with further rollout by Openreach and other operators and will remain focused on the role of BT and Openreach in contributing to the development of UK fibre infrastructure.
- 5.24 We recognise that investment can be challenging for competing network providers while, on the other hand, Openreach faces challenges in responding to competitive entry.
- 5.25 We acknowledge that Openreach’s approach to the development of its fibre footprint can have consequences for its customers and competing providers. Indeed, some concerns have been raised with us about the impact of Openreach activity on the fibre build intentions of alternative network providers.
- 5.26 As part of our monitoring we have gathered a substantial amount of evidence to better understand how Openreach makes decisions in relation to its rollout of fibre broadband connected directly to homes and offices. To date we have not seen evidence that Openreach has sought to strategically undermine competing network investment. Nevertheless, we remain alert to such concerns and stand ready to review and investigate any allegations of anti-competitive behaviour or breaches of regulatory obligations.
- 5.27 As set out earlier in this report, Openreach is progressing with roll-out at pace of fibre broadband connected directly to homes and offices. In January 2019, to improve transparency of its build plans, it announced 11 new locations for its ‘Fibre First’ network build and committed to publishing further information on its website detailing forthcoming build plans.³³
- 5.28 We note that during the year Openreach developed price discounts for its wholesale services to encourage take-up of fibre services by its customers.
- 5.29 However, notwithstanding Openreach’s intentions to be more open to collaboration, during the year we have not seen compelling evidence of Openreach engaging and seeking to pursue co-investment initiatives put forward by providers. This is despite some providers having actively sought discussions with Openreach in terms of co-investment opportunities.

³¹ [Promoting investment and competition in fibre networks](#). Ofcom, December 2018.

³² [Connected Nations Update - Spring 2019](#). Ofcom, May 2019.

³³ [Openreach announce 11 new locations as part of the Fibre First programme](#). Openreach, 2019.

- 5.30 In response to our February request for stakeholder input, we note that there are still some provider frustrations with the practicalities of collaborating with Openreach, and a concern that product development processes may be too tailored to the needs of BT Consumer.

Access to BT's physical infrastructure

- 5.31 The UK telecoms networks rely on physical infrastructure, such as underground ducts and telegraph poles to connect high capacity fibre lines.
- 5.32 The provision of access to ducts and poles by Openreach via its Physical Infrastructure Access (PIA) product is an important component for fibre network deployment by competing network providers as it can make it cheaper and easier to build new high-capacity connections for homes and businesses.
- 5.33 On 1 April 2019 a new PIA 'reference offer' – setting out the detailed terms and conditions for access to Openreach's ducts and poles – came into effect. In the first two months, Openreach has taken 885 orders (from 20 providers) to use the new product. The introduction of the new reference offer marks the start of the process of further developing and refining a product that can be used to deploy fibre networks at scale. Prior to the reference offer, there was a period of negotiation between Openreach and industry. We note that:
- a) Further 'phase two' work is required to enable providers to use the product on a large scale and at pace. Openreach will be working with industry to further improve the product over the next 6-12 months;
 - b) Some providers have expressed frustration about Openreach's approach to the development of the new reference offer. We note that Openreach's position on a number of issues was only resolved through interventions by the OTA2 and following senior level Ofcom and Openreach engagement;
 - c) Productive engagement in the negotiations from industry members was variable. Some providers appeared to be only genuinely engaged towards the end of the process once they had made internal strategic decisions about the use of duct and pole access (DPA) for their own network builds; and
 - d) There are undoubtedly some legitimate concerns and frustrations, raised both publicly and with us, relating to the negotiation process and product from providers. There is an existing process in place for resolving issues, facilitated by OTA2 and with escalation to Ofcom where necessary. We hope – and are starting to see indications that – over time as Openreach and providers build deeper commercial relationships it will lead to increased trust.
- 5.34 Developing trust between Openreach and DPA customers will be an important theme for the next phase of DPA development and we expect to see friction points reduced over time.

