

OPENREACH & FUNCTIONAL SEPARATION

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OFCOM'S STRATEGIC REVIEW

The diagnosis...

“twenty years of slow product development, inferior quality, poor transactional processes, and a general lack of transparency”

Source: Strategic Review Phase 2 consultation, para 4.93

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THE STRATEGIC REVIEW SETTLEMENT

“Real
equality of
access”

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graph TD; A["Real equality of access"] --> B["Openreach (access/backhaul)"]; A --> C["Input Equivalence"]; B --> D["Stronger 'Chinese walls' within rest of BT"]; C --> E["New access products"]; D --> F["Cable&Wireless"]; E --> G["21CN regulatory principles"];
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Openreach
(access/backhaul)

Stronger “Chinese
walls” within rest of
BT

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Input Equivalence

New access
products

21CN regulatory
principles

WHY OPENREACH?

To reduce inherent incumbent conflict of interest

To support input equivalence

To ring-fence the 'non-competitive' part of the network

(implicitly) to create a supplier that is focused on all its customers

OPENREACH HAS DONE

A LOT

As independent as possible given BT Group ownership

Huge amount of organisational change

Delivery of system / product / process changes for equivalence

Improved transparency of internal supply

Senior management are doing things differently

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BUT.....

Service has deteriorated

New access products delivered late, or not at all

Equivalence has driven compliance mentality – not a focus on customers

Implementation to the letter, not the spirit, of BT's commitments

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REFLECTIONS ON THE UK'S EXPERIENCE (1)

Functional separation is a valuable
tool in the box

(and full ownership separation
probably even more so)

Regulator needs statutory powers
to impose and enforce

REFLECTIONS ON THE UK'S EXPERIENCE (2)

On its own, Functional Separation will not:

- deliver world-class service
- drive much greater efficiency

But it isolates the monopoly part of the UK network...

And facilitates complementary intervention to address these issues

Thank you

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