



Jonathan Oxley  
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Dear Jonathan,

**UNDERTAKINGS OF 22 SEPTEMBER 2005 GIVEN TO OFCOM PURSUANT TO THE ENTERPRISE ACT 2002 – “The Undertakings”: plans to complete Operational Support Systems separation**

Section 5.44.2 (a) of the Undertakings requires BT to run Openreach Operational Support Systems (OSS) physically separate from those used by the rest of BT *“when reasonably practicable and proportionate, unless otherwise agreed between BT and Ofcom”*.

Customer Side Records relating to retail supplies of a specified set of retail business products, as described below, remain on OSS that are shared between Openreach and the rest of BT. BT considers that, for the reasons set out below, it would not be proportionate for these Customer Side Records to be moved to an OSS that is physically separated from Openreach OSS. We invite Ofcom to confirm that it agrees with this assessment and therefore that the requirements of 5.44.2(a) should not apply.

**Achievements to date**

We have achieved all the measured milestones in the Undertakings relating to systems separation, including Customer Side Records and EOI targets that BT notified to Ofcom under section 5.44.2 (d).

Our migration programme to move Customer Side Records from shared OSS to physically separated downstream OSS continues through 2015/16, and by 31 March 2016 we project that more than 96% of all Customer Side Records will have been moved to physically separated systems and around 99% of customers will be supplied only products based on EOI inputs from Openreach. By March 2016, significantly more than half of UK retail business customers’ Customer Side Records will have been moved to physically separated systems, and the majority of these customers will consume only products built using EOI inputs from Openreach.

**The “tail” of business products**

At March 2016, there will be a number of downstream business customers whose Customer Side Records will remain on OSS shared between Openreach and other parts of BT (the “tail”), and that may consume products that are not built using EOI inputs from Openreach.

Products included in the “tail” are listed in the Annex. These products are all supplied by BT to retail business customers. The Customer Side Records for these retail customers remain on OSS that are shared between Openreach and other parts of BT. Some of the products in the “tail” could be constructed using EOI inputs from Openreach e.g. ISDN2. However, the majority of the products (in terms of number of *products*) in this “tail” are not ones that have or need an input from Openreach,

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being downstream services that have been historically supplied alongside traditional voice and data products.

All of these products, whether or not they are capable of being constructed using EOI inputs from Openreach, have low and declining sales volumes. Most are legacy products that are not actively sold and many of them have been superseded by products that use more up to date technologies. The volumes of these products supplied will continue to decline as customers either churn away from BT or migrate to newer product options. As customers move to newer products that supersede these legacy products, including IP-based voice services in line with BT's stated aim of moving to an all-IP future by 2025, they will move to products built on EOI inputs that are supported on physically separated OSS, and their Customer Side Records will also move to fully separated OSS as a consequence.

It is important to draw attention to three categories of customers in the "tail", those that are supplied with ISDN2 or ISDN30 DASS channels, and those that have special security requirements.

### **ISDN2**

The "tail" includes ISDN2 channels. All supplies of ISDN2 and ISDN30 services to new customers since 2007 have used EOI inputs from Openreach, and the Customer Side Records associated with these have been on an OSS that is Level 2 separated, as defined in the Undertakings. The ISDN2 channels supplied to businesses that were customers of BT prior to 2007 (around 298,000 channels at May 2015), have not yet been moved to fully EOI-based ISDN2, and the Customer Side Records relating to these are currently on a shared OSS. BT has committed to migrating all these ISDN2 channels to the same Level 2 separated OSS that is used for supplies to new ISDN customers since 2007, and at the same time to use only EOI ISDN2 from Openreach, with the intention of completing this by April 2017.

Although ISDN2 is still regulated at the wholesale level, we forecast that an annual decline in ISDN2 volumes of around 10% (both in the market as a whole and in the volumes supplied by downstream parts of BT) will continue, and at some point in the next few years customers will migrate off ISDN2 as businesses recognise the benefits of IP-based alternatives, and taking into account BT's stated vision that all its voice customers will use IP-based products by 2025. Notwithstanding the expected rapid decline in volumes, ensuring that all ISDN2 customers are on Level 2 separated OSS by April 2017, consuming the EOI variant from Openreach, will further support a level playing field in relation to the retail market for the product.

### **ISDN30 DASS**

The majority of ISDN30 services supplied by BT in the UK use ISDN30e, which uses European standard (ETSI) signalling. Prior to the introduction of ISDN30e in 1999 BT sold an earlier version, ISDN30 DASS, launched by BT in the 1980s, which uses a different, proprietary signalling system (Digital Access Signalling System). Nearly all supplies of new ISDN30 channels since 2007 have been ISDN30e - since that year only around 5,000 channels of ISDN30 DASS have been supplied to customers new to BT.

The capability to support ISDN30e has been built on separated downstream OSS, and migrations of relevant ISDN30e Customer Side Records will be complete by the end of 2015/16. The capability to support ISDN30 DASS has not been built. The volumes supplied are far lower than ISDN30e, and in continued decline, and because of significant differences between ISDN30e and ISDN30 DASS it is not possible to re-purpose OSS capability already built for ISDN30e.