- 5.35 Ofcom's DPA team will be monitoring the implementation of further improvements to the PIA product, liaising closely with OMU. We will be paying particular attention to Openreach's handling of DPA customers' confidential data, and its ability to demonstrate 'no undue discrimination.'
- 5.36 We expect Openreach to implement appropriate mechanisms to alleviate industry concerns in this area and to be transparent about how DPA is working in practice. Openreach will also need to work with industry to further develop and refine the processes that form the detailed practical operation of the product as set out in the reference offer and deliver on the further enhancements it has committed to.
- 5.37 The Statement of Requirement process will continue to have a role to play in evolution of the DPA product.

Business connectivity

- 5.38 Demand for broadband connections is growing rapidly from businesses. Through its deployment of fibre broadband directly to homes and offices, and the provision of access to BT's ducts and poles, Openreach has a key role in the supply of business connectivity services.
- 5.39 Openreach is also a provider of 'leased line' ethernet connections to businesses and providers of communications services. These are high-quality, dedicated, point-to-point data transmission services and are essential to support mobile, business, and residential broadband services and form the backbone of the UK's digital infrastructure.
- 5.40 As at the end of 2018, 90% of small businesses had access to a superfast broadband connection, but this is less than overall superfast connectivity for all homes and business premises in the UK (94%).³⁴
- 5.41 The Business Connectivity Market Review published in June 2019 sets out Ofcom's latest decision on regulation of the market for these high-speed business services in the UK, including the imposition of unrestricted passive infrastructure access to the Openreach network for competing providers.³⁵
- 5.42 We expect this unrestricted duct and pole access to stimulate further investment in new networks and enable network-based competition in a significant proportion of the UK to emerge over time to serve both residential and business customer needs.
- 5.43 As noted earlier in this report, Openreach has, through its customer consultation process, engaged with industry on the delivery of its ethernet product offering. Within the context of the Commitments, OMU will continue to monitor how Openreach is collaborating with industry to enable business connectivity and deliver quality of service.

³⁴ Superfast broadband is a connection with at least 30 Mbit/second. [Connected Nations 2018: UK report](#). Ofcom, 2018.

³⁵ [Business Connectivity Market Review](#). Ofcom, 2019.

6. Looking ahead

- 6.1 Ofcom's 2019 Annual Plan reiterates our organisational commitment to facilitating and monitoring effective Openreach reform.³⁶ In the coming year, we will continue our monitoring of the separation of Openreach from BT and compliance with the Commitments.
- 6.2 Our annual monitoring reports in 2020 and 2021 will focus on the architecture, governance and processes of BT and Openreach and the behaviours of their people as we consider whether the changes have been embedded sustainably.
- 6.3 BT and Openreach acknowledge the need for continued effort and focus to ensure the new governance arrangements and supporting processes are sustainable. We recognise that this is a journey of cultural, as well as structural, change which needs time to be embedded in the architecture and the behaviours of the people across both organisations.
- 6.4 Over time we expect to see this change - and Openreach independence - being institutionalised, so that the new arrangements are not just effective but also resilient, for example in the face of changes to key personnel or industry environment. We recognise there may be times where BT Group and Openreach disagree and encounter tensions during decision-making processes – in such cases we will be looking to see that these are resolved constructively taking into account the needs of Openreach customers.
- 6.5 We will continue to monitor the impact of the arrangements on the broader objectives of the Strategic Review of Digital Communications to enable access to fast, reliable broadband through the development of competing networks. This will include monitoring Openreach's fibre rollout as well as how it is engaging with its customers and supporting fibre delivery across the industry.
- 6.6 We are considering how well the new arrangements are delivering for consumers and businesses over a three-year timeframe. Our assessment will consider the effectiveness of the actions taken by BT Group, and specifically by the more independent Openreach, to address our competition concerns, to encourage new investment in networks and to benefit consumers. Our assessment will be made in the context of the wider landscape of UK fibre rollout.
- 6.7 We will continue to work closely with BT, Openreach, Openreach's customers and other industry stakeholders to inform our monitoring.
- 6.8 If stakeholders have concerns about specific aspects of the service they have been provided by Openreach, they should continue to contact BT or Openreach in the first instance. However, we remain open to hearing from any stakeholders who wish to share information or comments on Openreach's compliance with the Commitments by contacting OMU@ofcom.org.uk

³⁶ [Ofcom Annual Plan 2019/20](#).