

David Clarkson
Competition Policy Director
Ofcom
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

8 March 2021

Dear Dave,

As you know, Clive Selley wrote to Melanie Dawes on 26 June 2020 confirming that we are planning to build out commercially (i.e. without public subsidy) to at least 3.2m premises in Area 3 cumulatively by the end of 2025/26. That letter also set out that this plan was based on a number of assumptions about the future regulatory framework that would apply to this investment.

We then announced publicly our 3.2m plan on 29 July 2020 including a list of exchanges representing our initial Area 3 commercial build plans. We have also provided Ofcom and DCMS with an additional list of exchanges covering our provisional build plans out to 2025/26 to reach our target.

Ahead of your WFTMR Final Statement due later this month, you have provided us with an updated list of postcode sectors for Area 3. Our analysis of this list shows around 800k premises move from Area 3 to Area 2 and around 640k move from Area 2 to Area 3, meaning a net reduction of about 140k premises in Area 3. This change in composition of Area 3 has a bigger impact on our planned 3.2m commercial build plan. We estimate that 29 exchanges accounting for around 370k premises within our previously announced/planned plan now move from Area 3 to Area 2. It is difficult to estimate precisely how many premises from our already announced commercial build move from Area 2 to Area 3 but we estimate these to be small, perhaps 7-16k.

The change in the list of postcode sectors therefore creates challenges to meeting our originally announced 3.2m plan. While we believe that we could redirect some of the planned build to other exchange areas that would fall within the revised Area 3, we would face difficulties in changing build plans in 26 exchanges named on our website as part of our "Area 3" build which have moved into Area 2. These exchanges cover c.240k premises.

We are not proposing to change our 3.2m commitment but in light of the above, we wanted to highlight the increased risk that the changes in the Area 3 postcode sectors creates for this plan. To be clear, in the time available to us since Ofcom shared its revised area 3 footprint with us, we have not been able to reach a view on exactly how we propose to meet the 3.2m commitment. We would welcome Ofcom's reassurance that if there is ultimately a shortfall because of a change in this footprint, that this would not change its regulatory

Mark Shurmer
Managing Director, Regulatory Affairs


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approach to Area 3 and its recognition of the higher risk to the plan that the change in Area 3 postcode sectors creates.

Yours sincerely,



Mark Shurmer
Managing Director of Regulatory Affairs
Openreach

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