## **Customers with secure requirements**

The “tail” also includes retail business and government customers that have very specific security requirements, including government departments and other businesses and organisations that need to keep some or all aspects of their communications arrangements secure. These customers consume a range of voice and data products that are configured to the customers’ specific security requirements. The Customer Side Records of these customers remain on shared OSS, because building bespoke capabilities in downstream OSS would be complex, given the range of security requirements relating to the contracts.

The criteria for inclusion in this category are as follows:

- Tier 1 – Sensitive Customers. Customers whose communications arrangements are highly confidential, relating to matters of national security. These customers require their data to be treated within government classifications and guidelines. The special level of protection for these customers has to be approved by external sponsors, in accordance with formal BT Group level processes.
- Tier 2 – Secure contracts. Customers with contractual requirements with stricter security restrictions than normal terms and conditions. This category includes some government departments and agencies and on occasion their contractors. For government departments there will be a Security Aspects Letter included in the contractual arrangements, setting out the customer’s particular security requirements.
- Tier 3 – Restricted contracts. Customers with contracts that include geographical or other restrictions – for example restrictions on where geographically data relating to the contract can be held or accessed.

The confidential nature of these customers means that we cannot identify in this letter the individual customers in these categories, but BT has projected that the customers in these categories will be using around 141,000 lines/channels by March 2016.

Where possible Customer Side Records relating to these types of customers will be migrated off the OSS that are shared with Openreach, but only if the customers’ security requirements can be met. We will continue to explore opportunities to migrate these customers’ records onto separated OSS, but in the foreseeable future they will be maintained on shared systems to ensure the levels of service required by these customers’ contracts.

## **Conclusions**

We believe that it would be disproportionate to require BT to further separate the Customer Side Records relating to this “tail” of products/customers, because:

- The products in the “tail” are of low and declining volumes, and consequently of low and declining importance in competitive retail markets. Many of the products are being rapidly superseded by IP-based alternatives, many are no longer actively sold by BT or other CPs, and many of the products are not dependent on inputs from Openreach.
- Each product in the “tail” has unique characteristics and this, combined with the low and declining volumes, means that the cost and resources needed to develop functionality on downstream OSS to accommodate this relatively large range of disparate products would be significant and likely in many cases to be in excess of the retail margins on the supply of these products.

- There is no evidence that maintaining Customer Side Records relating to the “tail” on shared OSS is causing any adverse impacts on competition or customer choice. CPs have been able to gain these customers from BT, and when migration problems do arise they are dealt with quickly and efficiently, and loss of customers to other CPs will continue to reduce the size of the “tail”.
- BT will continue to rationalise its portfolio of retail business products, withdrawing legacy retail products in the “tail” as they become uneconomic to support, while other products in the “tail” that have historically been sold alongside traditional voice and data products will continue to decline in importance and volumes supplied.
- We expect significant numbers of customers to migrate from legacy products in the "tail", onto more modern successor products including IP-based voice services that have already been launched by BT's business-oriented lines of business, and which are built on EOI inputs. These IP-based products are fully supported on separated OSS.
- Existing controls over access to systems means that nobody outside Openreach is able to access Openreach-owned information relating to any customer.

We therefore invite Ofcom to confirm that they agree with BT's view that, under section 5.44.2 (a), it would be disproportionate to require BT to further separate the Customer Side Records associated with the products listed in the Annex beyond that level currently committed to as indicated in the Annex.

Yours sincerely.



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Group Director Regulatory Affairs  
BT Group plc

## Annex – Products in the “tail”

The Customer Side Records relating to the following products are either on shared OSS or on Level 2 separated OSS. It should be noted that the figures shown below are estimates at the time of writing and are given to indicate the relative significance of the products in the "tail". These figures will change over time due to various factors such as customers changing supplier and portfolio rationalisation.

Type	Total Lines/ Channels	
	Shared OSS (see note 1) '000s	Level 2 separated OSS (see note 2) '000s
ISDN2		300
ISDN30 DASS	122	5
Customers with Secure Requirements	141	
Embark (Centrex based voice service)	101	
Inbound Services	104	
Featureline Auxiliary	66	
Large switchboards	39	
Blocked lines and channels	37	
Private payphones	29	
Small switchboards	17	
Featureline Corporate	15	
LAN	12	
Local codes	11	
BT Net	11	
Customers in Debt Management	9	
Featurenet	7	
Phonedisc	3	
Dummy Installations	3	
Private Circuits	3	
Billing related codes	2	
CPE	2	
Structured Cabling	2	
Charge Card	1	
Headsets	1	
Test lines	1	
PC Backup	1	
Miscellaneous, including Fax Machines, Payphones and SIP Trunking (legacy platform)	1	
<b>Totals</b>	<b>741</b>	<b>305</b>

### Notes

1. These figures are estimates of how many lines/channels will remain on the shared OSS at March 2016, taking into account likely rates of churn (change of supplier), based on historic trends.
2. This figure is an estimate of the number of ISDN2 and ISDN30 DASS channels that will, by April 2017, be on Level 2 separated systems, not physically separated systems.